



Annual Report 1999

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WELCOME TO THE ANNUAL GENERAL MEETING The Annual General Meeting of Sanitec Corporation will take place on Tuesday 21 March 2000, beginning at 4 p.m. in the congress wing of Finlandia House, Mannerheimintie 13 E, Helsinki.

WHO MAY ATTEND? Shareholders who have registered themselves no later than 16 March 2000 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd. may attend the Annual General Meeting.

HOW TO ATTEND? Shareholders wishing to attend the Annual General Meeting must notify the company by 17 March 4 p.m. either by letter addressed to Sanitec Corporation, Share Register, P.O. Box 447, FIN-00101 Helsinki, by telephone +358 9 7095 405/Anne Niinikivi, by fax +358 9 7095 410 or by e-mail anne.niinikivi@sanitec.com.

Letters authorising a proxy to exercise a shareholder's voting right at the Annual General Meeting should be sent to the company before the notification period expires.

PAYMENT OF DIVIDEND The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.21 per share be paid on the 1999 financial period. The record date for dividend payment is 24 March 2000, and the dividend payment date is 31 March, should the Board's proposal be approved.

IMPORTANT DATES FOR THE SHAREHOLDERS

Registration for the General Annual Meeting	17 March 2000
General Annual Meeting	21 March 2000

Interim Reports during 2000

January-March	9 May 2000
January-June	7 August 2000
January-September	2 November 2000

Sanitec's financial information will be published in Finnish, Swedish and English. All financial information is available immediately after release also at Sanitec's website address <http://www.sanitec.com>. The reports can also be ordered either by post addressed to Sanitec Corporation, Communications, P.O. Box 447, FIN-00101 Helsinki (tel. +358 9 7095 400, fax +358 9 7095 470) or by e-mail leena.oikkonen@sanitec.com.

SANITEC IN BRIEF

Sanitec designs, manufactures and markets bathroom products and vacuum sewage systems through its subsidiaries. Sanitec is a multinational Group with 39 production plants, most of them in Europe. In addition, the Group has sales and marketing companies in all its main markets. Sanitec has reached its present strong position through both organic growth and acquisitions. Despite having its origins in Finland, about 95% of the Group's net sales are derived today from countries outside Finland. The Group ranks among the leading companies in its sector, both in terms of production volumes and profitability. Sanitec's business operations are divided into two business areas: bathroom products and vacuum sewage systems. The business areas differ from each other in terms of markets, customers and business cycles.

Sanitec is listed on the Helsinki Exchanges. The main shareholder is Metra Corporation.

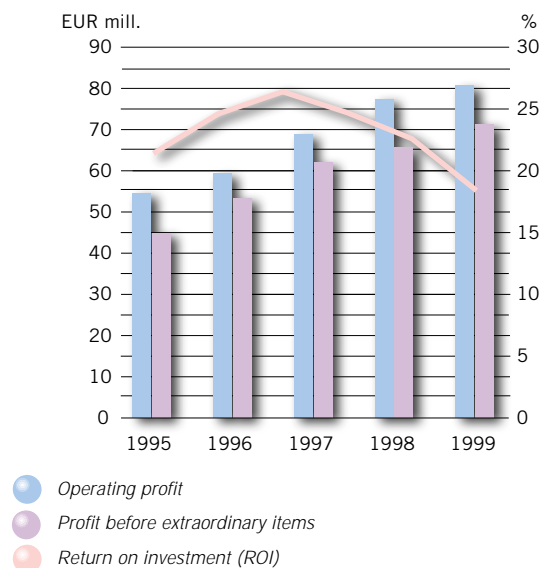
BATHROOM PRODUCTS Bathroom products are washbasins, toilets, bidets, vanity tops, shower products, whirlpools, bathtubs and related accessories.

The bathroom business is highly brand-oriented. Sanitec's bathroom products are mainly distributed through wholesalers to retailers and plumbers, which sell and install them for end customers. Most of Sanitec's operating companies are leaders in their local markets, where they have long-established roots and well-known brands.

VACUUM SEWAGE SYSTEMS Evac vacuum sewage systems consist of closed vacuum applications for ships, aircraft, trains and buildings. In addition, Evac's product range includes emptying systems for waste tanks and biological wastewater treatment systems and condense water collection systems.

Evac is the global market leader in its segment. It operates mainly on a project basis supplying systems tailored to the individual needs of its customers. Research and development is essential. Evac offers its customers environmentally friendly solutions, because vacuum technology saves water and offers integrated wastewater handling system packages. Evac's customers are shipyards and shipowners, airlines, aircraft manufacturers, railway operators, supermarket chains and construction companies. Evac markets its products globally both through its own sales companies and through local agents.

PROFIT DEVELOPMENT, 5 YEARS



FIVE YEARS IN FIGURES

		Proforma (1)					
EUR mill.		1999	1999	1998	1997	1996	1995
Net sales		630.0	630.0	570.8	496.4	451.9	419.8
of which outside Finland	%	94.8	94.8	94.7	94.7	94.8	95.0
Personnel on average		5,796	5,796	5,034	4,640	4,380	4,514
of which in Finland		403	403	391	374	348	357
Operating profit		80.6	80.6	77.4	68.8	59.3	54.5
Profit before extraordinary items		71.3	71.3	65.6	62.1	53.4	44.9
Return on investment (ROI)	%	18.4	22.6	24.7	26.4	24.6	21.4
Return on equity (ROE)	%	15.9	15.9	19.0	26.1	20.0	15.5
Solvency ratio	%	42.5	60.1	43.7	40.2	39.2	33.4
Earnings per share (EPS)		0.75	0.75	0.70	0.81	0.54	0.37
Equity per share		5.46	5.46	3.88	3.38	2.76	2.48

1) Proforma 1999 includes Sanitec Group key figures excluding effect of N.V. Koninklijke Sphinx Gustavsborg consolidation

PRESIDENT'S REVIEW

1999 was a very important year in the history of Sanitec Corporation. The company was listed on the Helsinki Exchanges on 6 July and the public offer for Sphinx Gustavsberg was made almost at the same time. Both events proved successful and Sanitec is stronger than ever.

Despite these extraordinary events our normal business performed according to our long-term targets. Net sales grew by 10.4% to EUR 630.0 million and the operating profit (EBIT) was EUR 80.6 million, or 12.8% of net sales. Earnings per share rose 7.1%, from EUR 0.70 to 0.75.

Since the main markets for our products are in the refurbishment sector we see that growth in demand is linked more closely to GDP growth in the countries where we are active, rather than to new construction. Our size, high profitability and strong cash flow position us well to grow further by actively participating in the ongoing restructuring of the industry. We aim to maintain average annual growth of 10% and good profitability also in the new millennium.

The European bathroom products markets relevant to Sanitec are worth about EUR 10 billion annually. Sanitec is the second biggest player with a market share of approximately 8%. The low figure shows that the markets are fragmented and there is still big growth potential for us. In bathroom ceramics there are three major players, who together represent half of the total European market. After the Sphinx Gustavsberg acquisition our position in bathtubs and showers has improved strongly and we are now one of the three leading European companies in this business as well.

The vacuum sewage systems group Evac has maintained its high growth partly due to the acquisitions of Sanivac and AquaMar in Germany. The acquisition costs together with additional marketing activities and some low-profit train projects, however, caused a dip in profits. As Evac's market prospects continue to be bright, the main focus will be on increasing the profit level by monitoring cost development in the project business. We are convinced that there will be attractive business potential in the segments where Evac is active.

The integration of the Sphinx Gustavsberg factories into Sanitec's production network will be one of our main tasks during the next two years. We see a lot of potential for cost savings in ceramics by introducing the most efficient technology to the plants and by applying low-cost sourcing to the Sphinx Gustavsberg products. In bath and shower products, costs can be saved in components purchasing and product development.

The acquisition increased Sanitec's personnel to 8,399. We wish our new employees welcome and hope you will enjoy your work in the new Sanitec Group, which we are committed to building up jointly.

I will soon leave the helm of Sanitec in the capable hands of my successor Mr Berndt Brunow. My time with Sanitec has

been stimulating and motivating and I am convinced that new exciting times lie ahead. I would personally like to thank Sanitec's personnel for your commitment and contribution to the success of our company during the past years and wish you all the best for the future.



Henrik Eklund
February 2000



Executive Vice President Mr Berndt Brunow (left)
and President and CEO Mr Henrik Eklund

"My vision for Sanitec in the future is as a creative supplier of complete bathroom concepts."

SANITEC HAS AN INTENSIVE GROWTH PATH BEHIND IT; HOW DOES ITS FUTURE LOOK?

Mr Berndt Brunow was appointed Executive Vice President of Sanitec Corporation on 1 September 1999. He will succeed the current President and CEO Mr Henrik Eklund, who has announced his intention to resign as President and CEO after the Annual General Meeting on 21 March 2000. Mr Brunow was earlier President of the converting materials division of UPM-Kymmene, before which he held several leading positions within the paper industry.

As you, Mr Brunow, face the challenge of leading Sanitec into the future, what do the following expressions bring to your mind?

VISION

My vision for Sanitec in the future is as a creative supplier of complete bathroom concepts. Environmental issues are already an essential part of our business. In the future the availability of fresh water and protection of our seas will be crucial issues for all of us. Sanitec is in a unique position to face these issues by further developing its water saving technologies and closed processing and recycling sewage systems.

CHALLENGE

The structure of the industry is rapidly changing. In order to succeed, we must not only adapt to change but lead the way and create opportunities by being innovative and open to new ideas.

For many years we have succeeded well in the bathroom ceramics business and obtained the leadership in that area. We wish to achieve a similarly strong position in the bath and shower and vacuum system businesses. From there onwards, the challenge is to discover inventive new directions.

MOTIVATION

During the six months I have worked at Sanitec I have learned to appreciate our motivated and highly skilled personnel. My ambition is to lead a company that provides a creative atmosphere and motivates its employees. Our personnel and our customers are the key elements in meeting the demanding targets we have set ourselves.

SHAREHOLDER VALUE

In my opinion, shareholder value is ultimately the result of doing the right things in the right way. It is not enough, however, just to be successful in business operations. In addition, we need to continuously communicate our actions in an open and reliable way to all our stakeholders, and make sure that our message is clearly understood.

BUSINESS DESCRIPTION

MARKET OVERVIEW

Bathroom products In Europe the bathroom business is estimated to have total annual sales value of EUR 10 billion and worldwide about EUR 28 billion. Sanitec's product range covers most product segments. Growth in Europe is estimated to be in the region of 2% annually. Sanitec's annual organic growth during the 1990's was approximately 5%, about double the market growth at the same time.

The European bathroom ceramics business is undergoing a period of vigorous consolidation in which Sanitec is playing an active role. The shower and bathtub segment is still fragmented and specialised. Another fundamental change has been the transformation of the eastern parts of Europe, resulting in new and rapidly expanding markets. Lately Sanitec has considerably strengthened its position on the bathtub and shower markets, mainly by acquisitions.

The ceramic bathroom products markets are typically divided into three price ranges; high-, mid- and low-range products. Mid-range and low-range products have accounted for an increasingly large share of sales in the bathroom ceramics sector in recent years. Sanitec manufactures products for all price ranges at high quality standards and is well prepared to face the challenges in changed product demand. Sanitec has succeeded in maintaining its profitability at a high level. It has even raised profitability further through productivity enhancements and cost reductions at its factories and by acquiring new production capacity in countries with a competitive cost structure.

Vacuum sewage systems Sanitec markets vacuum sewage systems globally, mainly for mobile use, through its subsidiary Evac. Its core products are closed toilet systems for use in aircraft, ships and trains. In the renovation of commercial buildings, Evac's vacuum technology provides flexible solutions which traditional gravity systems are unable to offer. For supermarkets it has developed a system for collecting condense water from refrigerated display cases. In the marine sector Sanitec is now able to offer treatment of grey and black water including a computer-based system which provides full control of the vessel's wastewater systems.

Evac's business operations are global. Evac is also the only company in the business to be active in all the segments mentioned above. Research and development is essential to Evac's success and Evac continuously patents new products and solutions. Furthermore, Evac markets other bathroom products from Sanitec's portfolio to shipyards, shipowners and airlines through its global sales network.

The worldwide transportation sector is currently enjoying an upswing. Growing demand for Evac's products is being driven by increases in passenger volumes, for example in the aviation and

cruise industry, as well as by the exceptionally fast growth in the need for retrofits, especially in passenger coaches for the privatised European railways.

CONSUMPTION TRENDS Consumption is affected by general economic trends and cycles in the building, construction and renovation markets.

Economic development has been favourable in recent years and interest rates continue to be low. Western European consumers are spending more on bathroom interiors. The renovation sector, which accounts for about 70% of Sanitec sales, is the principle component of the recovery in the European construction markets. Resources are rather re-allocated to improve existing real estate than to new construction. Government programmes and tax benefits are also stimulating the demand for renovation. The stability of Sanitec's operations is further supported by the fact that its subsidiaries operate in a number of countries, balancing out local market fluctuations on a group level.

Certain social trends support the generally favourable economic environment in Europe: housing standards are increasing, hygiene is of great importance, and with an ageing population, fitness and healthcare products are growing in popularity. Sales of shower walls and luxury shower cubicles are showing rapid growth. Product innovation creates new needs in modern interiors and environmental issues are becoming increasingly important. Water saving and environmentally friendly production methods are required by today's customers.

Tastes, habits and design still differ from one market to another. Sanitec keeps in contact with the local markets to meet and monitor demand. In product development the time from concept to finished product is being continuously shortened, processes are being improved, and internal benchmarking and co-operation are being encouraged to enhance Group-wide benefits.

Depending on the various segments Evac operates in, the cycles in the vacuum sewage system business follow a different pattern than the other bathroom business. The growing demand for worldwide transportation is a central feature in these markets.

DISTRIBUTION The traditional distribution chain is still from manufacturer to wholesaler, installer and end customer. As wholesalers are consolidating their operations parallel to manufacturers, a key success factor is to have established relations with them. Sanitec addresses plumbers, planners and architects via its technical sales forces. Through its subsidiaries Sanitec has long and well-established contacts with the local distributors in various markets. At the same time it is closely following new trends, such as increasing sales via "do-it-yourself" chains and the expanding importance of the Internet.

In vacuum sewage systems the global customer base is much more concentrated than in the bathroom product market and customers are approached directly. The key is to quickly understand the customer's needs, offer engineering competence, source globally and provide efficient project management.

SANITEC'S STRATEGY AND GOALS Sanitec's goal is, while maintaining its leading position on the European market, to enter new markets and segments by pursuing a global strategy. As the world leader in vacuum sewage systems, Sanitec targets to develop the technology for wider applications and to create new market opportunities.

In line with this strategy, Sanitec aims to acquire companies with strong market positions in new markets, in addition to maintaining the recent pace of organic growth. Sanitec's objective is to acquire companies which would supplement its current product range or further strengthen its market position. In emerging markets outside Europe Sanitec will carefully evaluate opportunities which in the long-term will increase value. In the bathtub and shower product markets, Sanitec intends to grow in Europe and expand its product range, thereby building up a sufficient size in the European markets.

Sanitec owes part of its success to a decentralised operating model and multibrand strategy. Brand leadership in the markets is essential. Tastes, habits, standards and design are different in the various markets and brand loyalty is traditionally strong.

Sanitec has an extensive production network. Its advanced manufacturing technology and "best practice" working methods have been adopted throughout the Group in order to increase productivity and reduce manufacturing costs. The supply chain is continuously scrutinised and improved to meet with today's stringent quality standards, and delivery and service requirements. Further emphasis is placed on opportunities to maximise efficiency and profitability by monitoring sales trends, and by developing distribution methods and sales promotion.

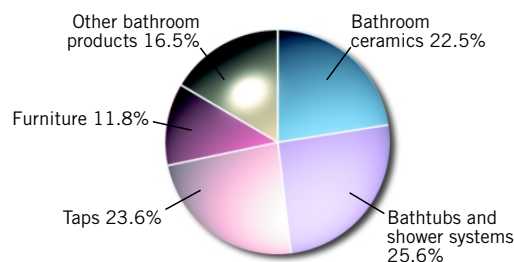
Evac continues to enhance its global presence and to be as close to customers as possible. In 1999, for example, new offices were established in China to serve shipbuilding and construction industry, and in Brazil to support the growing aviation and construction activities.

SANITEC'S FINANCIAL PERFORMANCE AND TARGETS

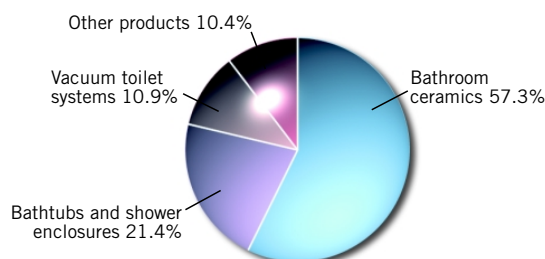
Parallel with its numerous acquisitions and rapid sales growth, Sanitec's operating profit has varied between 13% and 14% of annual net sales in recent years. In terms of profitability it outperformed its European peer group. While the acquisition of Sphinx Gustavsberg will have an adverse effect on Sanitec's profitability in the short term, synergy potential and restructuring will restore the profitability level in a few years. The impact on earnings per share will be neutral during 2000.

Sanitec aims to maintain good growth of net sales and good profitability in the future. Its long-term return on investment (ROI) target is over 20%. Cash flow from operations has varied between 10% and 15% of net sales and has been sufficient to finance both its industrial investments and its acquisitions without significant outside financing. Cash flow is expected to remain strong, allowing financing of further investments and acquisitions.

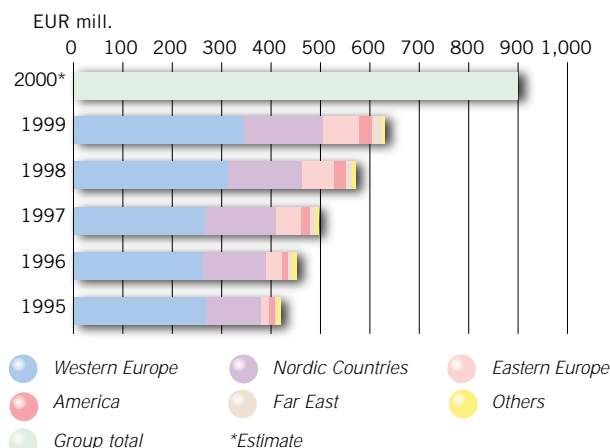
MAJOR PRODUCT GROUPS OF EUROPEAN BATHROOM BUSINESS 1999



SANITEC'S MAJOR PRODUCT GROUPS



SANITEC'S NET SALES BY MARKET AREA



BUSINESS ENVIRONMENT Sanitec's net sales are affected by general economic trends and by business cycles in the building and construction market. Approximately 70% of Sanitec's sales are derived from the renovation market. Sanitec's cyclical sensitivity is thereby reduced since economic fluctuations have a stronger impact on new-building construction. The stability of Sanitec's operations is further supported by the fact that its subsidiaries operate in a number of different countries, which at a group level may balance out local market fluctuations.

The successful integration of Sphinx into the Sanitec Group and Sanitec's sustained ability to maintain its current high productivity and competitive cost structure will be of vital importance to the advantageous development of the company.

FINANCIAL RISKS Sanitec's policy is to minimise the impact of foreign exchange, interest rate, and credit and liquidity risks on the Group's cash reserves, profits and shareholders' equity. The risk policy outlines the responsibilities in financing and risk management and covers the use of financial instruments for handling the risks.

Foreign exchange risk Sanitec is an international group with its main business in Europe; 94.8% of its sales takes place outside Finland. The adjacent table giving the currency distribution in 1999 shows that 62.4% of invoiced sales and 64.5% of operating costs were in euro. The introduction of the euro has alleviated the management of foreign exchange exposure and reduced hedging costs. On the other hand, the Group companies also operate in many base currencies, and therefore maximum risk limits on a per-company basis have been set.

Within the commercial transaction exposure all relevant fixed purchase and sales contracts are hedged. Budgeted items are covered up to such time periods that both the prices and costs can be adjusted to the new exchange rates. These periods vary among Group companies from three to twelve months.

The derivatives used for these purposes and their nominal values are listed in the notes to the financial statements on page 31.

Interest rate risk The interest rate exposure represents the effect on earnings of changes in market interest rates. Sanitec's policy permits the share of floating rate loans as a proportion of total interest-bearing debt to vary between 30-70%. At the end of 1999 the ratio was 42.5% after adjustment of interest rate swaps and other hedging instruments.

At the end of 1999 the average interest and the refixing period rate of interest-bearing loan capital were 4.5% and 11 months respectively. The short-term portion of total interest-bearing loan capital was 43.2%. The maturity profile, division by currency and other information on debt is provided on page 29.

Liquidity risk At the year-end cash and bank amounted to EUR 30.8 million and committed (approx. 4 years) non-utilised lines to EUR 140 million. Furthermore, Sanitec has Finnish and Polish commercial paper (ECP) programmes to meet short-term financing needs.

Credit risk The management of the credit risks associated with ordinary commercial activities is the responsibility of Group companies. Credit risks related to the placement of liquid funds and to trading in derivative instruments are minimised by setting explicit lines for all the parties involved and by making agreements only with the most reputable domestic and international banks and financial institutions.

YEAR 2000 The change of millennium did not cause any problems in the operations of Sanitec.

CURRENCY DISTRIBUTION 1999

	Invoiced sales %	Operating costs %
EUR	62.4	64.5
SEK	12.2	19.4
PLN	7.4	5.2
USD	4.9	4.5
Other	13.1	6.4
Total	100.0	100.0

COMPANY STRUCTURE

BRIEF HISTORY Sanitec Corporation's parent company Metra Corporation was formed in 1991 through the merger of two Finnish conglomerates, Wärtsilä and Lohja. The bathroom business of Wärtsilä was incorporated as Sanitec Group in 1990. The Sanitec Group then comprised Wärtsilä Tammissaaren Posliini, Ifö Sanitär AB, Porsgrund A/S and Evac AB. Soon after its incorporation Sanitec expanded substantially by acquiring Allia S.A. in France and Keramag AG in Germany. Sanitec's acquisitions during the 1990s are listed below. Many of the companies have been manufacturing and marketing their products for several decades and have established recognised brand names.

1991	Allia (France), Keramag (Germany)
1993	Pozzi-Ginori (Italy) ZWS Kolo (Poland) FAS (France)
1995	Laminex (Poland) Domino (Italy), 25% Varicor (France), majority
1997	Johnson Suisse (Malaysia), 50% Lecico (Egypt), 50%
1998	Remaining shares of Domino and Varicor
1999	Sanivac Vakuumtechnik (Germany) Remaining shares of Johnson Suisse AquaMar (Germany) Sphinx Gustavsberg (the Netherlands)

BUSINESS AREAS AND UNITS

Sanitec			
Bathroom Products 88.8% of net sales		Vacuum Sewage System 11.2% of net sales	
Keramag	Allia	Evac/Finland	Evac/Sweden
Sanitari Pozzi	Ifö Sanitär	Envirovac	Sanivac
Ido Bathroom	Sanitec Kolo	AquaMar	
Domino	Sanitec Johnson Suisse		
Sphinx Benelux	Other Subsidiaries		
Koralle	Lecico (50%)		

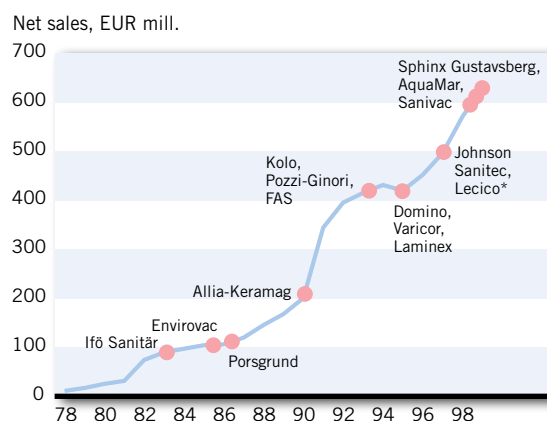
The Sphinx integration will in most cases take place country by country so that the Sphinx ceramics factories are incorporated with the existing Sanitec units locally. The Sphinx Benelux includes the Dutch and Belgian factories and the UK sales organisation.

ORGANISATION Sanitec, the parent company, owns the subsidiaries. The parent company is responsible for the centralised functions such as co-ordination of the Group's operations, strategic planning, production planning, financial control, treasury, reporting, legal matters, internal auditing and corporate communications. The head office is located in Helsinki, Finland. The staff consists of about 25 persons in total, based in Helsinki and in Ratingen, Germany.

Sanitec applies a decentralised operating model where the focus is on the operating companies. The marketing and sales functions based on a multibrand strategy are managed locally by the subsidiaries. Joint committees formed by expert members from the various units form a basis for co-ordination and internal benchmarking within the Group. The operational Board of Management, chaired by the President and CEO of Sanitec Corporation, is formed by the Managing Directors of Sanitec's major subsidiaries. The Group identity is enhanced through informal cross-unit working groups on all levels.

Sanitec was listed on the Helsinki Exchanges in July 1999. The biggest shareholders are represented on Sanitec's Board of Directors.

ACQUISITIONS



* Associated company, not consolidated.

BOARD OF DIRECTORS The Board of Directors complies with the Corporate Governance recommendations for public companies issued by Helsinki Exchanges on 2 October 1997, and which is based on the guidelines of the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

The Board consists of 5-9 members. Their term of office lasts from their election until the close of the subsequent Annual General Meeting. The Board elects from among its members a Chairman and a Deputy Chairman, who hold office until the close of the subsequent Annual General Meeting.

The principles applied by the Board of Directors in its practical work are specified in the rules of procedure approved by the Board on 26 November 1999. The constitution of the Board was changed in conjunction with Sanitec's public listing in July 1999. The Board convened 9 times during 1999.

BOARD OF MANAGEMENT The Board of Management comprises the President, Executive Vice President, Chief Financial Officer and the managing directors of the major subsidiaries. The Board of Management is responsible for corporate strategy and budgeting, investments and financial results. Members of the Board of Management also chair the Group's various committees set up to consider production, controlling, production planning, exports, marketing and human resources.



From left to right Wolfgang H. Molitor, Juha Toivola, Henrik Eklund, Carl-Henric Svanberg, Georg Ehrnrooth, Robert G. Ehrnrooth and Stig Stendahl

BOARD OF DIRECTORS

Georg Ehrnrooth, MSc (Eng.), Chairman, born 1940. President and CEO and Board member of Metra Corporation. Chairman of the Board of Assa Abloy AB (publ.), member of the Supervisory Boards of Rautaruukki Oyj and Merita Bank plc, member of the Boards of Sandvik AB (publ.) and Sampo Insurance Company Plc. Owns 5,410 shares in Sanitec.

Robert G. Ehrnrooth, LicSc (Econ.), born 1939. Chairman of the Board of Metra Corporation. Member of the Boards of Finnair Oyj and Fiskars Corporation. Owns 7,173 shares in Sanitec.

Henrik Eklund, MSc (Eng.), born 1939. President and CEO of Sanitec Corporation. Member of the Board of Saunatec Plc. Owns 3,068 shares in Sanitec.

Wolfgang H. Molitor, born 1937. Managing Director of Lecico Egypt (S.A.E.). Owns no shares in Sanitec.

Stig Stendahl, MSc (Eng.), born 1939. President and CEO of Fiskars Corporation. Member of the Board of KCI Konecranes International Plc, member of the Supervisory Board of Sampo Insurance Company Plc. Owns 256 shares in Sanitec.

Carl-Henric Svanberg, MSc (Eng. & Econ.), born 1952. President and CEO of Assa Abloy AB (publ.). Member of the Board of Hexagon AB (publ.). Owns no shares in Sanitec.

Juha Toivola, MA, born 1947. President of Industrial Insurance Company Ltd. Member of the Boards of Elcoteq Network Oyj, Fiskars Corporation, Partek Corporation and Tamro Oyj, Executive Vice President of Sampo Insurance Company. Owns no shares in Sanitec.

Only duties in listed companies are included in this information.

BOARD OF MANAGEMENT



Henrik Eklund, MSc (Eng.), born 1939.
Chairman, President of Sanitec Corporation since 1990. Member of the Board of Saunatec Plc. Owns 3,068 shares in Sanitec.



Berndt Brunow, BSc (Econ.), born 1950.
Executive Vice President of Sanitec Corporation since 1999. Owns 16,000 shares in Sanitec.



Stefan Berger, MBA Insead, MSc (Econ.), born 1955.
Senior Vice President and Chief Financial Officer of Sanitec Corporation since 1993. Owns 3,172 shares in Sanitec.



Massimo Bonotti, MSc (Eng.), born 1947.
Managing Director of Sanitari Pozzi S.p.A. since 1992. Owns 1,500 shares in Sanitec.



Alberto Casali, MSc (Eng.), MBA, born 1954.
Managing Director of Domino S.p.A. since 1998. Owns 3,000 shares in Sanitec.



Marek Kukuryka, MSc (Eng.), Licentiate of Journalism, born 1954.
Managing Director of Sanitec Kolo Sp. z o.o. since 1998. Owns no shares in Sanitec.



Pertti Lehti, BSc (Econ.), born 1958.
Managing Director of Ido Bathroom Ltd since 1995. Owns 500 shares in Sanitec.



Benny Persson, BSc (Econ.), MSc (Eng.), born 1942.
Managing Director of Ifö Sanitär AB since 1988. Owns 2,800 shares in Sanitec.



Yvon Riou, BSc (Eng.), born 1940.
Managing Director of Allia S.A. since 1987. Owns 3,000 shares in Sanitec.



Matti Tanska, MSc (Eng.), born 1946.
Managing Director of Evac International Ltd since 1997. Owns 6,254 shares in Sanitec.



Dick van Waes, MSc (Eng.), born 1938.
Chairman of the Managing Board of Sphinx Gustavsberg since 1998. Owns no shares in Sanitec.



Georg Wagner, DSc (Econ.), born 1953.
Managing Director of Keramag AG since 1998. Owns 550 shares in Sanitec.

Only duties in listed companies are included in this information.



CALCULATION OF FINANCIAL RATIOS

Return on investment (ROI)

$$\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities - provisions, average over the year}} \times 100$$

Return on equity (ROE)

$$\frac{\text{Profit before extraordinary items - taxes for the financial year}}{\text{Shareholders' equity + minority interests, average over the year}} \times 100$$

Interest coverage

$$\frac{\text{Profit before extraordinary items + depreciation + interest and other financial expenses}}{\text{Interest and other financial expenses}}$$

Solvency ratio

$$\frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - advances received}} \times 100$$

Gearing

$$\frac{\text{Interest bearing liabilities - cash and bank balances}}{\text{Shareholders' equity + minority interests}}$$

Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items - income taxes - minority interests}}{\text{Adjusted number of shares over the financial year}}$$

Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial year}}$$

Dividend per share

$$\frac{\text{Dividends paid for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$$

Payout ratio

$$\frac{\text{Dividends paid for the financial year}}{\text{Profit before extraordinary items - taxes for the financial year - minority interests}} \times 100$$

Effective dividend yield

$$\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year}} \times 100$$

Price/earnings

$$\frac{\text{Adjusted share price at the end of the financial year}}{\text{Earnings per share (EPS)}}$$

FIVE YEARS IN FIGURES

		Proforma (1)					
EUR mill.		1999	1999	1998	1997	1996	1995
Net sales		630.0	630.0	570.8	496.4	451.9	419.8
of which outside Finland	%	94.8	94.8	94.7	94.7	94.8	95.0
Exports from Finland		26.1	26.1	29.3	25.1	16.4	11.5
Personnel on average		5,796	5,796	5,034	4,640	4,380	4,514
of which in Finland		403	403	391	374	348	357
Orderbook, Evac		36.1	36.1	40.1	31.9	22.5	27.6
From the income statement							
Depreciation and writedowns		-34.4	-34.4	-34.3	-29.9	-29.8	-30.8
Share of profits/losses in associated companies		-0.8	-0.8	-3.0	-0.3	-0.1	0.1
Operating profit		80.6	80.6	77.4	68.8	59.3	54.5
as a percentage of net sales	%	12.8	12.8	13.6	13.9	13.1	13.0
Net financial items		-9.3	-9.3	-11.8	-6.7	-6.0	-9.7
as a percentage of net sales	%	-1.5	-1.5	-2.1	-1.3	-1.3	-2.3
Profit before extraordinary items		71.3	71.3	65.6	62.1	53.4	44.9
as a percentage of net sales	%	11.3	11.3	11.5	12.5	11.8	10.7
Profit before taxes		71.3	71.3	64.9	53.5	32.4	32.2
as a percentage of net sales	%	11.3	11.3	11.4	10.8	7.2	7.7
Profit for the financial year		43.4	43.4	37.0	37.7	13.9	11.0
as a percentage of net sales	%	6.9	6.9	6.5	7.6	3.1	2.6
From the balance sheet							
Fixed assets		444.0	268.9	260.6	248.6	197.1	204.7
Current assets							
Inventories		129.0	93.0	89.1	79.2	66.8	68.0
Receivables		207.2	157.8	125.5	112.7	98.5	120.1
Cash and bank balances		30.8	53.0	27.8	38.2	36.7	31.5
Shareholders' equity		339.5	339.5	210.1	183.2	149.4	134.7
Minority interests		4.9	4.4	9.6	9.1	7.1	6.9
Provisions		58.9	34.4	31.4	27.7	29.1	29.2
Interest-bearing liabilities		223.9	53.1	121.4	125.6	86.5	134.1
Non interest-bearing liabilities		183.8	141.3	130.5	133.1	127.0	119.4
Balance sheet total		811.0	572.7	503.0	478.7	399.1	424.3
Financial ratios							
Cash flow from operating activities		77.8	77.8	58.7	72.2	61.4	57.0
Gross capital expenditure		153.8	38.6	65.9	82.2	23.0	68.0
as a percentage of net sales	%	24.4	6.1	11.5	16.6	5.1	16.2
Research and development expenses		11.3	11.3	10.7	9.1	7.8	7.7
as a percentage of net sales	%	1.8	1.8	1.9	1.8	1.7	1.8
Return on investment (ROI)	%	18.4	22.6	24.7	26.4	24.6	21.4
Return on equity (ROE)	%	15.9	15.9	19.0	26.1	20.0	15.5
Interest coverage		9.7	9.7	7.4	8.7	8.0	6.7
Solvency ratio	%	42.5	60.1	43.7	40.2	39.2	33.4
Gearing		0.56	0.00	0.43	0.45	0.32	0.72
Earnings per share (EPS)	euro	0.75	0.75	0.70	0.81	0.54	0.37
Equity per share	euro	5.46	5.46	3.88	3.38	2.76	2.48
Dividend per share (2)	euro	0.21	0.21	-	-	-	-
Payout ratio (2)	%	30.0	30.0	-	-	-	-
Effective dividend yield (2)	%	1.6	1.6	-	-	-	-
Price / earnings (2)		17.4	17.4	-	-	-	-

1) Proforma 1999 includes Sanitec Group key figures excluding effect of N.V. Koninklijke Sphinx Gustavsberg consolidation

2) Ratios from financial years prior to stock listing are not comparable

SHARES AND SHAREHOLDERS

BACKGROUND Metra Corporation decided in May 1999 to undertake preparations for listing of the shares of Sanitec on the main list of the Helsinki Exchanges. In the combined offering 7,742,776 new shares were issued and 7,742,776 existing shares were sold by Metra to institutional investors and the public. Metra's shareholders had a priority right to subscribe for part of the shares. The final offer price was EUR 11.00 per share. Metra later sold an additional 1,500,000 shares to the managers of the transaction in accordance with the over-allotment option. Demand exceeded the number of shares offered by a factor of more than seven.

In the simultaneous employee offering 266,806 new shares were issued and subscribed at a 10% discount, i.e. at the price of EUR 9.90 per share.

As a result of the above transactions the total number of shares in Sanitec increased from 54,199,432 to 62,209,014.

In December 1999 Metra distributed an extra dividend on the 1998 financial year to its shareholders, principally in the form of Sanitec shares. The additional dividend was part of Metra's previously announced aim to reduce its holding in Sanitec. The above measures reduced Metra's ownership in Sanitec altogether from 100% to 64.2%. Metra has announced that a similar dividend payment will be made in 2000. Metra's objective is to further reduce its holding to below 50%.

GENERAL Sanitec Corporation is a public limited company and subject to the provisions of the Finnish Companies Act. Sanitec was registered in the Finnish Trade Register on 31 December 1990. Sanitec's shares were incorporated in the Finnish book-entry system on 1 June 1999 and listed on the main list of the Helsinki Exchanges on 8 July 1999 (pre-list on 6 July 1999). Sanitec is the parent company and together with its subsidiaries forms the Sanitec Group. Sanitec is a subsidiary of Metra.

The minimum share capital of Sanitec is EUR 56,500,000 and maximum EUR 226,000,000. Within these limits the share capital may be increased or decreased without amending the articles of association. Sanitec's fully paid up and registered share capital is EUR 64,862,349.56 divided into 62,209,014 shares. The shares have no nominal value. The approximate book counter value, which is not exact, is EUR 1.04. Each share carries one vote and all shares have equal dividend rights.

The shares are traded on the Helsinki Exchanges in lots of 50 shares. The taxation value per share in 1999 was EUR 8.75 (FIM 52.03). Sanitec had 16,092 registered shareholders on 31 January 2000.

MANAGEMENT HOLDINGS The members of the Board of Directors, the CEO, the Executive Vice President and the corporations under their control own altogether 279,369 Sanitec shares, which represent 0.4% of the stock and voting rights. The personal share holdings of the management in Sanitec are listed on page 10-11.

INCENTIVE SCHEMES Sanitec operates bonus and profit-related incentive schemes for personnel on a company by compa-

ny basis. Separate bonus schemes are applied to the top management of the Group and subsidiaries. In conjunction with Sanitec's combined offering the employees subscribed for 266,806 new shares in a separate employee offering.

The Board of Directors of Sanitec resolved on 11 February 2000 to propose to the Annual General Meeting of Shareholders the issue of warrants to Sanitec Group's key personnel. It was proposed to issue altogether 3,300,000 warrants representing 5% of the total shares of Sanitec. The purpose of the warrants is to be an incentive to the key employees to make a long-term commitment to increasing the shareholder value.

DIVIDEND POLICY Sanitec will pursue an active and long-term dividend policy in line with its earnings per share performance. The long-term goal is to distribute dividends corresponding to at least one-third of Group earnings per share after taxes, assuming that taxation or other specific issues do not limit the ability to implement its profit distribution target.

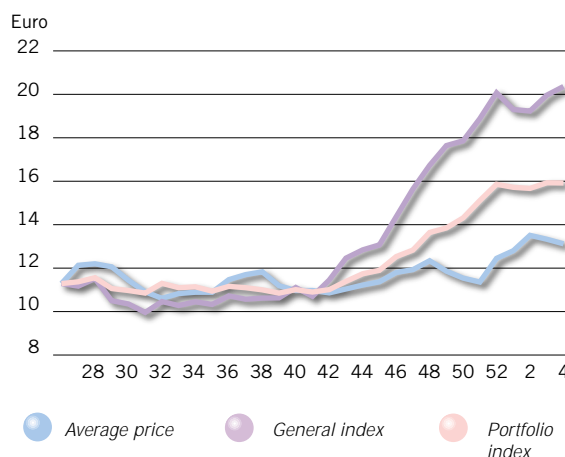
INSIDER GUIDELINES The Helsinki Exchanges approved new insider guidelines on 28 October 1999. Sanitec's Board of Directors decided in their meeting on 11 February 2000 to adopt the new rules from 1 March 2000.

TRADING CODES

HEX
Reuters
Bloomberg

SAC1V
SAC1V.HE
SAC1V.FH

SANITEC'S SHARE PRICE DEVELOPMENT



SHARE KEY RATIOS

		1999	1998	1997	1996	1995
Earnings per share (EPS)	euro	0.75	0.70	0.81	0.54	0.37
Equity per share	euro	5.46	3.88	3.38	2.76	2.48
Dividend per share (1)	euro	0.21	-	-	-	-
Payout ratio (1)	%	30.0	-	-	-	-
Effective dividend yield (1)	%	1.6	-	-	-	-
Price / earnings (1)		17.4	-	-	-	-

1) Ratios from financial years prior to stock listing are not comparable

DIVISION OF SHARES

	Number of shareholders	%	Number of shares	%
1 - 100	8,283	51.5	365,989	0.6
101 - 1,000	6,825	42.4	2,054,387	3.3
1,001 - 10,000	842	5.2	2,205,032	3.5
10,001 - 100,000	111	0.7	3,214,256	5.2
100,001 - 1,000,000	26	0.2	5,396,172	8.7
1,000,001 -	5	0.0	48,973,178	78.7
Total	16,092	100.0	62,209,014	100.0

SANITEC SHARES ON THE HELSINKI EXCHANGES

		1999
Trading	EUR mill.	209.9
Number traded	1,000	18,407
Stock turnover	%	31.7
Average share price	EUR	11.41
Trading low	EUR	10.30
Trading high	EUR	13.20
Share price at the year end	EUR	13.00
Year-end market capitalisation	EUR mill.	808.7

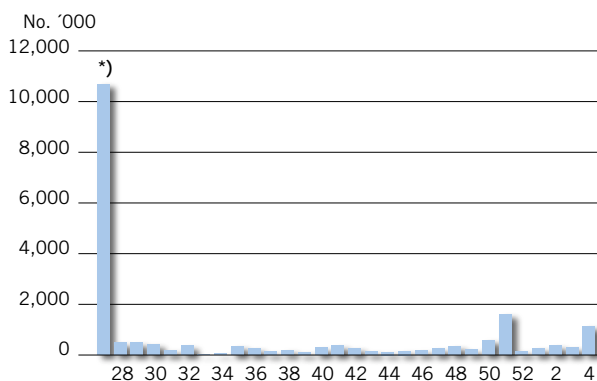
OWNERSHIP STRUCTURE

%	of shareholders	of shares
Private companies	3.8	69.5
Public companies	-	-
Banks and insurance companies	0.4	6.8
Public sector entities	0.4	6.9
Non-profit organisations	3.8	3.5
Households	89.9	5.7
Outside Finland and nominee register	1.7	7.6
Total	100.0	100.0

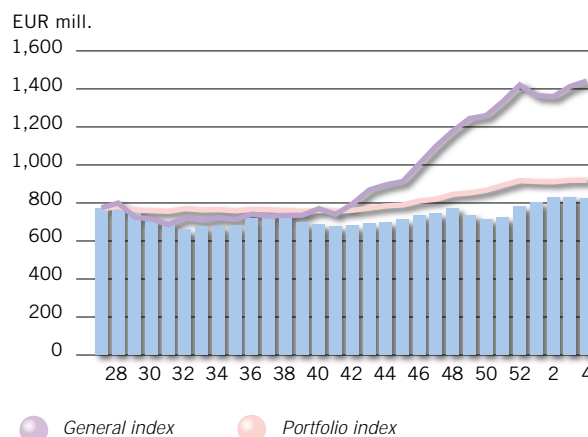
NUMBER OF SHARES AND SHARE CAPITAL

	No. of shares	Share capital (FIM)	Share capital (EUR)
1997	3,360,000	336,000,000	-
1998	3,360,000	336,000,000	-
6/1999	54,199,432	-	56,511,143.29
12/1999	62,209,014	-	64,862,349.56

TRADE VOLUMES



MARKET CAPITALISATION



MAJOR SHAREHOLDERS

		Number of shares 1,000	% of votes and shares
1.	Metra Corporation	39,966	64.2
2.	Fiskars Corporation	2,009	3.2
3.	Varma-Sampo Mutual Pension Insurance Company	1,814	2.9
4.	Ilmarinen Mutual Pension Insurance Company	1,298	2.1
5.	Merita Nordbanken Group		
	Merita Life Assurance	357	
	Merita Bank Plc	197	
	Merita Mutual Funds		
	Mutual Fund Merita Fennia	320	
	Mutual Fund Merita Optima	176	
	Mutual Fund Merita Nordia	119	
	Mutual Fund Merita Pro Suomi	41	
		1,210	1.9
6.	Sampo Group		
	Sampo Insurance Company plc	103	
	Industrial Insurance Company Ltd.	469	
	Sampo Life Insurance Company Limited	170	
	Sampo Enterprise Insurance Company Ltd.	100	
		842	1.4
7.	Pohjola Group		
	Pohjola Life Assurance Company Ltd.	282	
	Pohjola Non-Life Insurance Company Limited	207	
		489	0.8
8.	The Local Government Pensions Institution		
		371	0.6
9.	Evli Mutual Funds		
	Mutual Fund Evli Select	242	
	Mutual Fund Evli Mix	110	
		352	0.6
10.	Tapiola Group		
	Tapiola General Mutual Insurance Company	123	
	Tapiola Mutual Pension Insurance Company	101	
	Tapiola Mutual Life Assurance Company	44	
	Tapiola Corporate Life Insurance Company	20	
		288	0.5
11.	FIM Mutual Funds		
	FIM Forte Mutual Fund	197	
	FIM Fenno Mutual Fund	36	
		233	0.4
12.	Pension Fennia Mutual Insurance Company		
		209	0.3
13.	Suomi Mutual Life Assurance Company		
		197	0.3
14.	Agrofin Oy Ab		
		197	0.3
15.	Kaleva General Mutual Insurance Company		
		151	0.2
	15 largest, total	49,626	79.7

ANALYSTS

To our knowledge at least the following brokers have followed Sanitec's development in 1999.

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REVIEW BY THE BOARD OF DIRECTORS

NET SALES AND RESULT The year 1999 was again a period of profitable growth for Sanitec. Net sales grew by 10.4% to EUR 630.0 million. Operating profit increased to EUR 80.6 million, 12.8% of net sales. Profit before extraordinary items was EUR 71.3 million (65,6 in 1998). Profit for the financial year improved by 17.3% to EUR 43.4 million. Organic growth was 5.2%. Sales developed positively in most market areas. Growth was especially strong in Poland, France, Italy and Denmark.

Acquisitions contributed to another 5.2% of the growth in net sales. At the beginning of 1999 Sanitec acquired 100% of the German Sanivac Vakuumtechnik GmbH, now part of the Evac Group, and the outstanding shares in Sanitec Johnson Suisse (former Johnson Suisse). In September Sanitec acquired the majority of shares in AquaMar GmbH, a German producer of marine wastewater treatment plant, which also became part of the Evac Group.

BATHROOM PRODUCTS Although the German GDP picked up during the last quarter of 1999, building industry investments still remained flat. In the sanitaryware market growth was very modest, with slightly more optimistic expectations for 2000. Keramag's sales were slightly above the previous year, with most of the growth coming from the domestic bath and shower business and exports.

Building activity in France increased twice as much as the overall economy in 1999, thus showing the highest growth rates in ten years. Reduced VAT rates will also keep the level of renovation high in the near future. Allia's sales growth has reinforced its leadership in the French ceramics market.

In spite of the rather depressed economic situation in Italy, the bathroom market enjoyed growth in renovation thanks to fiscal incentives. The growth is forecast to continue in 2000. Sanitari Pozzi and Domino have actively introduced new products and taken market share.

After a slow start, demand in Sweden, Norway, Finland and Russia developed favourably in the second half of the year. Es-

pecially important was the start of recovery in the Swedish construction market from the low level of the past years. The Danish market continued to grow during the whole year. The prospects for market demand in 2000 are favourable, although the outlook for Russia remains uncertain. Sanitec's sales showed good growth in 1999 both in the Nordic market and in Russia.

The economy in Poland developed more slowly than during recent years, especially in the first months of the year. The market development has been strong during the second half of the year, with optimistic GDP growth estimates for 2000. Sanitec Kolo's sales increased in all product segments, but particularly in shower products. In June 1999 Sanitec Kolo was awarded the Polish President's Award for the best foreign investment in Poland.

The construction business in Sanitec Johnson Suisse's main markets in Malaysia and Singapore was still contracting or flat. Due to this difficult market situation, Sanitec Johnson Suisse's performance fell below expectations. With the forecast of slight economic growth, recovery is expected to start during 2000. After Sanitec took full control of the company at the beginning of the year, the ceramics factory in Kuala Lumpur is now being modernised in order to meet the expectations for the coming years.

The Egyptian building market shows high growth rates, while recovery in Lebanon remains slow. Sanitec's joint venture company Lecico showed improved domestic sales especially in the second half of the year. Exports of vitreous china products also developed favourably.

The profitability of the bathroom business was 13.7% of net sales in 1999, thus reaching the same level as in 1998. After a slow start to the year, due to a cold winter in some markets, profitability improved progressively throughout the year, along with increasing sales.

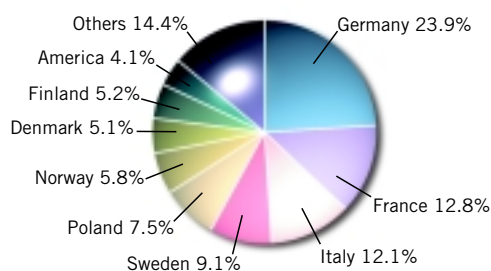
VACUUM SEWAGE SYSTEMS Evac achieved a growth of 16.3% in sales compared to 1998. About half of the growth came from the acquisitions of Sanivac and AquaMar. The vacuum toilet market for marine applications continued to grow in 1999, and is expected to pick up in the cruise liner market in 2000. The train applications market was stagnant, but is expected to grow in the long run due to the potential in the retrofit market. The aviation market decreased slightly. To ensure its global growth potential, Evac opened new offices in Campinas, Brazil, and in Shanghai, China.

Evac's operating profit did not meet the targets and decreased to 5.8% of net sales (12.5% in 1998) due to loss making projects in the USA, high business development costs, and losses in the newly acquired Sanivac business.

CHANGES IN THE GROUP STRUCTURE

Sphinx Gustavsberg In December 1999 Sanitec acquired 97.8% of the outstanding shares and depository receipts of shares in the Dutch company N.V. Koninklijke Sphinx Gustavsberg. The acquisition cost of EUR 120.1 million (EUR 13 per share) was paid in cash. In January 2000 Sanitec held 99.9% of the shares. Sphinx Gustavsberg was de-listed from the Amsterdam Stock Exchange on 14 January 2000. Sphinx Gustavsberg's

SANITEC'S NET SALES BY COUNTRY 1999



balance sheet has been consolidated in Sanitec Group in the December 1999 closing.

Sphinx Gustavsberg is one of the leading bathroom product groups in Europe. The company recorded EUR 286.7 million net sales for the financial year ending March 1999 and an operating profit of EUR 8.4 million. Several integration teams started their work after the closing of the deal to ensure that the expected synergy benefits would be achieved quickly.

The integration will follow Sanitec's decentralised operation model. As a consequence, the role and activities of the former corporate headquarter of Sphinx Gustavsberg Group will be greatly diminished and about 25-30 people will become redundant. Sphinx Gustavsberg has entered into negotiations with the trade unions about a social plan.

Because of the market coverage of both groups, the acquisition required the approval of the European Commission. The acquisition was cleared by the Commission, subject to the sale of the Gustavsberg business. The process of selling off Gustavsberg was started immediately after the Sphinx Gustavsberg transaction was closed.

Other changes In February 1999, Sanitec acquired the remaining shares of Sanitec Johnson Suisse. The company is the market leader in the Malaysian and Singaporean markets. Two new companies were acquired in the vacuum system business area. In January 1999, Sanitec acquired 100% of the German Sanivac Vakuumtechnik GmbH to strengthen its market position in the train market for vacuum toilet systems. In September, Sanitec acquired the majority of shares in AquaMar GmbH, a German producer of wastewater treatment plant.

SANITEC'S LISTING On 17 May 1999 Sanitec's Board of Directors decided to apply for listing of the company's shares on the Main List of the Helsinki Exchanges and to prepare an Initial Public Offering to be launched in conjunction with Metra

Corporation's offer to sell some of its Sanitec shares. The extraordinary shareholders' meeting decided to change the form of the company to a public limited company called Sanitec Oyj Abp in Finnish and Swedish and Sanitec Corporation in English. The meeting further decided to incorporate the company's shares in the book-entry securities system with effect from 1 June 1999, and to update the articles of association in other respects so that they comply with the requirements of the new company form and the company's stock exchange listing.

Sanitec was listed on the Pre-List on 6 July and on the Main List on 8 July. Shares were offered to institutional investors, the general public and Sanitec's personnel. Metra's shareholders had priority in subscribing for some of the shares. The final offer price was EUR 11 in the combined offering and EUR 9.90 in the employee offering. A total of 8,009,582 new shares were issued and 7,742,776 existing shares were sold by Metra. In accordance with the over-allotment option, Metra later sold an additional 1,500,000 shares to the managers of the combined offering. In December 1999, Metra paid an extraordinary dividend in the form of Sanitec shares. After these transactions, 35.8% of Sanitec's shares and votes are held by investors other than Metra.

SHARES AND SHARE CAPITAL An extraordinary shareholder's meeting on 27 April 1999 decided to restate the company's share capital in euros, to increase the number of shares without increasing the share capital, to waive the nominal value of the shares, and to combine the company's two existing share series into one series.

As a result of the offers made in the combined offering and the employee offering, the share capital was increased by EUR 8,351,206.27 by issuing 8,009,582 new shares with an approximate counter book value of EUR 1.04 per share. After the registration, the paid-up share capital of Sanitec is EUR 64,862,349.56 divided into 62,209,014 shares. Between 6 July and 31 December Sanitec's shares were traded at prices between EUR 10.30 and EUR 13.20.

FINANCING The Group's cash flow was strong throughout the period. Cash flow from operating activities was EUR 77.8 million, 12.3% of net sales. Cash flow before financing activities was EUR - 73.4 million, mainly due to the EUR 120.1 million investment in Sphinx Gustavsberg shares.

Financing costs decreased from EUR 11.8 million to EUR 9.3 million. Financial costs decreased especially in Poland, where zloty interest rates decreased and the indebtedness benefited from high cash flows

NET SALES AND PERSONNEL BY BUSINESS UNIT

	Net sales, 1999		Personnel	
	EUR mill.	Change, %	31 Dec 1999	Change
Keramag	159.5	0.9	957	8
Ifö	104.4	5.5	830	5
Allia	104.1	5.2	932	5
Ido	77.4	3.2	472	15
Evac	70.3	15.2	329	80
Sanitec Kolo	57.8	18.0	800	68
Sanitari Pozzi	46.2	0.4	460	8
Domino	51.0	59.4	250	29
Sanitec Johnson Suisse	10.2	2.0	397	-24
Other units	15.6	-8.2	287	-24
Group management			25	12
Intragroup sales	-66.5	9.0	0	0
Total Sanitec Group	630.0	10.4	5,739	182
Sphinx (1)			2,660	2,660
Total Sanitec and Sphinx	630.0	10.4	8,399	2,842
Associated company Lecico	74.9	7.0	3,643	579

1) Consolidated at the end of 1999. The figures are not included in the Sanitec group total net sales.

throughout the year. In addition, financial costs decreased through the EUR 84.7 million received from the Initial Public Offering of Sanitec's shares. The strong cash flow together with the funds from the Initial Public Offering enabled Sanitec to retain a strong balance sheet in spite of the Sphinx Gustavsberg acquisition. Adding the purchase price to net debt, EUR 90.1 million of Sphinx, Sanitec Group's indebtedness increased totally by EUR 210.2 million due to Sphinx transaction. Sanitec's solvency ratio was strong 42.5%. Gearing was 0.56.

CAPITAL EXPENDITURE AND R&D The Group's capital expenditure totalled EUR 153.8 million, including EUR 122.8 million invested in shares. To meet the high demand for shower systems and whirlpools, Domino invested in expanding the factory in Spilimbergo, Italy. Keramag improved productivity at the Haldensleben factory by installing a new tunnel kiln. Sanitec Kolo started a greenfield factory project. The shower tray production capacity was increased in the Limoges factory. In 1999 Sanitec used EUR 11.3 million (EUR 10.7 million) for product development.

WARRANTS TO KEY PERSONNEL The Board of Directors of Sanitec resolved on 11 February 2000 to propose to the Annual General Meeting of Shareholders an issue of warrants to Sanitec Group's key personnel. The proposed number of warrants is 3,300,000, representing 5% of the total shares of Sanitec. The warrants are meant to be an incentive for key personnel, to encourage long-term efforts to increase shareholder value.

BOARD OF DIRECTORS AND AUDITORS An extraordinary shareholders' meeting decided on 5 July 1999 on changes in the composition of the Board of Directors of Sanitec Corporation, with effect from 8 July. The seven directors are Mr Georg Ehrnrooth (Chairman), Mr Stig Stendahl (Deputy Chairman), Mr Robert G. Ehrnrooth, Mr Henrik Eklund, Mr Wolfgang H.

Molitor, Mr Carl-Henric Svanberg and Mr Juha Toivola. On 1 September Mr Berndt Brunow was appointed Executive Vice President of Sanitec. President and CEO, Mr Henrik Eklund has announced his intention to resign as President and CEO after the Annual General Meeting on 21 March 2000 and Mr Berndt Brunow will succeed him as from the same date.

The authorised public accountants KPMG Wideri Oy Ab were appointed the company's Auditors in the Annual General Meeting held on 22 March 1999.

The Board of Directors decided at their meeting on 11 February 2000 to adopt the new stock exchange insider guidelines that take effect on 1 March 2000.

HUMAN RESOURCES The number of Group personnel increased by 182 to 5,739 employees at the end of 1999 (5,557), due to new Polish employees and the acquisitions of Sanivac and AquaMar. Including Sphinx Gustavsberg, the number of personnel totalled 8,399. The average number of personnel during the financial year was 5,796 (5,034). The Group had 403 (391) employees in Finland.

PROSPECTS The outlook for the European construction market is positive, and the bathroom business in Western Europe is forecast to develop with stable growth. In particular fiscal incentives in Italy and France will strengthen the renovation market in which Sanitec has held a strong position. In addition to the strong Polish market, the recovery of the Swedish market will contribute to Sanitec's turnover, which is expected to continue to grow profitably in 2000. Evac's turnover will benefit from the integration of Sanivac and AquaMar.

Sphinx Gustavsberg sales will add about EUR 200 million to Sanitec's sales, taken into account the divestment of Gustavsberg that will take place in 2000. The acquisition of Sphinx is forecast to contribute positively on earnings per share (EPS) in 2001 and the full synergy effects are expected to materialise within 3 years. Sanitec's operating profit will continue to increase in 2000 but due to Sphinx, the profitability as a percentage of sales will decrease.

NET SALES, OPERATING PROFIT AND PERSONNEL BY BUSINESS AREA

	1999	1998	1997	1996	1995
Net sales, EUR mill.					
Bathroom products	559.5	510.2	445.6	409.6	383.7
Evac	70.5	60.6	50.8	42.3	36.1
Total Sanitec Group	630.0	570.8	496.4	451.9	419.8
Operating profit, EUR mill.					
Bathroom products	76.5	69.8	62.7	54.4	52.5
Evac	4.1	7.6	6.1	4.9	2.0
Total Sanitec Group	80.6	77.4	68.8	59.3	54.5
Personnel, end of period					
Bathroom products	8,070	5,308	4,609	4,223	4,265
Evac	329	249	215	193	191
Total Sanitec Group	8,399	5,557	4,824	4,416	4,456

INCOME STATEMENT

EUR mill.	Note	Group				Parent company	
		1999	%	1998	%	1999	1998
Net sales	1	630.0		570.8		4.6	4.3
Change in inventories of finished goods and work in progress		-4.3		7.2		-	-
Production for own use		0.7		1.5		-	-
Other operating income	2	4.7		2.5		4.7	-
Materials and services							
Materials and consumables							
Purchases during the financial year		-193.3		-177.9		-	-
Change in inventories		2.7		3.2		-	-
External services		-63.7		-62.6		-	-
		-254.3		-237.3		-	-
Personnel expenses	3	-167.5		-154.0		-1.1	-0.4
Depreciation and writedowns	4	-34.4		-34.3		-1.0	-1.0
Other operating expenses		-93.5		-76.0		-3.4	-4.2
Share of profits / losses in associated companies		-0.8		-3.0		-	-
Operating profit		80.6	12.8	77.4	13.6	3.8	-1.3
Financial income and expenses	5						
Income from financial assets		-		0.1		31.4	26.1
Other interest income and financial income		3.6		4.7		4.2	1.6
Exchange gains and losses		-0.8		-1.0		-4.2	-0.4
Interest expenses and other financial expenses		-12.1		-15.6		-8.4	-19.6
		-9.3	-1.5	-11.8	-2.1	23.0	7.7
Profit before extraordinary items		71.3	11.3	65.6	11.5	26.8	6.4
Extraordinary items	6						
Extraordinary income		-		0.9		-	-
Extraordinary expenses		-		-1.6		-	-
Group contributions		-		-		17.5	16.8
		-		-0.7		17.5	16.8
Profit before appropriations and taxes		71.3	11.3	64.9	11.4	44.3	23.2
Appropriations	4						
Change in depreciation difference		-		-		1.0	0.1
Profit before taxes		71.3	11.3	64.9	11.4	45.3	23.3
Income taxes	7	-26.6		-26.5		-5.6	-2.7
Minority interests		-1.3		-1.4		-	-
Profit for the financial year		43.4	6.9	37.0	6.5	39.7	20.6

FINANCIAL ANALYSIS

EUR mill.	Group		Parent company	
	1999	1998	1999	1998
Cash flow from operating activities				
Operating profit	80.6	77.4	3.8	-1.3
Adjustment for:				
Share of profits / losses in associated companies	0.8	3.0	-	-
Depreciation and writedown	34.4	34.3	1.0	1.0
Selling profit and loss of fixed assets	-0.5	0.6	-	-
Cash flow before working capital changes	115.3	115.3	4.8	-0.3
Changes in working capital				
Current assets, non-interest bearing, increase (-) / decrease (+)	-8.2	-11.9	11.4	-17.5
Inventories, increase (-) / decrease (+)	-0.6	-5.1	-	-
Current liabilities, non-interest bearing, increase (+) / decrease (-)	6.4	-3.2	-8.7	12.8
	-2.4	-20.2	2.7	-4.7
Cash flow from operating activities before financial items and taxes	112.9	95.1	7.5	-5.0
Interest and other financial expenses	-11.7	-16.4	-23.1	-8.6
Received dividends from operating activities	-	0.1	31.4	26.1
Interest and other financial income from operating activities	3.6	4.7	17.2	2.3
Income taxes	-27.0	-24.8	-5.6	-2.7
Cash flow from operating activities (A)	77.8	58.7	27.4	12.1
Cash flow from investing activities				
Acquisitions	-122.1	-31.5	-10.1	-32.6
Investments in shares	-0.7	-0.4	-	-
Investments in other tangible and intangible assets	-31.0	-33.9	-4.0	-0.1
Proceeds from sale of tangible and intangible assets	1.7	2.7	-	0.0
Loan receivables, increase (-) / decrease (+)	0.9	-2.5	-	-
Cash flow from investing activities (B)	-151.2	-65.6	-14.1	-32.7
Cash flow from financing activities				
Issuance of share capital	8.4	-	8.4	-
Issue premium	76.4	-	76.4	-
Loans receivable, increase (-) / decrease (+)	-3.3	20.7	-170.2	-11.0
Current loans increase (+) / decrease (-)	-21.3	7.4	11.8	44.5
New long term loans	61.5	2.2	61.5	-
Amortisation and other changes of long term loans	-36.1	-30.9	-9.8	-16.7
Paid dividends	-8.8	-1.1	-7.6	-
Received group contributions	-	-	16.8	4.5
Other changes	-0.8	-0.8	-	-1.1
Cash flow from financing activities (C)	76.0	-2.5	-12.7	20.2
Change in liquid funds (A+B+C), increase (+) / decrease (-)	2.6	-9.4	0.6	-0.4
Liquid funds at the beginning of period	28.2	37.2	0.2	0.6
Liquid funds at the end of period	30.8	27.8	0.8	0.2

The impact of changes in exchange rates on consolidation has been eliminated.

BALANCE SHEET

Assets EUR mill.	Note	Group				Parent company	
		1999	%	1998	%	1999	1998
Fixed assets	8						
Intangible assets							
Intangible rights		3.5		1.2		0.1	0.0
Goodwill on consolidation		126.5		65.5		-	-
Other long term expenditure		2.3		1.6		3.8	-
		132.3	16.3	68.3	13.6	3.9	0.0
Tangible assets							
Land and water		39.9		21.2		2.6	2.6
Buildings and structures		77.9		54.2		12.5	13.5
Machinery and equipment		107.1		77.9		0.2	0.1
Other tangible assets		2.8		2.4		-	-
Advance payments and construction in progress		8.2		5.5		-	-
		235.9	29.1	161.2	32.0	15.3	16.2
Financial assets							
Shares in Group companies						235.1	225.0
Shares in associated companies		34.0		28.9		-	-
Other shares and securities		40.2		1.2		0.0	0.0
Other receivables		1.6		1.0		-	-
		75.8	9.3	31.1	6.2	235.1	225.0
Total fixed assets		444.0	54.7	260.6	51.8	254.3	241.2
Current assets							
Inventories							
Materials and consumables		47.7		33.1		-	-
Work in progress		16.0		18.2		-	-
Finished products / goods		65.1		37.7		-	-
Advance payments		0.2		0.1		-	-
		129.0	15.9	89.1	17.7	-	-
Long-term receivables							
Trade receivables		2.5		1.0		-	-
Receivables from Group companies		-		-		140.5	-
Receivables from associated companies		0.1		-		-	-
Loan receivables		6.7		-		-	-
Deferred tax assets	14	2.9		1.1		-	-
Other receivables		0.1		0.4		-	-
Prepaid expenses and accrued income	9	3.2		0.4		-	-
		15.5	1.9	2.9	0.6	140.5	-
Short-term receivables							
Trade receivables		130.4		94.2		-	0.0
Receivables from Group companies	10	-		0.2		71.5	36.3
Receivables from associated companies	10	0.3		2.4		0.3	1.2
Loan receivables		27.6		1.1		-	-
Deferred tax assets	14	1.0		0.4		-	-
Other receivables		13.5		11.6		0.5	0.2
Prepaid expenses and accrued income	9	18.9		12.7		8.0	6.9
		191.7	23.6	122.6	24.4	80.3	44.6
Cash and bank balances		30.8	3.8	27.8	5.5	0.8	0.2
Total current assets		367.0	45.3	242.4	48.2	221.6	44.8
Assets		811.0	100.0	503.0	100.0	475.9	286.0

Intragroup items in the Group column arise from transactions with other Metra Group companies.

BALANCE SHEET

Shareholder's equity and liabilities EUR mill.	Note	Group				Parent company	
		1999	%	1998	%	1999	1998
Shareholders' equity	11						
Share capital		64.8		56.5		64.8	56.5
Share premium reserve		90.5		14.1		90.5	14.1
Other reserves		18.0		17.2		-	-
Retained earnings		122.8		85.3		60.3	47.3
Profit for the financial year		43.4		37.0		39.7	20.6
Total shareholders' equity		339.5	41.9	210.1	41.8	255.3	138.5
Minority interests		4.9	0.6	9.6	1.9	-	-
Depreciation difference						1.7	2.7
Provisions	12						
Provisions for pensions		32.7		27.6		-	-
Provisions for taxation		1.7		1.5		-	-
Other provisions		24.5		2.3		-	-
		58.9	7.3	31.4	6.2	-	-
Liabilities	13						
Long term							
Loans from credit institutions		116.7		21.4		73.2	19.0
Pension loans		-		1.6		-	-
Deferred tax liability	14	11.6		14.4		-	-
Other long-term liabilities		2.9		3.0		-	-
		131.2	16.2	40.4	8.0	73.2	19.0
Current	13						
Loans from credit institutions		52.9		43.5		-	-
Pension loans		-		0.1		-	-
Advances received		0.6		0.5		-	-
Trade payables		70.2		45.1		0.1	0.7
Liabilities to Group companies	16	-		46.8		84.0	121.5
Liabilities to associated companies	16	0.2		0.6		0.1	-
Other current liabilities		70.6		13.4		51.6	0.0
Accrued expenses and deferred income	15	82.0		61.5		9.9	3.6
		276.5	34.1	211.5	42.0	145.7	125.8
Total liabilities		407.7	50.3	251.9	50.1	218.9	144.8
Shareholders' equity and liabilities		811.0	100.0	503.0	100.0	475.9	286.0

Intragroup items in the Group column arise from transactions with other Metra Group companies.



ACCOUNTING PRINCIPLES

The consolidated financial statements of Sanitec Group have been prepared and are presented in accordance with the Finnish accounting regulations, which came into force on 31 December 1997. In all material respects these comply with the accounting standards issued by the International Accounting Standards Committee (IASC). The main exceptions have been mentioned separately below.

The financial statements are presented in euro.

The preparation of the financial statements in conformity with applicable regulations and generally accepted accounting principles requires management to make estimates and assumptions that affect the valuation and allocation of the reported figures. Actual results may differ from such estimates.

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the parent company and the accounts of its directly or indirectly owned subsidiaries (over 50 % of the voting rights) and associated companies. Acquired or established subsidiaries and associated companies are consolidated from the date of acquisition or establishment until the end of the period of ownership.

All intragroup transactions as well as distribution of profit, receivables and liabilities, and unrealised margins on intragroup transactions are eliminated in the consolidation. Minority interests are presented in the income statement as a separate item after taxes. The share of minority interests in shareholders' equity is also shown separately in the consolidated balance sheet.

Mutual shareholdings are eliminated using the purchase method. The goodwill in the subsidiaries is calculated on the basis of their acquisition cost by eliminating the Group's share of the equity of the acquired subsidiaries, including untaxed reserves, less deferred tax liability. Of the difference between the cost of the acquisition and the equity of the subsidiaries at the date of acquisition, that amount by which the value of fixed assets can be considered to exceed the subsidiary's balance sheet value has been entered under respective items in fixed assets. The remainder of the difference is recorded as goodwill. Goodwill is amortised over the useful life of the asset, nevertheless over a period not exceeding twenty years.

Investments in associated companies (voting rights between 20% and 50%) are included in the consolidated accounts using the equity method. The consolidated income statement includes the Group's share of results in associated companies taking into account goodwill write-offs and dividends received. The Group's share of post-acquisition increase of the net assets of these companies is added to the acquisition cost and to shareholders' equity. The book values of the shares of associated companies are listed in the notes to the financial statements as recorded by the shareholding subsidiaries. Investments in other companies are listed in the balance sheet at acquisition cost and the book values of these shares are written down, if required, to correspond with their market value.

N.V. KONINKLIJKE SPHINX GUSTAVSBERG Following the approval of the European Commission on the merger of Sanitec Corporation and N.V. Koninklijke Sphinx Gustavsberg, the Bal-

ance sheet of Sphinx Gustavsberg has been consolidated into Sanitec Group as of 31 December 1999. As Sanitec has committed to divest the operations of Gustavsberg, the respective companies are excluded from Sanitec Group consolidation. The shares held by Sphinx in AB Gustavsberg are revalued in the consolidated balance sheet to reflect the estimated divestment value of the Gustavsberg companies. Proforma financial ratios of Sanitec Group excluding the effect of Sphinx consolidation, are presented separately.

FOREIGN SUBSIDIARIES In the consolidated accounts all items in the income statements of foreign subsidiaries are translated into euro at the average exchange rates for the financial year. The balance sheet items of subsidiaries are translated into euro at the rates of exchange ruling on the balance sheet date. Translation differences arising from the application of the purchase method are treated as an adjustment affecting consolidated shareholders' equity; the translation difference applying to shareholders' equity at the time of acquisition is allocated to distributable and non-distributable equity. Those differences which arise from the translation of income statement items and balance sheet items at different rates, are recorded as part of the consolidated distributable equity.

Outside the euro area, the Group applies the equity hedging method to hedge most of the shareholders' equities of foreign subsidiaries using currency loans or forward contracts, to reduce the effects of exchange rate fluctuations on the Group's shareholders' equity. Exchange gains and losses resulting from the hedging transactions are netted against the translation differences recorded in the shareholders' equity of the consolidated balance sheet.

TRANSACTIONS DENOMINATED IN FOREIGN CURRENCIES Business transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Receivables and payables on the balance sheet date are valued at the exchange rates prevailing on that date. Open hedging instruments of foreign currency based items, including interest components, are valued at the balance sheet date. Exchange gains and losses related to business operations are treated as adjustments to net sales and operating expenses. Exchange gains and losses related to financing operations are entered at their net values under financial income and expenses.

REVENUE RECOGNITION Net sales are calculated by deducting items including indirect sales taxes and discounts from gross sales revenues. Revenue is recognised at the date of delivery.

RESEARCH AND DEVELOPMENT Research and development costs are expensed in the financial period in which they occurred.

PENSION ARRANGEMENTS Statutory and supplementary pension obligations in Finland are covered through payments to pension insurance institutions and recorded as determined by periodical actuarial calculations prepared by those institutions.



In the Group companies outside Finland, the pension obligations are arranged and pension liabilities recorded in accordance with local regulations and practice. Changes in uncovered pension obligations are entered in the income statement and the pension liability is included in provisions in the balance sheet. This treatment of pension costs, which differs from IAS principles, is not estimated to have a material effect on the financial statements.

WARRANTY COSTS The estimated warranty costs of goods delivered to customers are included under current liabilities in the balance sheet. Actual warranty costs, including changes in warranty liability, are charged against earnings for the period.

VALUATION OF INVENTORIES Inventories are valued at their direct acquisition cost, which includes direct manufacturing costs and an appropriate proportion of indirect production overheads and acquisition costs. The upper value used in the valuation of inventories is their net realisable value.

FIXED ASSETS AND DEPRECIATION Fixed assets are valued in the balance sheet at their direct acquisition cost less accumulated depreciation according to plan. Interest expenses related to some major investment projects in Poland have been capitalised.

The following indicative useful lives are used:

Intangible assets	3-10 years
Buildings	10-40 years
Machinery and equipment	5-20 years

LEASING Operating leasing payments are treated as rentals. Significant financial leasing items are capitalised as fixed assets.

EXTRAORDINARY INCOME AND EXPENSES Extraordinary income and expenses include items, which fall outside the ordinary activities of the company, such as items arising from divestments of operations. In the income statement of the parent company, extraordinary items include the group contributions received from other group companies.

APPROPRIATIONS Appropriations comprise voluntary provisions and the depreciation difference. In the consolidated accounts, accumulated appropriations are divided into tax liability and shareholders' equity. The change in appropriations, net of tax liability, is included in the result for the year. The amount of appropriations entered under shareholders' equity is not regarded as distributable funds.

PROVISIONS Provisions in the balance sheet comprise those items which the Company is committed to cover either through agreements or otherwise, but which are not yet realised. These include e.g. uncovered pension liabilities and restructuring expenses. Changes to provisions arising from normal operations

are included in the income statement. Provisions related to restructuring plans at the moment of acquisition of subsidiaries, are included in and depreciated as consolidation goodwill.

Provisions related to restructuring are booked in Sanitec Group following in all material respects the IAS principles. However, at the time of the closing some provisions related to restructuring measures have not been able to be allocated according to an accepted implementation plan following the IAS principles.

INCOME TAXES Income taxes in the income statement include taxes of subsidiaries for the financial period, calculated in accordance with local regulations, as well as adjustments to prior year taxes and deferred taxes.

Deferred tax liabilities or assets are calculated as the temporary differences between the tax and financial periods using the tax rate for subsequent years confirmed on the balance sheet date. The balance sheet includes deferred tax liabilities in their entirety and the probable realisable amount of deferred tax assets.

DIVIDENDS Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

EUR mill.	Group		Parent company	
	1999	1998	1999	1998
1. Net sales				
Net sales by country				
Germany	150.4	149.1		
France	80.5	72.2		
Sweden	57.1	53.3	0.6	0.6
Italy	76.0	62.1		
Norway	36.5	36.2	0.1	0.1
Denmark	32.1	29.8		
Finland	32.7	30.1	3.3	3.2
Poland	47.4	41.2	0.6	0.3
America	25.8	23.2		
Other countries	91.5	73.6		0.1
Total	630.0	570.8	4.6	4.3
2. Other operating income				
Rental income	0.2	0.2		
Profit on sales of fixed assets	0.6	0.1		
Other operating income	3.9	2.2	4.7	
Total	4.7	2.5	4.7	-
3. Personnel expenses				
Wages and salaries	125.1	112.8	0.9	0.3
Pension costs	7.7	7.6	0.2	0.1
Other compulsory personnel costs	34.7	33.6	0.0	0.0
Total	167.5	154.0	1.1	0.4
Pension costs contain only pension costs for Finnish companies.				
Pension costs for foreign companies are included in other compulsory personnel costs.				
Salaries and emoluments to senior management				
Presidents and members of the Boards of Directors	3.5	3.6		
The CEO and the managing directors of some Group companies have the right to retire at the age of 60 years.				
The company's Board of Directors decides the remunerations of the President and his immediate subordinates.				
Personnel on average	5,796	5,034	25	20
4. Depreciation and writedowns				
Depreciation according to plan and writedowns				
Intangible assets	0.6	1.1	0.0	
Goodwill on consolidation	6.9	9.1		
Other long-term expenditure	0.8	0.5		
Land and water	0.1	0.0		
Buildings and structures	3.9	3.8	1.0	1.0
Machinery and equipment	21.1	18.3	0.0	0.0
Other tangible assets	1.0	1.5		
Total depreciation according to plan	34.4	34.3	1.0	1.0
Total book depreciation			0.0	0.9
Change in depreciation difference			-1.0	-0.1
Depreciation difference on 1 January			2.7	2.8
Change in depreciation difference			-1.0	-0.1
Depreciation difference on 31 December			1.7	2.7
5. Financial income and expenses				
Dividend income				
From Group companies			31.4	26.0
From associated companies	-	0.1	-	0.1
From other companies	-	-	0.0	-
Total	-	0.1	31.4	26.1

Intragroup items in the Group column arise from transactions with other Metra Group companies.

EUR mill.	Group		Parent company	
	1999	1998	1999	1998
Other interest income and financial income				
From Group companies	0.1	2.2	2.7	1.1
From associated companies	-	-	0.0	0.1
From other companies	3.5	2.5	1.5	0.4
Total	3.6	4.7	4.2	1.6
Exchange gains and losses	-0.8	-1.0	-4.2	-0.4
Writedowns of financial assets	-0.5	-	-	-12.4
Interest expenses and other financial expenses				
To Group companies	-1.6	-7.8	-3.3	-5.7
To associated companies	-	-	0.0	0.0
To other companies	-10.0	-7.8	-5.1	-1.5
Total	-11.6	-15.6	-8.4	-7.2
Financial income and expenses, total	-9.3	-11.8	23.0	7.7
6. Extraordinary income and expenses				
Deferred tax, change in accounting principles	-	-0.7		
Group contributions received			17.5	16.8
Total	-	-0.7	17.5	16.8
7. Income taxes				
Income taxes				
for the financial year	-28.0	-26.1	-5.1	-2.5
for prior years	1.1	-1.3	-0.5	-0.2
Change in deferred tax	0.3	0.9		
Total	-26.6	-26.5	-5.6	-2.7

8. Fixed assets	Acquisition cost 1 Jan	Increases (*)	Decreases	Accumulated depreciation and writedowns 1 Jan	Accumulated depreciation in decreases	Depreciation during year	Residual value 31 Dec
Group							
Intangible assets							
Intangible rights	6.8	2.5	-0.4	-5.2	0.4	-0.6	3.5
Goodwill on consolidation	114.2	67.9		-48.7		-6.9	126.5
Other long-term expenditure	5.1	1.9	-0.7	-3.8	0.6	-0.8	2.3
Group 1999	126.1	72.3	-1.1	-57.7	1.0	-8.3	132.3
Group 1998	97.7	29.5	-0.4	-48.3	0.4	-10.6	68.3
Tangible assets							
Land and water	21.2	18.8				-0.1	39.9
Buildings and structures	92.9	27.6	-0.6	-38.7	0.6	-3.9	77.9
Machinery and equipment	236.7	50.4	-4.3	-158.9	4.3	-21.1	107.1
Other tangible assets	13.9	1.3	-0.2	-11.4	0.2	-1.0	2.8
Advance payments and construction in progress	5.5	7.0	-4.3				8.2
Group 1999	370.2	105.1	-9.4	-209.0	5.1	-26.1	235.9
Group 1998	327.0	62.0	-21.4	-189.7	6.9	-23.6	161.2
Financial assets							
Shares in associated companies	31.7	5.1		-2.8			34.0
Other shares and securities	3.1	39.8	-0.3	-1.9		-0.5	40.2
Other receivables	1.0	0.6					1.6
Group 1999	35.8	45.5	-0.3	-4.7	-	-0.5	75.8
Group 1998	57.1	0.4	-26.4				31.1

*) Increases of fixed assets include the total effect from the acquisition of N.V. Koninklijke Sphinx Gustavsberg amounting to EUR 175.1 mill.

Capitalised interests during construction, included in Group fixed assets at 31 December 1999

Buildings and structures	0.5
Machinery and equipment	1.3
Total	1.8

Intragroup items in the Group column arise from transactions with other Metra Group companies.

NOTES TO THE FINANCIAL STATEMENTS

Parent company	Acquisition cost 1 Jan	Increases	Decreases	Accumulated depreciation and writedowns 1 Jan	Accumulated depreciation in decreases	Depreciation during year	Residual value 31 Dec
Intangible assets							
Intangible rights		0.1				0.0	0.1
Other long-term expenditure		3.8					3.8
Parent company 1999		3.9				0.0	3.9
Tangible assets							
Land and water	2.6						2.6
Buildings and structures	21.2			-7.7		-1.0	12.5
Machinery and equipment	0.3	0.1		-0.2		0.0	0.2
Parent company 1999	24.1	0.1		-7.9		-1.0	15.3
Parent company 1998	24.1	0.1		-7.0		-1.0	16.2
Financial assets							
Shares in Group companies	225.0	10.1					235.1
Shares in other companies	0.0	0.0					0.0
Parent company 1999	225.0	10.1					235.1
Parent company 1998	203.6	51.7	-30.3				225.0

EUR mill.	Group		Parent company	
	1999	1998	1999	1998
9. Main items in prepaid expenses and accrued income				
Interest	0.2	0.1	0.2	0.0
Other financial items	0.7	0.4	0.5	0.3
Income and other taxes	11.9	1.7	5.6	
Other	9.3	10.9	1.7	6.6
Total	22.1	13.1	8.0	6.9
10. Specification of short-term receivables				
Receivables from Group companies				
Trade receivables	-	0.2	0.8	0.7
Loan receivables	-	-	65.9	35.3
Other receivables	-	-	-	0.3
Prepaid expenses and accrued income	-	-	4.8	-
Total	-	0.2	71.5	36.3
Receivables from associated companies				
Trade receivables	0.1	1.3	-	0.1
Prepaid expenses and accrued income	0.2	1.1	0.3	1.1
Total	0.3	2.4	0.3	1.2
11. Shareholders' equity				
Share capital on 1 January	56.5	56.5	56.5	56.5
Share issue during the financial year	8.3		8.3	
Share capital on 31 December	64.8	56.5	64.8	56.5
Regulations on A and B series of Sanitec shares has been removed from the Articles of Association on 31 May 1999.				
Share premium reserve on 1 January	14.1	14.1	14.1	14.1
Issue premium	76.4		76.4	
Share premium reserve on 31 December	90.5	14.1	90.5	14.1
Other reserves on 1 January	17.2	16.7		
Transfers to retained earnings	-1.8	1.9		
Translation differences and other changes	2.6	-1.4		
Other reserves on 31 December	18.0	17.2		
Retained earnings on 1 January	122.3	95.9	67.9	47.4
Transfers from other reserves	1.8	-1.9		
Dividend distribution	-8.8		-7.6	
Translation differences and other changes	7.5	-8.7		
Profit for the financial year	43.4	37.0	39.7	20.5
Retained earnings on 31 December	166.2	122.3	100.0	67.9

Intragroup items in the Group column arise from transactions with other Metra Group companies.

EUR mill.	Group		Parent company	
	1999	1998	1999	1998
Distributable equity				
Retained earnings on 31 December	166.2	122.3	100.0	67.9
Voluntary provisions and depreciation difference	-11.7	-10.4		
Deferred tax liability	3.5	3.2		
Distributable equity on 31 December	158.0	115.1	100.0	67.9
12. Provisions				
Provisions for pensions	32.7	27.6		
Provisions for taxation	1.7	1.5		
Provisions for restructuring	20.5	-		
Other provisions	4.0	2.3		
Total	58.9	31.4		
Change in provisions in Income statement	3.0	3.7		
13. Liabilities				
Long-term				
Non-interest bearing	13.1	15.5		
Interest bearing	118.1	24.9	73.2	19.0
Total	131.2	40.4	73.2	19.0
Current				
Non-interest bearing	170.7	115.0	13.2	5.1
Interest bearing	105.8	96.5	132.5	120.7
Total	276.5	211.5	145.7	125.8

Maturity profile of external long-term debt, Group	Bank loans	Pension loans	Other loans	Total
2000	8.6	-	0.4	9.0
2001	29.2	-	0.5	29.7
2002	38.1	-	0.3	38.4
2003	18.5	-	0.1	18.6
2004	6.9	-	0.2	7.1
2005-	24.0	-	0.3	24.3
Total 31 December 1999	125.3	-	1.8	127.1
Total 31 December 1998	22.6	1.7	2.4	26.7

Division of long term loans by currency, %	Group		Parent company	
	1999	1998	1999	1998
EUR and other EMU-currencies	88.7	55.9		
SEK	9.5	41.8		
Other currencies	1.8	2.3		
Total	100.0	100.0		
14. Specification of deferred tax assets and liabilities				
Deferred tax assets				
Based on consolidation	0.5	0.6		
Based on balance sheets of Group companies	3.4	0.9		
Total	3.9	1.5		
Deferred tax liabilities				
Based on appropriations	4.8	3.2		
Based on consolidation	5.7	8.9		
Based on balance sheets of Group companies	1.1	2.3		
Total	11.6	14.4		

Intragroup items in the Group column arise from transactions with other Metra Group companies.

NOTES TO THE FINANCIAL STATEMENTS

EUR mill.	Group		Parent company	
	1999	1998	1999	1998
15. Main items in accrued expenses and deferred income				
Warranty costs	7.1	5.8	-	-
Income and other taxes	13.7	16.8	4.8	2.3
Personnel expenses	32.9	20.3	0.1	0.1
Financial items	5.3	1.4	4.3	1.1
Others	23.0	17.2	0.7	0.1
Total	82.0	61.5	9.9	3.6
16. Specification of current liabilities				
Liabilities to Group companies				
Advances received	-	0.1	-	-
Trade payables	-	-	0.0	0.2
Other current liabilities	-	46.0	81.3	120.7
Accrued expenses and deferred income	-	0.7	2.7	0.6
Total	-	46.8	84.0	121.5
Liabilities to associated companies				
Trade payables	0.1	-	0.0	-
Other current liabilities	0.1	0.3	0.1	-
Accrued expenses and deferred income	-	0.3	-	-
Total	0.2	0.6	0.1	-

17. Collateral, contingent liabilities and other commitments	Group				Parent company			
	Balance sheet 1999		Balance sheet 1998		Balance sheet 1999		Balance sheet 1998	
	Debt	Security	Debt	Security	Debt	Security	Debt	Security
Mortgages given as collateral for liabilities and commitments								
Loans from credit institutions	0.4		0.9	2.1				
Pension loans			1.9	1.9				
Liabilities to Group companies								1.9
Total	0.4		2.8	4.0				1.9
Chattel mortgages given as collateral for liabilities								
Off balance sheet commitments		1.9		1.7				
Total		1.9		1.7				
Other pledges given as collateral for liabilities								
Loans from credit institutions	0.3	0.1	3.3	5.4				
Other liabilities		0.8	0.1	1.1				
Off balance sheet commitments		1.1		1.8				
Total	0.3	2.0	3.4	8.3				

EUR mill.	Group		Parent company	
	1999	1998	1999	1998
Collateral on behalf of Metra companies				
Mortgages		14.4		14.4
Collateral on behalf of Sanitec Group companies				
Mortgages	0.5	0.5		
Other pledges	1.3	0.5		
Guarantees and contingent liabilities				
on behalf of Sanitec Group companies	2.7	2.3	26.8	41.0
on behalf of associated companies	10.3			
on behalf of others	2.5			
All pension liabilities are included in the balance sheet.				
Nominal amounts of rents according to operating leasing contracts				
Payable within one year	3.3	0.9	0.0	
Payable after one year	6.0	2.3	0.0	
Total	9.3	3.2	0.0	

Intragroup items in the Group column arise from transactions with other Metra Group companies.

Inner circle loans and commitments

There are no loan receivables from the management and the Board of Directors.

No pledges or other commitments were given on behalf of senior management or shareholders.

18. Nominal values of derivative instruments on 31 December 1999

	Total amount	of which closed contracts
Interest rate swaps	53.0	-
Forward foreign exchange contracts	148.3	22.1

If all the above instruments were reversed (sold) at the market prices at the end of the period, the net effect would be EUR +1.5 million.

19. Exchange rates at closing	Closing rates		Average rates	
	31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998 (*)
FIM	5.94573	5.94573	5.94573	5.99400
USD	1.00460	1.16675	1.06580	1.12216
GBP	0.62170	0.70547	0.65874	0.67752
SEK	8.56250	9.48736	8.80750	8.91832
NOK	8.07650	8.87158	8.31040	8.46849
CHF	1.60510	1.60778	1.60030	1.62527
DEM	1.95583	1.95583	1.95583	1.97294
NLG	2.20371	2.20371	2.20371	2.22387
FRF	6.55957	6.55957	6.55957	6.61443
ITL 1,000	1.93627	1.93627	1.93627	1.94610
*) EUR/ECU				

20. Shares and securities

SUBSIDIARIES		Number of shares	% of shares	% of votes	Curr.	Nominal value 1,000	Curr.	Book value 1000 Sanitec Corporation direct ownership	Indirect ownership through subsidiary
Ido Bathroom Ltd	Finland	300,000	100.0	100.0	FIM	30,000	EUR	5,046	
Ido Badrum AB	Sweden	20,000	100.0	100.0	SEK	2,000	EUR		1,795
Porsgrund Oy	Finland	600	100.0	100.0	FIM	600	EUR		101
Porsgrund Bad AS	Norway	10,000	100.0	100.0	NOK	10,000	EUR	1,019	
Ifö Sanitär AB	Sweden	20,000	100.0	100.0	SEK	20,000	EUR	5,887	
Fastighets AB Pressarna	Sweden	100,000	100.0	100.0	SEK	10,000	SEK		20,882
Ifö Sanitär A/S	Norway	20	100.0	100.0	NOK	200	SEK		185
Scandi-aqualine A/S	Denmark	70,000	100.0	100.0	DKK	7,000	SEK		14,770
Ifö Sanitär Eesti AS	Estonia	10	100.0	100.0	EEK	1	SEK		216
Scandiaqua Sp. z o.o.	Poland	4,995	100.0	100.0	PLN	500	SEK		1,882
Sanitec International S.A.	France	1,775,000	100.0	100.0	FRF	177,500	EUR	105,960	
Allia S.A.	France	1,099,994	100.0	100.0	FRF	109,999	FRF		109,999
Polyroc S.A.	France	67,995	99.9	99.9	FRF	6,800	FRF		8,503
Omnium de Distribution Sanitaires S.A.S.	France	2,499	99.9	99.9	FRF	250	FRF		250
Omnium de Distribution Sanitaires Sp. z o.o.	Poland	1,000	99.9	99.9	PLN		FRF		170
Murena S.A.	France	2,573	99.9	99.9	FRF	1,000	FRF		206,241
Leda S.A.	France	49,994	99.9	99.9	FRF	100	FRF		69,992
Leda Production S.A.	France	4,994	99.9	99.9	FRF	400	FRF		250
Leda Tech S.A.	France	2,994	99.9	99.9	FRF	100	FRF		249
De Touraine S.A.	France	10,134	99.8	99.8	FRF	670	FRF		134,547
S.N.B. Manufacture E.U.R.L.	France	500	99.8	99.8	FRF	100	FRF		50
Wisa S.A.	France	2,495	99.8	99.8	FRF	100	FRF		998
Royal Sphinx France S.A.R.L.	France	998	99.8	99.8	FRF	100	FRF		119
N.V. Koninklijke Sphinx Gustavsberg 1)	the Netherlands	9,436,031	99.9	99.9	NLG	23,105	FRF		788,107
Sphinx Gustavsberg Sanker spol. S.r.o.	Slovakia	1	99.9	99.9	SKK	112,291	EUR		1,706
Gustavsberg Poland Sp. z o.o.	Poland	1,000	99.9	99.9	PLN	200	EUR		49
Sphinx Gustavsberg Wrocław Sp. z o.o.	Poland	199,000	80.4	80.4	PLN	400	EUR		3,714
B.V.Aardewerfabriek "De Toekomst"	the Netherlands	400	99.9	99.9	NLG	400	EUR		182
Warneon Industrie S.A.	Belgium	3,178,117	99.9	99.9	BEF	391,878	EUR		6,706
Novoboch S.A.	Belgium	161,522	99.9	99.9	BEF	151,250	EUR		26
Gustavsberg International B.V.	the Netherlands	4,000	99.9	99.9	NLG	4,000	EUR		9,071
Baduscho Vertriebsgesellschaft m.b.H.	Austria	1	99.9	99.9	ATS	500	EUR		0
Richard Heinze Gesellschaft m.b.H.	Austria	1	99.9	99.9	ATS	500	EUR		128
Richard Heinze Gesellschaft m.b.H. & Co KG	Austria	2	99.9	99.9	ATS	5,696	EUR		0
Sphinx Gustavsberg Belgium N.V.	Belgium	25,250	99.9	99.9	BEF	25,250	EUR		622
Koralle S.a.r.l.	France	1,000	99.9	99.9	FRF	100	EUR		0
Sphinx Bathrooms Ltd	Great Britain	900,000	99.9	99.9	GBP	900	EUR		2,292
Bekon-Koralle AG	Switzerland	1,000	99.9	99.9	CHF	1,000	EUR		1,387
Koralle Sp. z o.o.	Poland	800	99.9	99.9	PLN	400	EUR		58
Sphinx Services B.V.	the Netherlands	40	99.9	99.9	NLG	40	EUR		7,344
Sphinx Sanitair B.V.	the Netherlands	1,000	99.9	99.9	NLG	1,000	EUR		14,029
Sanitair Techniek Rosmalen B.V.	the Netherlands	600	99.9	99.9	NLG	60	EUR		613
Deutsche Sphinx Beteiligungen GmbH	Germany	2	99.9	99.9	DEM	25,403	EUR		8,524
Gustavsberg International GmbH	Germany	1	99.9	99.9	DEM	50	EUR		3,043
Deutsche Sphinx Sanitär GmbH	Germany	2	99.9	99.9	DEM	4,050	EUR		13,431
Koralle Sanitär Produkte GmbH	Germany	1	99.9	99.9	DEM	1,550	EUR		5,905
Servico Gesellschaft für Sanitär Technik m.b.H.	Germany	2	99.9	99.9	DEM	100	EUR		51

NOTES TO THE FINANCIAL STATEMENTS

										Book value 1000	
										Sanitec Corporation direct ownership	Indirect ownership through subsidiary
SUBSIDIARIES		Number of shares	% of shares	% of votes	Curr.	Nominal value 1,000	Curr.				
Keramag Keramische Werke AG	Germany	4,572,500	95.3	95.3	DEM	23,289	EUR	13,277		25,812	
Keramag Keramische Werke Haldensleben GmbH	Germany		95.3	95.3	DEM	5,254	DEM			5,263	
Keramag Vertriebs Holding GmbH	Germany		95.3	95.3	DEM	1,000	DEM			1,000	
Keramag Vertriebsgesellschaft GmbH	Austria		95.3	95.3	ATS	500	DEM			71	
Keramag Belgium N.V.	Belgium	5,000	95.3	95.3	BEF	5,000	DEM			243	
Keramag Nederland B.V.	the Netherlands		95.3	95.3	NLG	250	DEM			223	
Sanitec Hungária Kft.	Hungary		95.3	95.3	HUF	11,500	DEM			126	
Sanitec s.r.o.	Czech Republic		95.3	95.3	CZK	1,700	DEM			94	
Sanitec Marketing d.o.o.	Slovenia		95.3	95.3	SIT	10,000	DEM			111	
Spectra Vertriebsgesellschaft GmbH	Germany	15,000	95.3	95.3	DEM	1,500	DEM			1,556	
Varicor S.A.	France	6,358	95.3	95.3	FRF	6,358	DEM			5,185	
Eurocer Industria de Sanitarios S.A.	Portugal	540,000	100.0	100.0	PTE	54,000	FRF			23,748	
Kerallia - Produtos Sanitarios Lda	Portugal		100.0	100.0	PTE	346	FRF			140	
Laminex Sp. z o.o.	Poland	10,040	100.0	100.0	PLN	2,510	FRF			10,366	
Evac International Ltd	Finland	500	100.0	100.0	FIM	5,000	EUR	1,705			
AquaMar Wasserbehandlung GmbH	Germany		70.0	70.0	DEM	50	EUR			338	
AquaMar Industriemontage GmbH	Germany		70.0	70.0	DEM	50	DEM			50	
AquaMar Abwassertechnik GmbH	Germany		70.0	70.0	DEM	50	DEM			25	
Evac AB	Sweden	70,000	100.0	100.0	SEK	7,000	EUR			758	
Evac Oy	Finland	70,000	100.0	100.0	FIM	7,000	EUR			1,040	
Evac S.r.l.	Italy		100.0	100.0	tiTL	150,000	EUR			716	
Evac S.A.R.L.	France	500	100.0	100.0	FRF	50	EUR			115	
Evac (U.K.) Ltd.	Great Britain	2	100.0	100.0	GBP	0	EUR			0	
Envirovac Inc.	USA	1,010	100.0	100.0	USD	1,246	EUR			923	
Envirovac Inc.	Canada	1	100.0	100.0	CAD	1	USD			1	
Evac GmbH	Germany		100.0	100.0	DEM	300	USD			215	
Evac Ltda	Brazil		100.0	100.0	BRL	518	USD			300	
Evac Vacuum Systems (Shanghai) Co Ltd.	China	1	100.0	100.0	CNY	1,655	EUR			186	
Sanivac Vakuum Technik GmbH	Germany		100.0	100.0	DEM	3,000	EUR			3,847	
Sanitec Kolo Sp. z o.o.	Poland	413,024	99.5	99.5	PLN	20,651	EUR	12,371			
Sanitec International GmbH	Germany	1	100.0	100.0	DEM	250,000	EUR		100		
Sanitec Leasing AB	Sweden	1,000	100.0	100.0	SEK	100	EUR	2,523			
Scan Aqua Sp. z o.o.	Poland	100	100.0	100.0	PLN	4	SEK			9	
Sanitari Pozzi S.p.A.	Italy	4,956,597	100.0	100.0	tiTL	17,348,090	EUR		4,161		
Domino S.p.A.	Italy	2,666,996	100.0	100.0	tiTL	2,666,996	EUR		32,153		
Sanitec Servizi Logistici S.r.l.	Italy	80,000	100.0	100.0	tiTL	8,000,000	EUR		4,152		
Sanitec Holding AG (Johnson Industrial Holding AG)	Switzerland	15,000	100.0	100.0	CHF	3,750	EUR	15,776			
Sanitec Johnson Suisse Sdn Bhd											
(Armitage Shanks Malaysia Sdn Bhd)	Malaysia	20,145,455	83.9	83.9	MYR	20,146	CHF			6,461	
Sanitec Holdings Pte Ltd											
(Johnson Sanitec International Pte Ltd)	Singapore	1,000,000	100.0	100.0	SGD	1,000	EUR	416			
Sanitec Johnson Suisse Pty Ltd											
(Johnson Sanitec (Australia) Pty Ltd)	Australia	500,000	100.0	100.0	AUD	500	SGD			539	
Sanitec Johnson Suisse Pte Ltd											
(Johnson Suisse Sanitec Pte Ltd)	Singapore	500,002	100.0	100.0	SGD	500	SGD			500	
Sanitec Corporation others (3)									30,537		
Total									235,082		
ASSOCIATED COMPANIES											
Ina/Ifö Co Ltd.	Japan	60,000	50.0	50.0	JPY	30,000	SEK			947	
Rafferty Holding B.V.	the Netherlands	10	50.0	50.0	NLG	10,000	USD			14	
Ceramic Holdings Middle East C.V.	the Netherlands		50.0	50.0	NLG		USD			35,005	
Hutschenreuther-Keramag GmbH	Germany		47.7	47.7	DEM	1,500	DEM			2,587	
AWEK Industrial Patents Ltd Oy	Finland	50	25.0	25.0	FIM	100	EUR			17	
OTHER COMPANIES											
HPY Holding Oyj	Finland	2,250	0.0	0.0	EUR	1,125	EUR		1	13	
Sanitec Corporation others							EUR		8		
Total									9		
Sanitec Corporation total shares and securities										235,091	

1) On 31 December 1999 share of ownership 97.8%, in January 2000 99.9%.

A complete list of shares and securities in accordance with the Finnish Companies Act is included in the official financial statements.



PROPOSAL BY THE BOARD OF DIRECTORS

The consolidated retained earnings on 31 December 1999 amounted to EUR 166.2 million and included distributable funds totalling EUR 158.0 million.

The parent company's net profit for the financial year amounted to EUR 39.7 million and the retained earnings from previous periods to EUR 60.3 million. The distributable funds on 31 December 1999 amounted to EUR 100.0 million. The number of shares entitled to a dividend is 62,209,014.

The Board of Directors proposes that a dividend of EUR 0.21 per share be paid, i.e. EUR 13.1 million and that the retained earnings of EUR 86.9 million be carried forward in the parent company.

Helsinki, 11 February 2000

Georg Ehrnrooth

Wolfgang H. Molitor

Robert G. Ehrnrooth

Stig Stendahl

Carl-Henric Svanberg

Juha Toivola

Henrik Eklund
President

AUDITORS' REPORT

To the shareholders of Sanitec Corporation

We have audited the accounting, the financial statements and the administration of Sanitec Corporation for the year ended 31 December 1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the Board of Directors and the Managing Director have complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations, as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the distributable funds is in compliance with the Companies Act.

Helsinki, 14 February 2000

KPMG WIDERI OY AB

Sixten Nyman
Authorized Public Accountant

MUNDITIA



ALLIA MARKET CONDITIONS AND TRENDS The level of activity in new building was high in 1999, both in collective and individual housing. Renovation increased during the second part of the year. Sanitec's acquisition of Sphinx Gustavsberg improves Sanitec's market share in France by 50% in ceramics and more than doubles the market share of the shower and bathtub business. As a result, Sanitec is now the clear leader in bathroom products in the French market.

The reduced VAT rate implemented in September 1999 is forecast to lead to a very high level of activity in renovation. It will also help the average customers to upgrade their purchases. This means that customers tend to spend the same amount of money, but use the VAT saving for purchasing higher priced products.

The storms that hit practically all of France at the end of December will certainly lead both consumers and plumbers to give higher priority to repairs than to renovation. This, in turn, might have a negative impact on the sales of Sanitec's products in the first months of 2000.

PROSPECTS Allia reinforced its leadership on the ceramics market during the year. Close co-ordination with Selles and Leda, the French subsidiaries of Sphinx Gustavsberg, should further improve this position due to commercial synergies and the additional products now included in the catalogues of both brands.

PRODUCT LAUNCHES In 1999, the high-volume middle-range "Prima" series was successfully revamped. The same range was also extended with a new concept of compact products of different lengths.

A new series, "Arabella", was launched in furniture: its very special design has met the market expectation for new products.

A new luxury shower tray was added to the already very successful "Porquerolles" range.



KERAMAG MARKET CONDITIONS AND TRENDS German domestic GDP grew slightly in 1999 with most of the growth generated in the fourth quarter. GDP growth projections for 2000 are more optimistic.

German manufacturing orders declined in the first quarter but saw a sharp increase towards the mid-year driven mostly by exports to the EU, the USA and Japan. Later in the year domestic orders started to contribute to the overall increase in German manufacturing for the full year as well.

The building industry grew slightly in the western parts of the country. Owing to the continuing weak conditions in eastern Germany, the full-year building industry investment in the east was in decline, which resulted in zero net development for the whole country.

The German sanitaryware market, which has grown in volume year by year, saw continuous pressure on price as well as a mix shift in the market.

PROSPECTS Very recent data suggest that underlying economic activity will be stronger in Germany and therefore point to some growth momentum in the first quarter of 2000. The projections in the building industry suggest an ongoing weakness in the east, but a further improvement in the west. Projections for the sanitaryware market for 2000 are slightly optimistic, including the expectations for a better-balanced value and volume evolution.

PRODUCT LAUNCHES The new products presented during the biennial ISH Fair in Frankfurt were well received. The new bathroom concept series "Vitelle" was perceived as the best new introduction of the year, and also the wash place concept "Sinfo" was successful. The highly functional and design orientated shower panel "Vario" contributed to the positive development. Late in the year, "Fora", Keramag's design statement for the millennium, was well accepted by customers and media.

MUNDITIA ► CLEANLINESS.

*We learn to appreciate
cleanliness from the
very beginning.
We take it seriously.*





KOLO MARKET CONDITIONS AND TRENDS In 1999, the Polish economy developed more slowly than in recent years, especially during the first quarter. The economy performed better in the second half of the year, resulting in a full-year GDP growth rate well above the European average.

The bathroom ceramics market is widening and diversifying. Being far from saturated, it is already relatively stable as to the number of manufacturers. Sanitec Kolo holds a leading position, which has been secured by investments in new capacity and widening of the product range. The sales of shower enclosures and acrylic bathtubs are developing particularly well. Sanitec Kolo was awarded with the prestigious Polish President's Award for the best foreign investment in Poland and the golden statue of "Leader of Polish Business".

PROSPECTS Growth trends in the national economy are regaining the momentum, and budgetary assumptions for 2000 look optimistic. Improving the standard of living is one of the priorities in Polish society. Given the good economic performance of the country, the long-term prospects for the bathroom ceramics market look promising. The non-ceramic part of the business is forecast to grow even faster. Kolo's market position is further strengthened by the inclusion of "Koralle" shower enclosures in the product range.

PRODUCT LAUNCHES New product launches during the year were the ceramic series "Nova Top", labelled as a new standard of bathroom, and "Nova Top Pico" designed to fit in small-size bathrooms. The acrylic bathtub "Gamma", available in five sizes, became a popular product. Other introductions included the shower enclosures "Akcent" in the medium range and "Nova", intended as an inexpensive solution for both non-residential and residential markets.

SANITARI POZZI AND DOMINO

MARKET CONDITIONS AND TRENDS The sanitaryware market in Italy showed growth during the year. The structure of the competition in the sanitaryware markets changed as a result of consolidation among the competitors. Sanitari Pozzi now holds second position in its home market. Domino enlarged its factory and shower production line and widened the product range. It also introduced an innovative information system to transform clients' requirements into orders. Domino has obtained ISO 9001 certification.

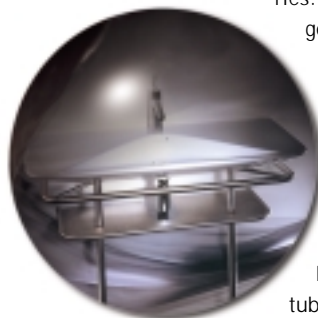
Renovation was the name of the game in house building during the year, creating a large market for bathrooms. Fiscal incentives for renovation of private and industrial building with a VAT reduction had a positive impact on the markets.

Two fundamental trends have affected the sanitaryware market. Firstly, products need to fit in small spaces. Secondly, console wash basins are increasingly popular as they are easily placed. Consumers choose their equipment carefully and are requesting more and more styles. The bathroom needs to be creatively and aesthetically pleasing, functional and available at different price ranges. Shower systems and whirlpools are increasingly popular.

PROSPECTS The fiscal benefits will be partially extended to the year 2000 with a reduction of VAT from 20% to 10%, which will have a positive impact on renovation. For 2000 growth in line with 1999 is foreseen.

PRODUCT LAUNCHES The key products of 1999 corresponded to the current trends. Product launches included Pozzi's new washbasins "Morgana" and "Nirvana", with integrated accessories. Smaller sized "Idea Plus" toilet represents a new generation of products.

In showers and bathtubs four new products in the high and medium segments represent the short-term response to lively market demand. For Albatros new launches were the restyled "ForEver Box" for shower trays and tubs and the new hydromassage corner tubs "Ethos" and "Onis". For Revita the restyled boxes "New Modus Plus R107-108" and the new enclosure for "Sintra" tub were launched.



LUXUS ► LUXURY. A relaxing bath in peace and quiet. The lights dimmed, your favourite music on. A moment of your own.





IDO MARKET CONDITIONS AND TRENDS Even though building investments in Finland increased, sales of the main wholesalers declined during the first six months. Building activity picked up again during the autumn. Lower sales to Russia and the Baltic countries were offset by higher sales to the Nordic countries. Consumer markets grew in Sweden. The total market in Norway was in decline but recovered towards the end of the year in the wake of rising oil prices.

The decision was taken to invest in the first phase of the PRO 2000 Project in the factory in Ekenäs. Logistics in Ekenäs will be totally re-engineered during the current year increasing productivity and at the same time reducing lead times and stock.

PROSPECTS Further growth is expected in Finland and stronger efforts are being made to increase the product offering to retailers. Growth is also expected in Sweden, but mostly in the consumer segment. In Norway favourable economic conditions are expected to increase consumer confidence but the situation is unstable. Sales are projected to increase, particularly in furniture and shower products. Growth in the Russian market, which started after the summer, is expected to continue.

PRODUCT LAUNCHES A new bathroom furniture and ceramics range was successfully launched at the beginning of the year. A renewed shower cubicle range was introduced during the autumn, resulting in record shower product sales.

IFÖ MARKET CONDITIONS AND TRENDS The Swedish construction business has started to recover. In Denmark sales showed satisfactory growth and the demand was still high. In Norway total demand is low. The most important export market Russia is recovering, but still below expectations.

The new product line for vanity tops and luxury washbasins has developed satisfactorily and the total volumes for the year are impressive. Sales volumes of free-standing bathtubs are almost at the same level as for standard bathtubs. This indicates that market preference for baths has changed entirely in a few years.

Environmental issues continued to receive high priority and further projects were started to minimise the impact on the environment. New glazing equipment reduced zinc in sanitaryware glazing process by about 70%. The same process also reduced the use of fresh water. New equipment for welding of kitchen sinks in the Mörrum factory will reduce fresh water in the process from 12,000 m³/year to around 100 m³/year.

PROSPECTS The Swedish market is expected to grow in the next few years. The Danish market has reached a point where the risk of a downturn is approaching. In Norway the market situation is unstable. Change in distribution structure and more open Nordic markets towards Europe will increase competition.

A new production line including casting, glazing and firing of fine fireclay has been installed to achieve the increased volumes for vanity tops.

PRODUCT LAUNCHES Vanity tops have been established as an interesting product range with high potential in the future. A wastewater treatment concept has been developed and will be launched early in 2000. New shower products have been developed mainly for the Polish market. The launch of the free-standing bathtubs demonstrates the success of Ifö's product development based on increasing the preference for steel products and meeting market demand for environmental and cleaning issues.





TEPOR ► WARMTH. *Her very own bathtub.
Warm water. The little wonder in her
element. A touching sight.*

BONITAS



LECICO **MARKET CONDITIONS AND TRENDS** Both the Egyptian and Lebanese markets showed positive sales development during the year. Growth was exceptionally strong in Egypt, whereas Lebanon is slowly recovering from the economic difficulties after the civil war. The strong design link between tiles and bathroom ceramics has been fully accepted by Lecico's customers. The opening of the Syrian market offers new opportunities for the Lebanese company.

In June 1999 the new Egyptian bathroom ceramics plant in Borg-el-Arab started production and by the end of the year its annual output exceeded one million pieces. The new plant will be furnished with the latest Sanitec casting equipment.

PROSPECTS Exports are forecast to accelerate in 2000. The launch of Sanitec's brands in Egypt will help Lecico to strengthen its own brand positioning. Extended marketing of Sanitec products will be undertaken in the Middle East and Africa.

SANITEC JOHNSON SUISSE Sanitec Johnson Suisse was fully consolidated into the Sanitec Group in 1999. The company is active in Malaysia, Singapore, Australia, Hong Kong and China.

MARKET CONDITIONS Despite the economic recovery in Malaysia, Singapore and Hong Kong, the sanitaryware markets remained flat or contracted further during the year. The building markets in Australia and Mainland China were fairly strong throughout the year but have clearly become more competitive.

TRENDS AND PROSPECTS A turnaround and cautious growth in the sanitaryware markets is expected for 2000, following the general economic development in South East Asia. Sanitec Johnson Suisse will mainly focus on the retail sector and in Singapore additionally on public housing and commercial building. The pressure on prices is expected to be very strong. Market activity in Australia is forecast to maintain at last year's level. In Hong Kong the trend is towards the low-end product segment, whereas in Mainland China development is evident especially in the medium- and high-end segment products.

PRODUCT LAUNCHES Keramag and Allia products were launched in Malaysia in July 1999. These products complement the Johnson Suisse range in the luxury segment. A series of corporate and marketing events will be held during the year, targeting the retail clients. Other target groups are local architects and key players in the public housing business. The company will introduce a new range of semi-recessed basins, which promises good potential in the private residential sector in Australia and Hong Kong.



BONITAS ► QUALITY.

*An enjoyable bath or shower
after a hard day. Quality of life,
at its best.*



RECREATION



EVAC Demand for more environmentally friendly solutions is continuously increasing the market for Evac's vacuum toilet and wastewater management systems. In 1999 the Evac Group was reorganised to create a more efficient structure. There are three geographical poles: the Americas, Europe and Asia & Australia. The four business areas (Marine, Aviation, Train, Buildings) are organised in teams that manage common issues globally in their respective market segments.

Two acquisitions were made during the year to complement Evac's product offering: Sanivac Vakuumtechnik GmbH and AquaMar GmbH, both companies based in Germany. New offices were opened in Campinas, Brazil, and in Shanghai, China.

MARINE The vacuum toilet market for marine applications continued to grow slowly in 1999. Growth is expected to pick up in 2000 as new shipbuilding yards enter the cruise liner market. In North America several major programmes were won during the year. These include the vacuum waste systems for the American Cruise Vessel (AMCV), the first cruise ship to be built in the USA in over 40 years, and the first application for a jack-up drill rig with Petrodrill.

Co-operation between Evac's marine units and AquaMar made a flying start and the AquaMar backlog at the end of the year already exceeded total sales in 1999. The acquisition of the biological treatment plant producer AquaMar completes Evac's wastewater management product package. The feedback from the market has been positive as the customers want to limit the number of suppliers and try to buy more service packages.

AVIATION The aviation market for vacuum toilets decreased slightly during the past year and is expected to stay at the current level. Orders to Boeing declined, whereas deliveries to other customers remained strong in 1999 and are expected to increase further in 2000. Evac's subsidiary Envirovac received the prestigious Boeing Commercial Airplane Group's 1999 Supplier of the Year award in January 2000.

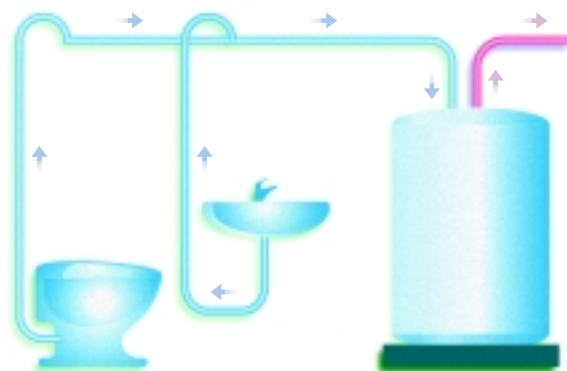
TRAIN The train market for vacuum toilets continues to grow because of the increasing retrofit market, the additions in the high-speed train sector and environmental issues. Shipments in North America were up significantly in 1999 with the bulk of the orders being filled for the Bombardier High-Speed Train project. Evac also reached full serial production of the loco-

otive system to both Norfolk Southern and General Electric commencing in late 1998 and continuing into 1999. Prices are under pressure in the competitive environment. Sanivac has been able to decrease production costs of Evac train systems, especially the cost of the compact toilet.

BUILDINGS Evac is operating within small niches in the building market in areas where conventional systems cannot be economically used because of the high cost of water or the flexibility needed. The building market for vacuum is still basically untouched and future potential is significant.

Sales of supermarket systems increased during the year, but did not reach the high expectations. The supermarket distributor project in North America was completed.

EVAC VACUUM SEWAGE SYSTEM



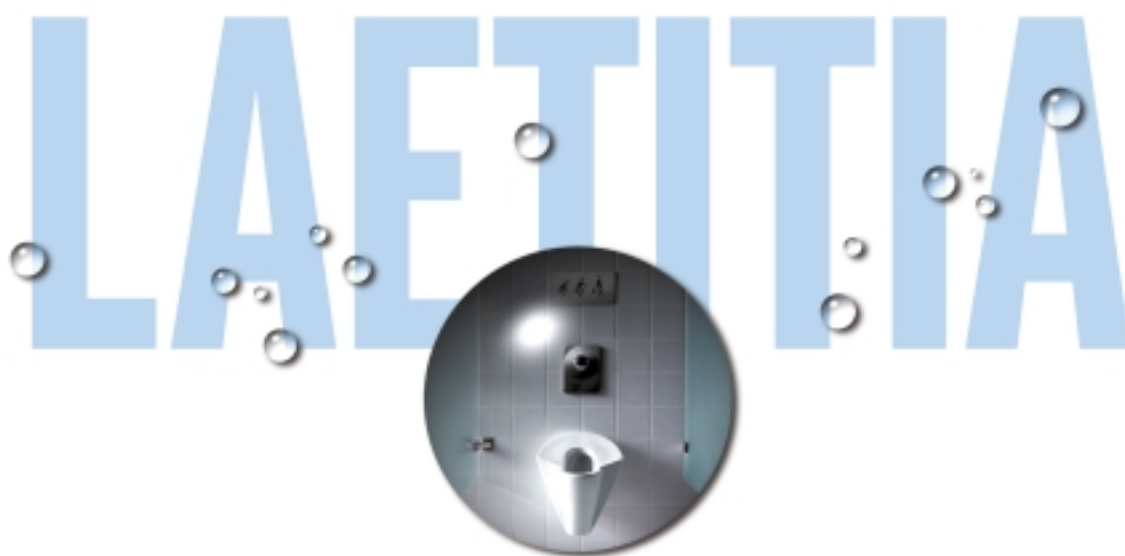
The vacuum system is independent of gravity. The sewage is transported by air and pressure differential (vacuum) instead of water and gravity.

Water is used only for rinsing the bowl, not for transporting the waste.

Limited vertical lifts and long horizontal transportation of the sewage are possible.



RECREATIO ► FRESHNESS. *Clear, fresh water that wakes you up. Ready to face the new day with its new challenges and opportunities.*



SPHINX GUSTAVSBERG Sphinx Gustavsberg is the most recent addition to the Sanitec family. Sanitec's public offer for the company was announced on 3 June. On 1 December the European Commission gave its approval to the acquisition after an in-depth investigation of the European bathroom market and following the commitment by Sanitec to divest the Gustavsberg activities. As a consequence of the acquisition Sphinx Gustavsberg was de-listed from the Amsterdam Stock Exchange on 14 January 2000.

Sphinx is active in the same segments as Sanitec Group, but the markets and products of both companies complement each other well. Sphinx's core activities are in the marketing and manufacturing of ceramic sanitaryware, shower enclosures, shower cubicles and acrylic bathtubs. The products are offered under various brands. The best known are Sphinx and Selles for ceramic products and Koralle and Leda for showers. The marketing strategy has been based on the bathroom concept, consisting of a total programme for sanitary fixtures for both the private and institutional markets. Sphinx Gustavsberg has its own sales organisations in fifteen European countries and production in nine countries.

The acquisition will give Sanitec access to the Benelux markets and strengthen its position in the bath and shower business especially in Germany and France. Further synergies will arise from improved efficiency by transfer of technology and in product development, design and marketing concepts.

Working groups with members from both organisations are working on a joint business and integration plan for the Group. The integration will follow Sanitec's decentralised operating model. Integration will in most cases take place country by country so that the Sphinx ceramic factories are incorporated in the existing Sanitec units locally. The Dutch and Belgian factories and the UK sales organisation will continue to operate as a Sphinx unit inside Sanitec Group. The role and activities of the former corporate headquarter of Sphinx Gustavsberg Group will be greatly diminished and about 25-30 people will become redundant. Sphinx Gustavsberg has entered into negotiations with the trade unions about a social plan.

MARKET CONDITIONS AND TRENDS Market conditions for the Sphinx Gustavsberg subsidiaries were different in the various countries they are active in. In the Netherlands Sphinx increased its net sales; sales especially of shower wall products increased significantly. Competition in Belgium is strong and the market stagnant. In France market conditions improved considerably, showing increased net sales in ceramics and shower wall products. In Germany it proved possible to strengthen net sales of showers and baths despite strong competition, whereas ceramic sales in Germany were lower. Sales increased in Central and Eastern Europe, Poland, Slovakia, Russia and the Baltic countries.

PROSPECTS Sphinx Gustavsberg has reacted to the changes in the market for bathroom products by expanding and intensifying its activities in the shower and bath segment and by adding new ceramics capacity. Smooth and effective integration of the Sphinx Gustavsberg subsidiaries in the Sanitec organisation is the first priority for the coming year. Simultaneously the position of the bathroom business of Sphinx in the Benelux and UK will be further strengthened.

PRODUCT LAUNCHES At the biennial ISH Fair in Frankfurt, Germany, Sphinx Gustavsberg was the first company in the European sanitary facilities sector to introduce a total concept for a urinal for women: "Lady P". An innovation as a system, it attracted a great deal of attention and can already be considered a success. At the same time, three new bathroom concepts ("Sphinx 340", "Sphinx 350" and "Sphinx 360") and a complete series of new Koralle shower screens and walls were presented to the public for the first time.

SPHINX FIVE YEARS IN FIGURES

EUR mill.	1998/99	1997/98	1996/97	1995/96	1994/95
Net sales	286.7	294.0	360.6	338.2	346.8
Operating income	8.4	8.3	5.4	16.3	28.6
Net income/loss	2.2	2.6	-20.5	-15.0	13.7
Personnel at year end	3,294	3,218	3,630	3,879	3,888

Note: Sphinx Gustavsberg's financial year ends on 31 March.



LAETITIA ► ENJOYMENT. *At times the child in you that loved to play with water surfaces again. Alone. With someone special. With the family. Together.*

ENVIRONMENT

BATHROOM PRODUCTS Sanitec regularly monitors the environmental impact of its operations. Sanitec's manufacture of bathroom products, the raw materials and production methods used, their environmental emissions and waste treatment, are governed by national environmental laws and regulations. Many Sanitec units have received ISO 14001 environmental certification. In 1999 the Digoin unit was the first French ceramics sanitaryware factory to obtain the certificate and the Limoges unit will follow. In Sanitari Pozzi, the activities for the environmental certificate have started and will be completed by the end of 2000. The re-certification process went smoothly in Keramag. In Ifö, which received the certificate in 1998, many additional projects have been initiated with good results.

Sanitec's target is to develop the operations of its companies so that they all comply with the requirements of the ISO 14001 standard.

Saving water plays a key role in Sanitec's product development for toilets since water consumption is the biggest environmental factor when the product is in use.

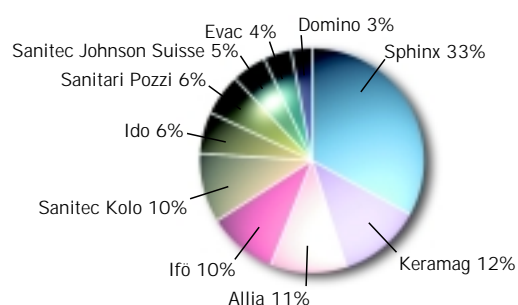
In production the main burden is on energy usage since ceramics manufacture is a highly energy-intensive process requiring the use of kilns both for drying and firing. Where raw materials are concerned the ceramics industry does not exert significant load on the environment since it uses mainly natural raw materials: clay, kaolin, feldspar and quartz. Moulds are made of gypsum. The substances needing more attention are glazing and colour pigments. By installing new technology the Sanitec factories have been able to reduce dust emissions, and eliminate glaze waste totally.

Acrylic bathtubs are produced from thin acrylic sheets. The manufacture creates styrene emissions into the air, the level of which is legally regulated. The emissions at all Sanitec factories are below the permitted levels.

VACUUM SEWAGE SYSTEMS The need for more environmentally friendly solutions is increasing the market for Evac's toilet and wastewater management systems in marine and train applications and in the building market in areas with high water costs or lacking infrastructure. Compared with the conventional gravity-based system, Evac's systems help to save water and reduce sewage since they use only small amounts of water and the collected waste flows in controlled conditions.

Evac Marine's system offering 100% control of the vessel's black and grey water systems, fulfils all IMO (International Maritime Organisation) regulations and provides a simple and complete overview of the whole shipboard sewage chain. The acquisition of AquaMar has brought further valuable know-how in the field of biological treatment plants. The technology will be applied in Evac's complete package solutions.

PERSONNEL BY BUSINESS UNIT



HUMAN RESOURCES

Sanitec is active in a labour-intensive industry and its success is based on the know-how and commitment of its employees at all levels of the organisation. Sanitec actively develops and trains its personnel through internal training schemes tailored to their needs, tasks and experience. The business units regularly arrange internal and external training programmes for their employees. The working environment in the factories is continuously improved with the active participation of the personnel.

The Sanitec Group encourages rotation of personnel and tasks among the business units to increase group synergies and to capitalise on the richness of its multicultural character. Job rotation also provides opportunities to accumulate international experience for the individuals. Several joint committees and working groups with expert members of the various business units encourage internal benchmarking and facilitate the integration of new companies into the group. Customised management training programmes have been introduced on a group level to guarantee internal continuity and growth among the management. Every second year a management meeting with approximately 100 participants is held.

Corporate communications has been developed to ensure regular flow of information both externally and in all Sanitec's units, in order to further strengthen the Group identity. Most of the business units have their own communication departments, which handle information at the local level.

Sanitec has a European-wide Works Council consisting of representatives from the company's personnel and management. The purpose of the council is to promote cross-border exchange of information and dialogue between management and personnel. The Council has employee representatives from six countries. It convened in Portugal in May.

Sanitec operates bonus and profit-related incentive schemes for the personnel on a company by company basis. In conjunction with Sanitec's combined offering the personnel subscribed for 266,806 new shares in a separate employee offering.

NUMBER OF PERSONNEL BY COUNTRY

	31 Dec. 1999	Personnel Change
France	1,004	15
Germany	940	60
Sweden	887	25
Finland	395	13
Poland	830	75
Italy	710	36
Malaysia	378	-43
Denmark	35	-6
Norway	88	2
Portugal	282	-16
USA	116	-6
Other countries	74	27
Total Sanitec Group	5,739	182
Sphinx	2,660	2,660
Total Sanitec and Sphinx	8,399	2,842
Associated company Lecico	3,643	579

SANITEC'S MAIN RELEASES IN BRIEF 1999

5 JANUARY • EVAC ACQUIRES 100% OF SANIVAC

Sanitec's subsidiary Evac acquires 100% of the shares of German company Sanivac Vakuumtechnik GmbH. Sanivac's business focuses on vacuum toilet systems for trains and emptying technology for retention tanks. Sanivac net sales in 1998 were about EUR 5 million.

31 MARCH • ACQUISITION OF SHARES IN JOHNSON SANITEC Sanitec acquires the outstanding 40% of the shares of Johnson Sanitec. Johnson Sanitec's net sales in 1998 were about EUR 10 million.

17 MAY • METRA TO APPLY FOR LISTING OF SANITEC GROUP Metra has decided to undertake preparations for listing of the shares of Sanitec Ltd Oy on the Main List of the Helsinki Exchanges.

3 JUNE • SANITEC INITIAL OFFERING Metra and Sanitec have decided that in the combined IPO and sale of Sanitec shares, the amount of new issued Sanitec shares equals the amount to be sold by Metra. Metra's ownership in Sanitec will be reduced slightly below 75%.

3 JUNE • PUBLIC OFFER FOR SPHINX GUSTAVSBERG

Sanitec and Sphinx Gustavsberg announce their intention to merge. Combined sales for Sanitec / Sphinx Gustavsberg in 1998 were in excess of EUR 850 million and employees totalled appr. 8,850.

7 JUNE • NEW ARTICLES OF ASSOCIATION Sanitec will change its company form, join the book-entry securities system and amend its Articles of Association in their entirety. The company will become a public limited company called Sanitec Oyj Abp in Finnish and Swedish, Sanitec Corporation in English.

8 JUNE • BERNDT BRUNOW APPOINTED EXECUTIVE VICE PRESIDENT Mr Berndt Brunow, BSc (Econ.), 49, has been appointed Executive Vice President of Sanitec Corporation as from 1 September. He is currently President of the converting materials division of UPM-Kymmene. Mr Brunow will be appointed President of Sanitec on 1 December 2000 at the latest, when the current President, Mr Henrik Eklund, retires.

16 JUNE • INTERIM REPORT JANUARY-APRIL 1999

Sanitec Group's net sales reached EUR 206.9 million (EUR 184.2 million in January-April 1998), an increase of 12% on previous year. The operating profit was EUR 24.1 (26.2) million, 12% (14%) of net sales. The profit before extraordinary items was EUR 21.1 (23.4) million, and the profit for the financial year was EUR 13.8 (13.4) million.

17 JUNE • OFFER DOCUMENT ON SPHINX GUSTAVSBERG Sanitec's offer document regarding the public offer for Sphinx Gustavsberg is published. The holders are offered 13 euro/share. The offer period commences on 18 June and ends on 10 August 1999.

22 JUNE • SANITEC KOLO RECEIVES POLISH PRESIDENT'S AWARD Sanitec's Polish subsidiary Sanitec Kolo has received the award of the President of the Republic of Poland for the best foreign investment in Poland.

5 JULY • CHANGES IN THE BOARD OF DIRECTORS Sanitec's Extraordinary Shareholders' Meeting decided on changes in the members of the Board of Directors of Sanitec as from 8 July.

The new Board of Directors: Georg Ehrnrooth (Chairman), Stig Stendahl (Deputy Chairman), Robert G. Ehrnrooth, Henrik Eklund, Wolfgang H. Molitor, Carl-Henric Svanberg and Juha Toivola.

6 JULY • INCREASE OF SHARE CAPITAL Sanitec's new fully paid up share capital of EUR 64.862.349,56 is filed with the Finnish Trade Register. The share capital is divided into 62,209,014 shares. The book counter-value of one share is approximately EUR 1.04.

9 JULY • METRA SELLS ADDITIONAL SANITEC SHARES The managers of the Combined Offering will exercise in full the over-allotment option to purchase 1,500,000 shares. Following the exercise Metra has sold altogether 9,242,776 shares in Sanitec and the shareholding is 72.3%.

4 AUGUST • THE EUROPEAN COMMISSION INVESTIGATES PUBLIC OFFER FOR SPHINX GUSTAVSBERG The European Commission has examined the notification of the acquisition of Sphinx Gustavsberg. The preliminary finding is that the proposed transaction could result in a dominant position in the Nordic and Benelux countries. The Commission therefore decided to initiate further investigations.

9 AUGUST • EXTENSION OF OFFER PERIOD FOR SPHINX GUSTAVSBERG The period of Sanitec's public offer for all shares in Sphinx Gustavsberg is extended from 10 August until 6 December 1999.

13 SEPTEMBER • ACQUISITION OF AQUAMAR Sanitec's subsidiary Evac acquires the majority of the shares in German treatment plant producer AquaMar GmbH. AquaMar's expertise lies in biological treatment plants mainly for marine and building applications. In 1998 AquaMar's sales were EUR 2 million.

13 OCTOBER • INTERIM REPORT JANUARY-AUGUST 1999 The net sales of the Sanitec Group reached EUR 411.0 million (EUR 374.2 during January-August 1998), growth of 9.8% on previous year. The operating profit was EUR 50.4 (50.7) million, 12.3% (13.5%) of net sales. The profit before extraordinary items was EUR 43.8 (43.3) million and the profit after taxes and minority interests improved to EUR 25.9 (23.2) million.

26 OCTOBER • STRENGTHENED HOLDING IN SANITEC KOLO, POLAND Sanitec acquired Finnfund's appr. 20% holding of shares in the Polish subsidiary Sanitec Kolo.

1 DECEMBER • SPHINX GUSTAVSBERG ACQUISITION CLEARED BY THE EUROPEAN COMMISSION The Commission has approved Sanitec's acquisition of Sphinx Gustavsberg after an in-depth investigation. The clearance follows the commitment by Sanitec to divest the Gustavsberg business.

9 DECEMBER • CHANGE IN METRA'S OWNERSHIP OF SANITEC 4,990,628 Sanitec shares were distributed as dividend by Metra. Metra's holding decreased from 72.3% to 64.2%. Metra now owns 39,966,028 Sanitec shares.

15 DECEMBER • SPHINX GUSTAVSBERG ACQUISITION CLOSED Sanitec has completed the acquisition of Sphinx Gustavsberg, holding 97.8% of the share capital. The post-tendering period ends on 14 January 2000. Sphinx Gustavsberg to be de-listed from the Amsterdam Stock Exchange in January 2000.

ADDRESSES

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SANITEC INTERNATIONAL GMBH

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40878 Ratingen
Germany
tel. +49 2102 916 411
fax +49 2102 916 461

Bathroom products

The classification of the factories below into shower, ceramics etc. does not cover whole of the product range.

ALLIA

www.allia.fr

Head Office
ALLIA S.A.
696, rue Yves Kermen
92658 Boulogne-Billancourt
Cedex
France
tel. +33 1 46 941 616
fax +33 1 46 941 600

Ceramics Factory
ALLIA S.A.
B.P. 14, Rue des Blattiers
71160 Digoin
France
tel. +33 3 85 536 200
fax +33 3 85 889 123

Ceramics Factory
ALLIA S.A.
Z.I. de Magré, rue Stuart Mill
87000 Limoges
France
tel. +33 5 55 309 393
fax +33 5 55 301 443

Ceramics Factory
ALLIA S.A.
La Villeneuve au Chêne
10140 La Villeneuve au Chêne
France
tel. +33 3 25 413 511
fax +33 3 25 414 102

Ceramics Factory
EURO CER S.A.
Quinta do Peixoto
Ap. 47
2580 Carregado
Portugal
tel. +351 63 858 100
fax +351 63 858 181

Shower Factory
**FABRICATION D'APPAREILS
SANITAIRES (FAS) S.A.**
Z.I. Du Motté
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France
tel. +33 2 33 891 389
fax +33 2 33 891 388

Shower Factory
POLYROC S.A.S.
B.P. 96
30, rue de Courtiras
41102 Vendôme Cedex
France
tel. +33 2 5473 6000
fax +33 2 5477 4192

Sales Office
SANITEC PORTUGAL
Av. Araujo e Silva No. 59
3810 Aveiro
Portugal
tel. +351 34 378 220
fax +351 34 378 229

Factory
(solid surface mineral material)
VARICOR S.A.
30 rue de la Scierie Wisches
67130 Schirmeck
France
tel. +33 3 8847 5520
fax +33 3 8847 3255

DOMINO

www.dominospa.com
Head Office and Shower and
Bathtub Factory
DOMINO S.P.A.
Via Valcellina
Zona Industriale Nord
33097 Spilimbergo
Italy
tel. +39 0427 594111
fax +39 0427 50304

IDO

www.idobath.com
Head Office and Ceramics
Factory
IDO BATHROOM LTD
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10600 Tammisaari
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fax +358 19 241 6170
Marketing and Export Department
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Shower Factory
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fax +47 35 57 3551

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IFÖ

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Head Office and
Sanitaryware Factory
IFÖ SANITÄR AB
Box 140
Folketshusgatan 1
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