

Sanitec



Annual Report 2000

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Sanitec

Annual Report 2000

Information for Shareholders

Welcome to the Annual General Meeting

The Annual General Meeting of Sanitec Corporation will take place at 4.00 pm on Thursday 22 March 2001 in the Europea Room of the Marina Congress Center, Katajanokanlaituri 6, Helsinki.

Participation

Shareholders who have registered themselves no later than 12 March 2001 in the company's share register maintained by the Finnish Central Securities Depository Ltd may attend the Annual General Meeting.

Nominee-registered shareholders may be temporarily registered in the shareholder register in order to attend the Annual General Meeting by 12 March 2001.

Notification

Shareholders wishing to attend the Annual General Meeting must notify the company by 4.00 pm on 19 March either by letter to Sanitec Corporation, Share Register, P.O. Box 447, 00101 Helsinki, Finland, or by telephone +358 (0)9 7095 405/Ms Anne Niinikivi, by telefax +358 (0)9 7095 410, or by e-mail to anne.niinikivi@sanitec.com.

Powers of attorney 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 financial year 2000. The record date for dividend payment is 27 March 2001 and dividends will be paid on 3 April 2001 subject to approval of the Board's proposal.

Important Dates for Shareholders

Notification for the Annual General Meeting by 4.00 pm on 19 March 2001
Annual General Meeting 4.00 pm on 22 March 2001

Interim reports during 2001

January – March 11 May 2001
January – June 10 August 2001
January – September 8 November 2001

Sanitec's financial information is published in English, Swedish and Finnish. All financial information is posted immediately after release on Sanitec's website www.sanitec.com. The reports can also be ordered by post by writing to Sanitec Corporation, Communications, P.O. Box 447, 00101 Helsinki, Finland, by telephone +358 (0)9 7095 400, by telefax +358 (0)9 7095 470, or by e-mail to leena.oikkonen@sanitec.com.



The annual report is also available as a multimedia presentation on Sanitec's web pages. The presentation makes effective use of technology suitable for electronic media such as video and animations in addition to text and tables. To see Sanitec's net annual report, go to www.sanitec.com.

Sanitec's sales growth during 2000 – almost 40% – indicates that the company has once again strengthened its position as Europe's leading producer of bathroom solutions. The first-rate expertise of our company in all its business segments gives us good grounds for confidence that we can also become a global leader.

President's Review

A high priority for Sanitec is the need to find attractive new markets for its bathroom products. In Europe the bath and showers business offers us particularly strong potential for growth in parallel with our strategy. With this in mind we have decided to take an active role in the consolidation now taking place in the European bathroom industry, which I believe will produce results in the next years ahead. In bathroom ceramics we are increasing our efficiency in Europe and further developing our presence in Southeast Asia.



The large acquisition that we undertook early last year weakened Sanitec's profits, as expected. However, our positive performance during the final quarter of the year indicated that the path we had taken was justified. The process of integration has proceeded as planned. Growth in Sanitec's net sales this year will largely be derived from our new market area, the Benelux countries, and Bath & Shower products. Our joint venture in the Middle East was also instrumental in depressing Sanitec's performance last year. The production problems in the Nordic countries last summer were solved during the autumn.

Although signs of a slowdown in growth were visible at the end of the year, particularly in Poland and Germany, we expect Sanitec to continue reaching annual organic growth of more than 5%. We forecast that our net sales in 2001 will exceed one billion euros and that our operating profit margin will rise clearly.

Our acquisition of the British company Twyford Bathrooms in January 2001 sealed Sanitec's position as the number one bathroom ceramics producer in Europe. Twyford is a successful company with good management and a solid reputation. We expect this company's satisfactory result in 2000 to improve further this year.

Our objective this year is to develop our organisation and further increase our efficiency. Better performance will result, first and foremost, from a motivated workforce and internal efficiency. We will strengthen business control and make further progress in our e-business project. This involves creating a unified group-wide intranet, developing working practices that serve our customers more effectively, and providing flexible tools for architects and designers. I am confident that this action will enable us to continue raising our performance, which already began to improve at the end of 2000.

Sanitec's vision is to become a global leader in bathroom solutions, not simply in terms of size but above all in profitability. We wish to be the preferred supplier to our customers. As an employer we also wish to secure the commitment of the best professionals in the industry to Sanitec. I believe we are already making rapid progress along this path.

A handwritten signature in black ink, which appears to read 'Berndt Brunow'. The signature is stylized and written in a cursive-like font.

Berndt Brunow
February 2001



Sanitec Today

Sanitec is a multinational Group focusing on bathroom ceramics, bath and shower products, and vacuum sewage systems. Most of the company's 42 production plants are in Europe, whereas its sales and marketing network is global. Sanitec has its head office in Finland and its shares are listed on Helsinki Exchanges.

Sanitec has growth both organically and through acquisitions. Today, as a result of its growth strategy, Sanitec is the leading manufacturer of bathroom ceramics and bath and shower products in Europe. The company is also the largest or second largest supplier in all its main markets. Sanitec's subsidiary Evac is the world's leading supplier of vacuum sewage systems.

With over 9,000 employees, the Sanitec Group is based around locally well known brand names which have strong positions and

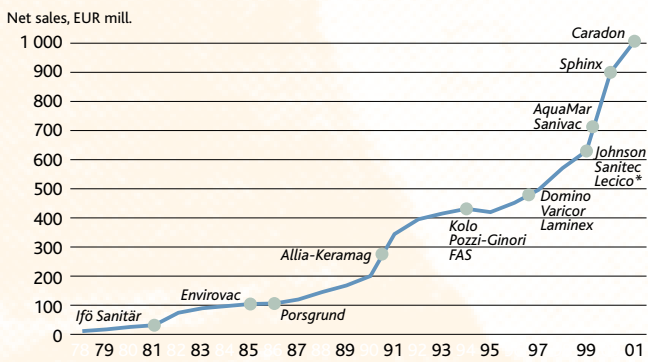
long roots in the bathroom business. Sanitec uses these brands to strengthen its global operations and corporate identity, and in this way to create greater shareholder value: Sanitec is greater than the sum of its parts.

Sanitec's strategic goal is to achieve and maintain a leading position as a global supplier of bathroom solutions. The company's business concept is to promote a healthier lifestyle and wellbeing by providing environmentally friendly bathroom solutions with advanced design.

The Group derives approximately 96% of its annual net sales outside Finland. Sanitec's main markets are in Europe although it has production plants and sales companies around the world. This ensures a strong platform for continued expansion.

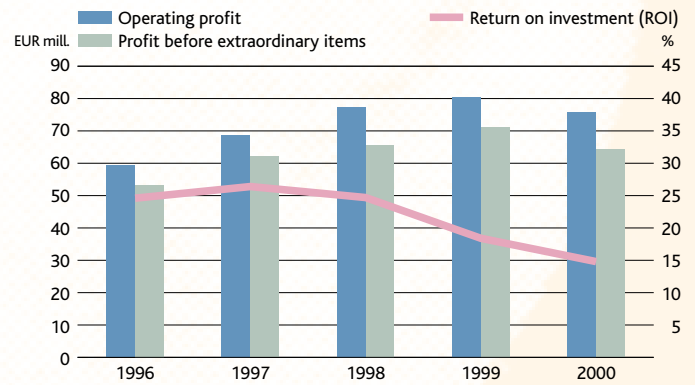


Acquisition Track



* Associated company, not consolidated.

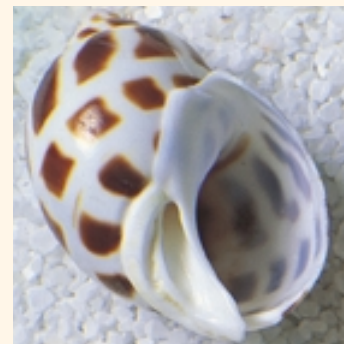
Profit Development



Five Years in Figures

EUR mill.	2000	1999	1998	1997	1996
Net sales	877.3	630.0	570.8	496.4	451.9
of which outside Finland					
	%	95.8	94.8	94.7	94.8
Personnel on average	8,302	5,796	5,034	4,640	4,380
of which in Finland					
		407	403	391	348
Operating profit	75.8	80.6	77.4	68.8	59.3
Profit before extraordinary items	64.3	71.3	65.6	62.1	53.4
Profit for the financial year	39.2	43.4	37.0	37.7	13.9
Return on investment (ROI)	%	14.8	18.4	24.7	26.4
Return on equity (ROE)	%	11.0	15.9	19.0	26.1
Solvency ratio	%	47.3	42.5	43.7	40.2
Earnings per share (EPS)		0.63	0.75	0.70	0.81
Equity per share		5.90	5.46	3.88	3.38

Sanitec's Releases in Brief



11 January 2000 Sphinx Gustavsberg to de-list from the Amsterdam Stock Exchange.

The Amsterdam Stock Exchange and N.V. Koninklijke Sphinx Gustavsberg have agreed to de-list Sphinx Gustavsberg from the Amsterdam Stock Exchange on 14 January 2000.

17 January Sanitec acquired 99.9% of the shares in Sphinx Gustavsberg

During the post-tendering period ending on 14 January 2000 Sanitec was offered an additional 194,017 shares and depository receipts, bringing the total ownership to 99.9%.

11 February Berndt Brunow begins as president of Sanitec in March

BSc (Econ.) Berndt Brunow (49), Executive Vice President of Sanitec Corporation, will start as President of Sanitec during March 2000 according to plan. MSc (Eng.) Henrik Eklund resigns then from the President position and will retire before the end of the year 2000.

11 February Sanitec's results for the financial year 1999

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.

17 March An appointment in Sanitec Corporation

Mr Benny Persson (58) has been appointed Managing Director of N.V. Koninklijke Sphinx Gustavsberg, Maastricht in Holland. Persson has been Managing Direc-

tor of Ifö Sanitär AB in Bromölla, Sweden, since 1988. Mr Johan Nilsson (39) will replace Persson as Managing Director in Ifö Sanitär AB. Nilsson has been Managing Director in Sanitec Johnson Suisse in Singapore/Malaysia since 1998.

20 March Sanitec divests Gustavsberg

Sanitec Corporation has signed a contract with Villeroy & Boch AG of Germany to sell all Gustavsberg AB's shares. The transaction consists of the parent company and all Gustavsberg AB's subsidiaries, including the taps and mixers company Gustavsberg Vårgårda Armatur AB. The price of the shares is EUR 43.8 million.

21 March Sanitec's Annual General Meeting

Sanitec's Annual General Meeting on 21 March 2000 approved the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for 1999. A dividend of EUR 0.21 per share will be paid to the shareholders. Altogether 3,300,000 warrants will be issued to Sanitec's key personnel. The warrants represent 5% of the total shares of Sanitec.

21 March Berndt Brunow appointed new president of Sanitec

Mr Henrik Eklund has resigned as President and CEO of Sanitec Corporation and will retire at the end of the year. Executive Vice President, Mr Berndt Brunow, has been appointed new President and CEO as of today.

14 April Metra's extra dividend paid, Sanitec an associated company

Metra has made the payment of the extra dividend, mainly in the form of Sanitec Corporation

shares, all in accordance with the resolution of the Annual General Meeting of Shareholders on 23 March 2000. As a consequence of the dividend, Metra's ownership in Sanitec decreased from 64.2% to 46.7%, and Sanitec became an associated company instead of a subsidiary. Currently Metra holds 29,080,479 Sanitec shares.

19 April Changes in Sanitec top management

Mr Stefan Berger, Senior Vice President and CFO of Sanitec Corporation, has announced his intention to leave his position. Mr Timo Lehto, has been appointed Senior Vice President and CFO of Sanitec Corporation. Mr Pertti Nupponen has been appointed Senior Vice President, Corporate Development of Sanitec Corporation. Mr Lehto and Mr Nupponen have been appointed members of Sanitec Board of Management.

20 April Sanitec announces change in Fiskars' Holding

Sanitec Corporation has been informed that Fiskars Corporation's holding of Sanitec's share capital and votes has exceeded 5% on 7 April 2000 as a result of the extraordinary dividend paid by Metra Corporation. Fiskars Corporation today holds 3,923,695 Sanitec shares representing a participation of 6.3% in Sanitec's shares and votes.

3 May Gustavsberg transaction closed

Sanitec's sale of Gustavsberg to Villeroy & Boch AG was finalised on 2 May 2000. The price of the shares was EUR 43.8 million. The sale has been approved by the European Commission and the Swedish and Finnish competition authorities.

5 May Sanitec's Proforma quarterly figures for 1999

Sanitec Group will report interim financial results quarterly from 2000 onwards. We hereby release the proforma figures for the comparable periods in 1999.

9 May Sanitec interim report January-March 2000

The net sales of Sanitec Group grew considerably during the reporting period, amounting to EUR 224.4 million. This marked an increase of EUR 70.7 million (46.0%) on the first quarter in 1999 (EUR 153.7 million). Sanitec Group posted an operating profit of EUR 17.9 million, 5.3% higher than in the previous year (EUR 17.0 million). The operating profit includes Sanitec's share of associated companies' net losses, EUR 1.5 million. The profit before extraordinary items was EUR 14.6 million (14.8 million) and the net profit for the financial period was EUR 8.8 million (8.8 million).

29 June Sanitec intends to restructure the Warneton ceramics plant in Belgium

Sanitec has the intention to restructure its Warneton ceramics factory in Belgium by reducing the production volume from the 750,000 pieces to 500,000 pieces annually. Warneton Industrie S.A. belongs to the Sanitec Group and was joined to the Group by the acquisition of N.V. Koninklijke Sphinx Gustavsberg in 1999.

10 July Sanitec stops the production of its Wroclaw ceramics plant

Sanitec has decided to close the Polish bathroom ceramics factory in Wroclaw. The plant will be phased out in July. Simultaneously, the restructuring of the plant into a logistic center will commence.

Sphinx Wroclaw Sp. z o.o. was joined to the Sanitec Group by the acquisition of N.V. Koninklijke Sphinx Gustavsberg in 1999.

7 August Sanitec interim report January-June 2000

The net sales of Sanitec Group continued to grow rapidly. During the six-month report period, the net sales amounted to EUR 449.1 million, marking an increase of EUR 134.2 million (42.6%) compared to the same period in previous year (EUR 314.9 million). The operating profit of Sanitec Group was EUR 37.1 million, i.e. slightly lower than previous year (EUR 38.3 million), but with the second quarter (EUR 19.2 million) improving over the first quarter (EUR 17.9 million).

13 October Sanitec's Proforma quarterly figures for 1999

Sanitec Group has reported interim financial results quarterly as of the beginning of 2000. In addition to the proforma figures released 5 May 2000, we hereby release the quarterly proforma figures for 1999 also by business area.

2 November Sanitec interim report January-September 2000

The Sanitec Group generated net sales of EUR 655.1 million (EUR 465.7 million) during the nine-month reporting period, marking an increase of 40.7%. The integration of the Sphinx operations is continuing as planned. It was the major contributor to the sales growth, but the Group showed also good organic growth of 6.2%. Nevertheless, the operating profit margin of 8.1% (12.5%) came close to the planned effect of the Sphinx integration. Sanitec's operating profit was EUR 52.8 million (EUR 58.0 million).

29 December Sanitec's financial information 2001

Sanitec Corporation will publish its Financial Statement Bulletin for the financial year 2000 on Friday, 16 February 2001. The Annual Report will be out during the 10th week of the year 2001. Sanitec will publish three Interim Reports during 2001. The report on the January-March operations will be published on Friday, 11 May, on the January-June operations on Friday, 10 August, and on the January-September operations on Thursday, 8 November. The Annual General Meeting of Sanitec will take place on Thursday, 22 March 2001.

11 January 2001 Sanitec Corporation acquires Caradon Bathrooms

Sanitec Corporation has signed a contract to acquire Caradon Bathrooms from HSBC Private Equity for GBP 82 million. Sanitec gains a strong position in the UK bathroom ceramics market. Adds the well-known quality brands of Twyford, Doulton and Royal Doulton to the Sanitec Group. The acquisition will be financed through existing credit facilities. Closing is subject to regulatory approvals and is expected to occur within one month.

29 January 2001 Sanitec closes UK acquisition

Sanitec Corporation has today completed the acquisition of Caradon Bathrooms which was announced on 11 January 2001. The acquisition was conditional on regulatory approval which was received on 18 January 2001. The company's financials will be consolidated into the Sanitec Group as from 1 January 2001. In conjunction with the completion, the company name has been changed to Twyford Bathrooms.



Questions and Answers

1. What's Sanitec's main business?

Sanitec designs, manufactures and markets bath and shower products, bathroom ceramics and vacuum sewage systems. Our main products include washbasins, toilet seats, bidets, vanity tops, shower cubicles and systems, whirlpools, bathtubs and related accessories.

2. Where are Sanitec's roots?

Sanitec is an multinational Group. The company has its roots in Finland but it operates production plants and sales companies in more than 30 countries worldwide. Roughly 96% of our net sales are derived outside Finland.

3. Are Sanitec's shares publicly listed? Where?

Sanitec's shares have been listed on Helsinki Exchanges since July 1999.

4. Who are Sanitec's largest shareholders?

Most of Sanitec's major shareholders are Finnish corporations. The largest is Wärtsilä Corporation (formerly Metra Corporation) with 46.7% of the share capital. Fiskars Corporation owns 6.3%, the Sampo insurance group 3.4%, Varma-Sampo Mutual Pension Insurance Company 2.9% and Ilmarinen Mutual Pension Insurance Company 2.8% of the share capital.

5. Is Sanitec part of the Wärtsilä Group?

Since its establishment in 1990, Sanitec has been part of the Wärtsilä Group. Sanitec was listed on the Helsinki Exchanges in summer 1999. In April 2000 Wärtsilä reduced its holding to 46.7% and Sanitec was deconsolidated.

6. Where does Sanitec have its main markets?

Sanitec's main markets are in Europe although it also has production plants in the USA, Egypt, Lebanon and Malaysia as well as sales companies around the world.

7. How does Sanitec rate against its competitors?

Sanitec is the leading bathroom ceramics company in Europe and also number one in bath and shower products. The company is either the largest or second largest in all its geographically main markets. Sanitec is also the world's leading producer of vacuum sewage systems.

8. Why isn't Sanitec well known despite its leading market position?

Sanitec is not a brand name. On the other hand Sanitec brings together a large number of locally well known brands with strong roots in the bathroom business. Sanitec's objective is to strengthen its corporate image and further develop its operations, thus generating greater corporate value for its shareholders.

9. How does Evac differ from Sanitec's other companies?

Evac concentrates on vacuum sewage systems. Evac's business is the design and delivery of projects for individual customers. Evac systems are primarily used in mobile applications such as trains, ships and aircraft. They are also employed in buildings where conventional systems would take too much space, consume too much water or would not be safe enough.

10. Where are Evac's main markets?

Evac operates globally through its units in Finland, Sweden, Germany, France, Great Britain, the USA, Brazil, the Republic of China and Singapore. Evac manages projects in which it supplies vacuum sewage products tailored to the specific needs of its different customers.

11. Can you give examples of Evac's recent projects?

Evac will supply 1,355 Evac 90 vacuum toilets to serve the needs of the 2,680 passengers and 900 crew on the M/S Costa Atlantica, the largest cruise ship ever ordered by a European shipowner.

In April 2001 Evac will start equipping 327 sanitary cabin sub-systems for the new trains of the West Coast Mainline in the UK. Besides vacuum toilets the scope of supply also includes electronic security equipment, automatic door systems and toilet tanks. This order confirms Evac as the leading supplier of vacuum sewage systems to the British train industry.

Gulfstream Aerospace has chosen Evac as its preferred supplier of vacuum sewage systems for all its Gulfstream V aircraft.



Business Description

Strategy and Goals

Sanitec is Europe's leading manufacturer of bathroom products today. The company's long-term goal is to become the world's leading provider of bathroom solutions. To reach this goal, Sanitec seeks to strengthen its leading position in the European bathroom ceramics market while at the same time gaining clear leadership in bath and shower products in Europe. Evac's goal is clear global leadership in total water and waste water systems based on vacuum technology.

To achieve its objectives, Sanitec will seek further gains in efficiency while sustaining its focus on bathroom ceramics and bath and shower products. Continuous above-average growth in net sales combined with sustained strong profitability are the means by which Sanitec intends to accomplish its goals. Sanitec underpins its strong organic growth with a heavy commitment to product development and carefully planned marketing, by opening up new markets, and by encouraging cross-selling of the Group's various product ranges.

The company will increase customer value by expanding its product portfolio with new innovative products and superior service. Whilst we will defend our market share vigorously, we realize that higher material and energy costs have had an adverse effect on our profitability, especially in the high-range products. Therefore our plan is to adjust prices accordingly.

Sanitec also emphasises decentralised management supported by coordination at Group level and brand thinking. Sanitec's strategy is to make further acquisitions of companies that supplement its

existing product ranges, further strengthen its market position or raise its corporate value in the long term.

Financial Performance and Targets

Sanitec's net sales grew vigorously (39.3%) during 2000 and its result improved towards the end of the year as planned. Good organic growth is expected to continue during 2001 and net sales to exceed EUR 1 billion. The operating profit margin will improve markedly on last year's figure.

Sanitec aims to maintain annual organic growth of over 5% as in previous years. Its objective in the years ahead is also to restore the consolidated operating profit margin to its former level of over 12%. Strong cash flow will enable the company to continuously develop its operations by implementing the requisite investments and acquisitions. The target is to maintain cash flow from operations at a level of at least 10% of annual net sales.

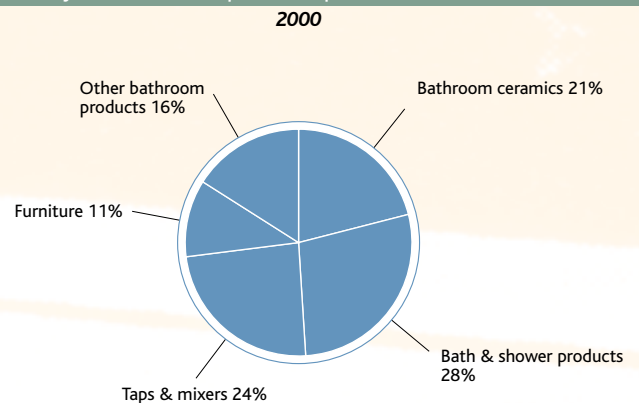
Market Overview

Bathroom Ceramics

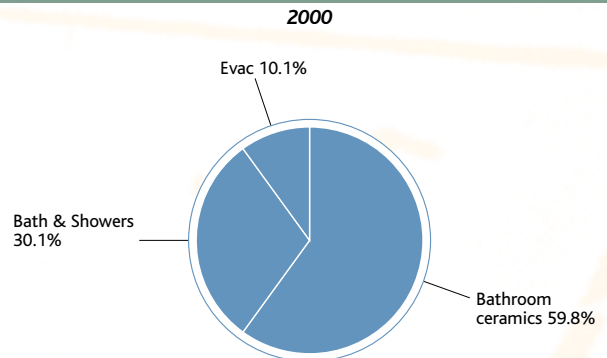
The bathroom business in Europe is estimated to total EUR 10.5 billion. With annual net sales of EUR 524.9 million in the branch, Sanitec is the largest of the manufacturers in this market. With the exception of Spain, Sanitec operates in all the main European markets, the largest in terms of net sales being France, Germany, the Nordic countries and the Benelux countries.

Annual growth is fairly modest in bathroom ceramics, which closely follows building cycles in the

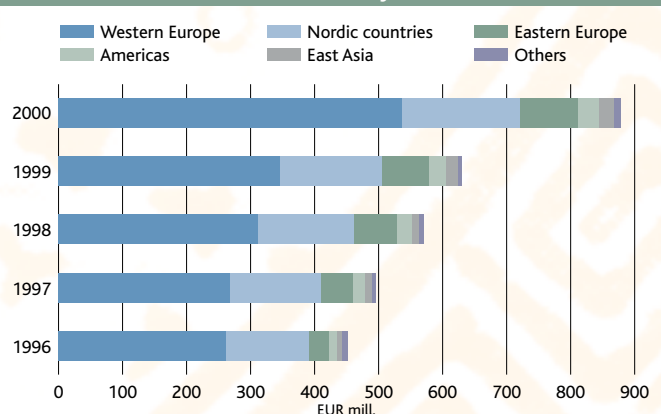
Major Product Groups of European Bathroom Business



Sanitec's Business Areas



Sanitec's Net Sales by Market Area



Business Description

construction industry and particularly renovation. The latter segment accounts for 70% of sales on average.

Ceramic bathroom products can be divided into three price ranges: high-, mid- and low-range products. High-range and low-range products have accounted for an increasingly large share of sales in the bathroom ceramics sector in recent years and growth is also apparent in the "do-it-yourself" markets.

Sanitec owes its strength to its core business concept – strong local brands in local markets. The company's profitability has always been high. Sanitec closely monitors its internal efficiency to maintain and raise its profitability. The company increases productivity and reduces production costs through investments in new production equipment and by moving production to cost-competitive countries.

Bath & Showers

The bath and shower market in Europe is growing at an annual rate of about 3.4%. Total sales in Europe are estimated to be EUR 2.8 billion, and worldwide EUR 5.9 billion in 2000. Sanitec accounts for approximately 7% of the European market and its product range covers all product segments: whirlpools, bathtubs, shower enclosures and cubicles, and various shower systems. In all these segments Sanitec offers strong brands which are firmly established each in their own market.

The European bath and shower market is highly fragmented with many small manufacturers accounting for altogether some EUR 2.8 billion in net sales. Sanitec's annual net sales of EUR 264.3 million makes it the largest player with a

market share of about 7%. The fragmented nature of the market offers Sanitec scope for further acquisitions in line with its growth strategy.

Higher standards of living are encouraging people to give more attention to bathroom decoration and furnishings. The bathroom is no longer seen as a basic necessity but also as a room for relaxation. Hence demand for bath and shower products is shifting increasingly towards higher-standard products in which design and quality take pride of place. Eastern Europe in particular is developing rapidly in this respect.

Renovation of houses and apartments has been growing in Europe for some time. Where renovation is concerned decisions are generally made by consumers themselves, which is not the case in new building. Renovation accounts for some 70% of bath and shower product sales.

Sanitec relies on its local product brands and local companies but it also systematically develops joint activities between its different business units and countries. This applies to joint purchasing, joint design and product development work, and the identification and application of best practices. Another high priority is the adoption by all local Sanitec companies of international quality and environmental standards.

Vacuum Sewage Systems

Sanitec is the leading global producer of vacuum sewage systems. Through its subsidiary Evac, Sanitec markets vacuum sewage systems for aircraft, ships, trains and also buildings, tailored to the needs of its customers. Evac is the only company in its business that

operates in all these four segments.

Evac is a project supplier; it provides flexible total solutions based on vacuum technology through a global sales network. The pillars of Evac's operation are research, product development and the environmental friendliness of its products. Evac has a large number of patents to its name, which underpins its competitive strength. Demand for vacuum toilet systems is being fuelled by rising water costs and the poor availability of clean water in more and more countries. Besides vacuum systems, Evac also supplies Sanitec's other products to shipyards, shipowners and aviation companies.

Evac has further raised its share of the marine applications market thanks to its ability to provide complete system packages to its customers.

Aviation systems are expected to grow 10 - 15% over the next three years. Evac has so far supplied about half of Boeing's systems. Evac's vacuum sewage technology has also been made the standard in Gulfstream V aircraft.

The train market for vacuum toilets has seen dramatic change in recent years. Evac has responded to the deteriorating market situation by intensifying its operations and developing standardisation, research and product development.

In vacuum sewage applications for buildings Evac is strengthening its sales and marketing network and introducing its supermarket systems to new markets. Growth prospects in this market segment are bright.

Distribution

Bath and shower products and bathroom ceramics are distributed from the manufacturer via whole-



salers and installers to the end customer. Sanitec has a comprehensive sales network through which it maintains close contact with plumbers, designers and architects. Sanitec and its subsidiaries have long and well-established contacts with local distributors, which help the company to closely follow new trends such as the increase in sales via "do-it-yourself" chains and the expanding importance of the Internet.

Distribution of vacuum sewage systems is based on projects where customers are approached directly. Customers are generally large, global aviation and marine shipping companies and railway operators. Customers in the building sector are usually local. A deep technical knowledge of each customer's business, global logistics and efficient project management are critical to Evac's success.

Consumption Trends

The bathroom ceramics markets follow general economic trends and cycles in the building and renovation markets. Growth in bath and shower products is closely related to rising living standards. Favourable economic growth in recent years has increased sales of bathroom products while renovation has grown in pace with new building, a trend that is partially supported in various countries by government subsidies and tax benefits.

Higher living standards and ageing of the population have likewise quickened interest in improving the quality of life. More and more people are making healthy living an integral part of their way of thinking.

Consumers are placing greater emphasis on interior decoration

and the choice of furnishings. Demand for Sanitec's bath and shower products has risen with a clear trend towards luxury products that promote health and hygiene. The company forecasts that demand will rise further in the years ahead for luxury whirlpools and even shower systems incorporating fragrances, sounds and music.

Respect for the environment – in particular water conservation and environmentally responsible manufacturing methods – have emerged as an important factor when choosing bathroom products. The strongest growth in demand for environmentally friendly products is apparent in areas where water is polluted or in short supply. In the building industry, closed sewage systems or biological waste treatment systems are needed particularly in difficult areas where conventional systems are not feasible. Combining the features of luxury products with environmental friendliness is a major challenge for the bathroom products industry.



Company Management

Board of Directors

The Board of Directors applies the Corporate Governance recommendations issued by the Helsinki Stock Exchange on 2 October 1997. These recommendations are based on the guidelines for the administration of public limited companies prepared jointly by the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

The Board consists of between five and nine members. Their term of office lasts from their election until the close of the subsequent Annual General Meeting. The

Board elects a chairman and a deputy chairman from among its members.

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 Board convened eight times during 2000.

Board of Management

The Board of Management comprises the President and CEO, the Senior Vice President and CFO, the Senior Vice President, Corporate Development, and the managing directors of the major subsidiaries. The Board of Management is responsible for corporate strategy and budgeting, investments and the company's financial performance. Members of the Board of Management also chair the Group's various committees set up to deal with business unit coordination, production, reporting, exports, marketing and human resources.

The Board of Directors



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

Georg Ehrnrooth, MSc (Eng.), Chairman, born 1940
Chairman of the Board of Assa Abloy AB (publ.), member of the board of Nokia Corporation, Sandvik AB (publ.), Sampo-Leonia Insurance Company Plc, Wärtsilä Corporation and member of the Supervisory Board of Rautaruukki Oyj. Owns 22,060 shares in Sanitec.

Berndt Brunow, BSc (Econ.), born 1950.
President and CEO of Sanitec Corporation. Owns 20,000 shares in Sanitec.

Henrik Eklund, MSc (Eng.), born 1939.
Member of the Board of Saunatec Plc. Owns 13,068 shares in Sanitec.

Wolfgang H. Molitor, born 1939.
Managing Director of Lecico Egypt (S.A.E.). Owns no shares in Sanitec.

Stig Stendahl, MSc (Chem. Eng.), born 1939.
Member of the Board of Fiskars Corporation and KCI Konecranes International 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 876 shares in Sanitec.

Juha Toivola, MA, born 1947.
Member of the Boards of Elcoteq Network Oyj, Fiskars Corporation, Partek Corporation and Tamro Oyj, Executive Vice President of Sampo Insurance Company until 1.2.2001. Owns no shares in Sanitec.

Only duties in listed companies are included in this information.

Board of Management



Massimo Bonotti, MSc (Eng.), born 1947. Managing Director of Sanitari Pozzi S.p.A since 1993. Owns 1,500 shares in Sanitec.



Pertti Lehti, BSc (Econ.), born 1958. Managing Director of Ido Bathroom Ltd since 1995. Owns no shares in Sanitec.



Berndt Brunow, BSc (Econ.), born 1950. President and CEO of Sanitec Corporation since 2000. Owns 20,000 shares in Sanitec.



Timo Lehto, LL.M, BSc (Econ.), born 1951. Senior Vice President and CFO of Sanitec Corporation since 2000. Owns 1,754 shares in Sanitec.



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



Johan Nilsson, MSc (Eng.), BSc (Econ.), born 1960. Managing Director of Ifö Sanitär AB since 2000. Owns 3,000 shares in Sanitec.



Pertti Nupponen, MSc (Eng.), PhD (Econ.), born 1961. Senior Vice President, Corporate Development of Sanitec Corporation since 2000. Owns 5,000 shares in Sanitec.



Benny Persson, BSc (Econ.), MSc (Eng.), born 1942. Managing Director of Koninklijke Sphinx B.V. since 2000. 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 8,848 shares in Sanitec.

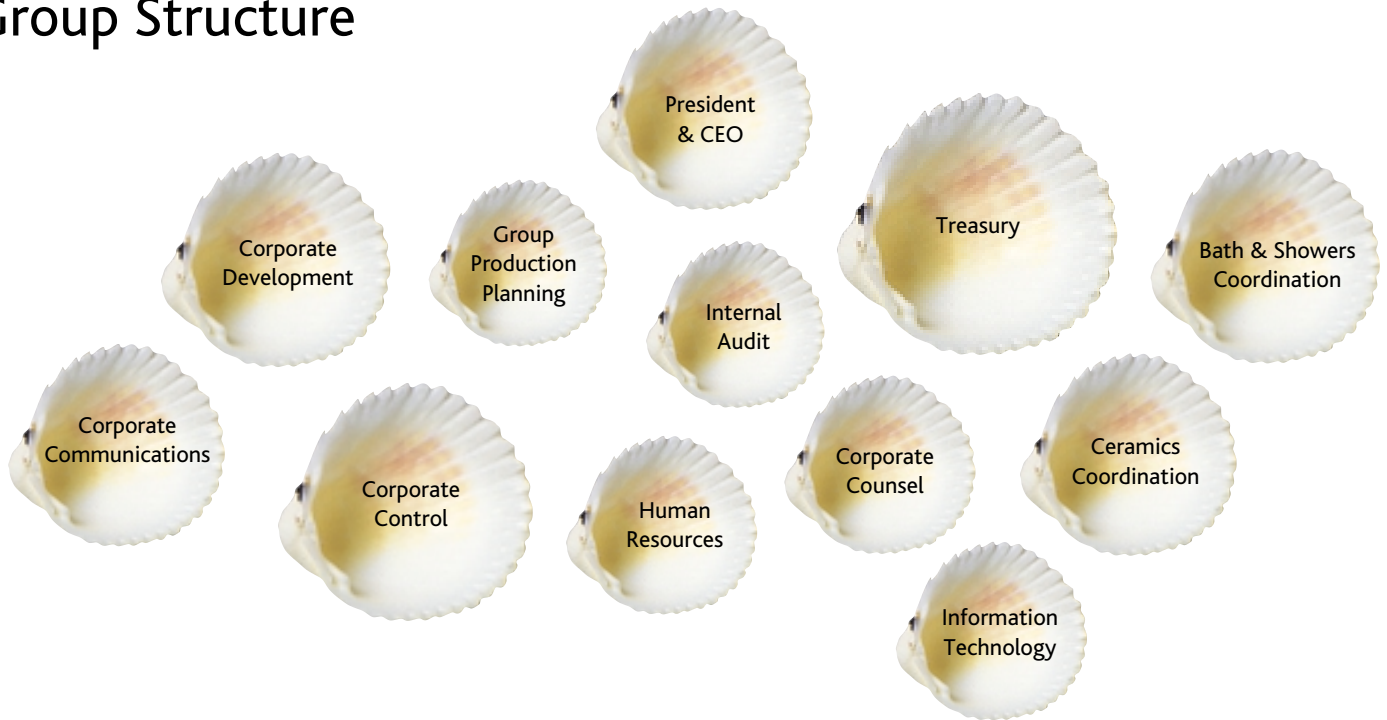


Georg Wagner, DSc (Econ.), born 1953. Managing Director of Keramag AG since 1998. Owns 550 shares in Sanitec.



Mark Pickering, C.Eng, BSc, born 1958. Managing Director of Twyford Bathrooms since 1999. Owns no shares in Sanitec.

Group Structure



Operational development is a continuous process at Sanitec Corporation, a rapidly growing publicly listed company. Sanitec seeks to promote active collaboration between its various business units in order to make the most of the benefits of its international structure.

The Sanitec Group comprises the parent company, Sanitec Corporation, 13 production subgroups,

and a worldwide network of sales and marketing companies. The parent company is centrally responsible for the Group's corporate functions: strategic planning, finance and accounting, treasury, production planning, internal auditing, legal matters, information management, personnel administration and corporate communication.

Sanitec's operations are decentralized; the Group's business units operate independently. Since September 2000 Sanitec's operations have been divided into three business areas, Bath & Showers, Bathroom Ceramics and Vacuum Sewage Systems, in order to enhance internal efficiency and promote greater collaboration between the company's units.

International joint committees, formed by experts from various units, coordinate the Group's unity and manage internal benchmarking.

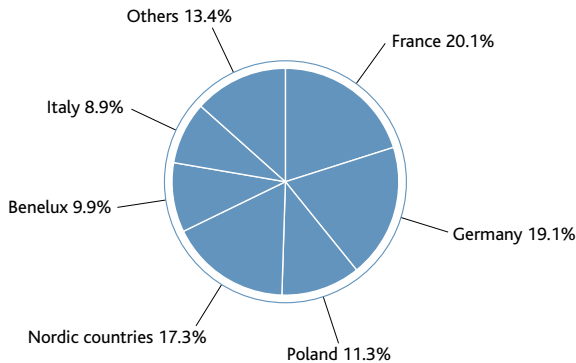
Local brands are the capital underlying Sanitec's success. Each business unit is responsible for local marketing and sales based on Sanitec's multibrand strategy.

Sanitec Brands



Human Resources

Personnel by Market Area
31 December 2000



As a multicultural company Sanitec has a great deal of local know-how in different countries which can be exploited to considerable benefit throughout the organisation. An equally important priority for Sanitec is to develop a unified management culture in which cultural differences are a resource that supports the Group's success.

Sanitec people work in many different multinational joint committees. Bringing together experts from different fields, these committees deal with important issues relevant to management of the Group and its operations such as coordination, production, purchasing, marketing, communications, personnel management, finance and accounting and treasury. The business units conduct regular surveys to gauge workplace satisfaction and arrange internal and external training for their employees.

Manufacturing of bath and shower products and bathroom ceramics is highly labour-intensive. Sanitec people are given continuous training, which is designed both for newcomers to the company and for seasoned experts. The aim of all Sanitec's training programmes, is to secure the professional competence of its employees and reinforce the concept of continuous learning.

Sanitec training programmes are built around different modules covering issues such as personnel, financial management and strategy. The company's top manage-

ment and key employees are given the one-year Lausanne Leadership Process LLP course, customised for their needs. Every second year Sanitec also arranges an extensive conference for about 100 of its experts to strengthen commitment to the company and deepen its network of experts.

Training programmes also emphasise networking in addition to the training content itself. The most effective way for Sanitec to capitalise on the richness of its multicultural environment is to understand how other cultures think and work. Sanitec actively promotes job rotation among its business units, and encourages its personnel through bonus schemes specific to its different companies as well as other profit-related incentive schemes.

Representatives from the company's personnel and management meet every year at a European-wide Works Council (EWC). The purpose of this council is to promote cross-border exchange of information and dialogue between management and personnel. The Council has employee representatives from 10 countries and most recently convened in Brussels, Belgium, in autumn 2000.

Sanitec will begin planning online training in 2001 as part of its overall e-business strategy. Sanitec is firmly committed to developing itself as an attractive employer to its people.

The Environment

Sanitec has a unique relationship with the environment; the company's business is developing water-saving technology, closed processes and waste treatment systems.

Sanitec pays careful attention to the environmental aspects of its bath and shower products and bathroom ceramics throughout their lifecycle. The company works resolutely and systematically to reduce the environmental impact of its production operations. It consumes raw materials, energy and water economically and places top priority on water consumption both in its manufacturing processes and in the end-use of its products. Sanitec is strongly committed to developing recycling and waste treatment systems, constantly seeking new solutions to reducing water consumption in its bath and shower products.

The Sanitec Group comprises many different companies and business units in countries with varying environment regulations. Sanitec's policy is not only to comply with the legislation in force in each country but also to bring the operations of all its business units into line with international environmental and quality standards.

Quality, compatibility, safety and savings are some of the issues addressed by the company in its standardisation work. Standards tell the consumer about the quality of the company's products and also about the integrity of the company itself.

Sanitec plans to introduce international quality and environmental standards into every aspect of the Group's operations, from production and products to management throughout its business units. At the same time the company will integrate the knowhow of its different units and benefit from this throughout the Group.

Compliance with standards on its own, though, is not the main objective. Standards are a framework for creating an overall system for monitoring quality and environmental issues in everything the company does. Most Sanitec units already operate in compliance with the ISO 14001 environmental standard.

Evac Oy, likewise, has obtained ISO 14001 certification and its marine vacuum sewage systems, for example, also meet the standards set by the International Maritime Organization (IMO).

Business Risk Control



Business Environment

Sanitec's operations 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. This reduces Sanitec's cyclical sensitivity 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 balance out local market fluctuations.

Operational Risks

Sanitec takes an active approach to business risk control. The company seeks to identify any risks that might threaten its business operations, to anticipate these risks, and to minimise any damage and costs that may arise from them. The Group has global indemnity insurance programmes. Risk surveys are performed at the production plants at regular intervals and recommendations for action are prepared to avoid damage.

Financial Risks

Sanitec's policy is to provide sufficient funding for its operational needs at competitive cost and to minimise the impact of foreign exchange, interest rate, and credit and liquidity risks on the Group and its subsidiaries. The risk policy outlines the responsibilities in financing and risk management and covers the use of financial instruments used to hedge risk exposure.

Foreign Exchange Risk

Sanitec is an international group with its main business in Europe; the company derives 95.8% of its sales outside Finland. The adjacent table giving the currency distribu-

tion in 2000 shows that 67.1% of invoiced sales and 67.3% of operating costs took place in euros.

Sanitec's policy is to hedge all significant foreign exchange risks. 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 32.

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 2000 the ratio was 48% after adjustment for interest rate swaps and other hedging instruments.

At the end of 2000 interest-bearing loan capital carried average interest of 5.6% and the average

interest period was 12 months. The short-term portion of total interest-bearing loan capital was 57.2%. The maturity profile and other information on debt is provided on page 35.

Liquidity Risk

At the year end cash and bank amounted to EUR 17.7 million and committed (approx. 3.5 years) non-utilised lines totalled EUR 175 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 the 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.

Currency Distribution 2000

	Invoiced sales %	Operating costs %
EUR	67.1	67.3
SEK	9.5	16.4
PLN	6.5	5.0
USD	4.7	3.6
Other	12.2	7.8
Total	100.0	100.0

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)

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

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

EUR mill.		2000	1999	1998	1997	1996
Net sales		877.3	630.0	570.8	496.4	451.9
of which outside Finland	%	95.8	94.8	94.7	94.7	94.8
Exports from Finland		33.2	26.1	29.3	25.1	16.4
Personnel on average		8,302	5,796	5,034	4,640	4,380
of which in Finland		407	403	391	374	348
Orderbook, Evac		39.3	36.1	40.1	31.9	22.5
From the income statement						
Depreciation and writedowns		-50.5	-34.4	-34.3	-29.9	-29.8
Share of profits/losses in associated companies		-3.8	-0.8	-3.0	-0.3	-0.1
Operating profit		75.8	80.6	77.4	68.8	59.3
as a percentage of net sales	%	8.6	12.8	13.6	13.9	13.1
Net financial items		-11.5	-9.3	-11.8	-6.7	-6.0
as a percentage of net sales	%	-1.3	-1.5	-2.1	-1.3	-1.3
Profit before extraordinary items		64.3	71.3	65.6	62.1	53.4
as a percentage of net sales	%	7.3	11.3	11.5	12.5	11.8
Profit before taxes		64.3	71.3	64.9	53.5	32.4
as a percentage of net sales	%	7.3	11.3	11.4	10.8	7.2
Profit for the financial year		39.2	43.4	37.0	37.7	13.9
as a percentage of net sales	%	4.5	6.9	6.5	7.6	3.1
From the balance sheet						
Fixed assets		425.0	444.0	260.6	248.6	197.1
Current assets						
Inventories		135.2	129.0	89.1	79.2	66.8
Receivables		206.1	207.2	125.5	112.7	98.5
Cash and bank balances		17.7	30.8	27.8	38.2	36.7
Shareholders' equity		366.9	339.5	210.1	183.2	149.4
Minority interests		3.9	4.9	9.6	9.1	7.1
Provisions		66.4	58.9	31.4	27.7	29.1
Interest-bearing liabilities		174.1	223.9	121.4	125.6	86.5
Non interest-bearing liabilities		172.7	183.8	130.5	133.1	127.0
Balance sheet total		784.0	811.0	503.0	478.7	399.1
Financial ratios						
Cash flow from operating activities		47.5	77.8	58.7	72.2	61.4
Gross capital expenditure		57.6	153.8	65.9	82.2	23.0
as a percentage of net sales	%	6.6	24.4	11.5	16.6	5.1
Research and development expenses		16.6	11.3	10.7	9.1	7.8
as a percentage of net sales	%	1.9	1.8	1.9	1.8	1.7
Return on investment (ROI)	%	14.8	18.4	24.7	26.4	24.6
Return on equity (ROE)	%	11.0	15.9	19.0	26.1	20.0
Interest coverage		7.3	9.7	7.4	8.7	8.0
Solvency ratio	%	47.3	42.5	43.7	40.2	39.2
Gearing		0.42	0.56	0.43	0.45	0.32
Earnings per share (EPS)	euro	0.63	0.75	0.70	0.81	0.54
Equity per share	euro	5.90	5.46	3.88	3.38	2.76
Dividend per share (1)	euro	0.21	0.21	-	-	-
Payout ratio (1)	%	33.3	30.0	-	-	-
Effective dividend yield (1)	%	2.5	1.6	-	-	-
Price / earnings (1)		13.5	17.4	-	-	-

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

Shares and Shareholders

Background

Wärtsilä Corporation distributed an extra dividend to shareholders in the form of Sanitec shares on 7 April 2000. This reduced its holding in Sanitec from 64.2% to 46.7% and changed Sanitec's status in Wärtsilä from subsidiary to associated company. The extra dividend also raised Fiskars Oyj Abp's holding in Sanitec above the 5% limit to 6.3% of the share capital on 7 April 2000.

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 Corporation is the parent company and together with its subsidiaries forms the Sanitec Group.

Sanitec's share capital is minimum 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 per share. 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 2000 was EUR 5.866 (FIM 34.88). Sanitec had 15,938 registered shareholders on 1 February 2001.

Management Holdings

The members of the Board of Directors, the CEO and the corporations under their control own altogether 49,093 Sanitec Corporation shares, which represent 0.1% of the share capital and voting rights. The personal share holdings of the management in Sanitec are listed on pages 12 - 13.

Incentive Schemes

In conjunction with Sanitec's combined offering in summer 1999 the company's employees subscribed for 266,806 shares in a separate offering. Sanitec also operates bonus and profit-related incentive schemes for the entire personnel on a company by company basis. A separate bonus scheme is applied to the top management of the Group and subsidiaries.

The Annual General Meeting of Shareholders on 21 March 2000 decided to offer 3,300,000 share options to Sanitec Group's key personnel representing 5% of the total shares of Sanitec Corporation. Based on this authorisation the Board of Directors has distributed 1,700,000 share options. These

may be exercised to subscribe for shares from 1 March 2002 until 31 March 2006. The remaining 1,600,000 share options have been reserved for later distribution.

Dividend Policy

Sanitec pursues 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 company's ability to implement its profit distribution target.

The Board of Directors will propose to the Annual General Meeting on 22 March 2001 that a dividend of EUR 0.21 per share be distributed on the financial year 2000.

Shares and Shareholders

Trading Codes

HEX	SAC1V
Reuters	SAC1V.HE
Bloomberg	SAC1V FH

Division of Shares

	Number of Shareholders	% Number of Shares		%
1-100	5,777	36.2	322,546	0.5
101-1,000	8,525	53.5	2,722,352	4.4
1,001-10,000	1,429	8.9	3,756,981	6.0
10,001-100,000	163	1.0	4,532,456	7.3
100,001-1,000,000	38	0.2	9,144,667	14.7
1,000,001-	6	0.0	41,730,012	67.1
	15,938	100.0	62,209,014	100.0

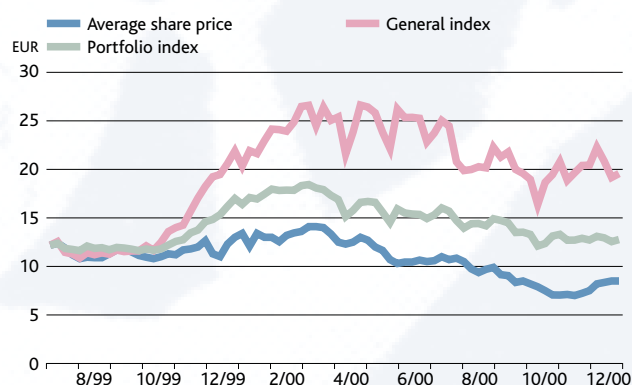
Ownership Structure

%	of shareholders	of shares
Private companies	3.8	56.2
Public companies	-	-
Banks and insurance companies	0.3	8.8
Public sector entities	0.5	11.3
Non-profit organisations	3.9	7.1
Households	89.7	9.2
Outside Finland and nominee register	1.8	7.1
Total	100.0	100.0

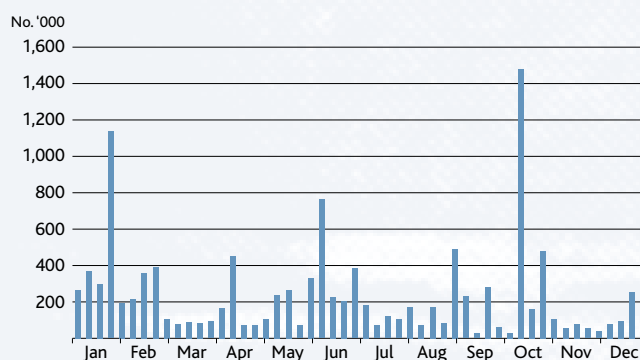
Share Key Ratios

		2000	1999	1998	1997	1996
Earnings per share (EPS)	euro	0.63	0.75	0.70	0.81	0.54
Equity per share	euro	5.90	5.46	3.88	3.38	2.76
Dividend per share	euro	0.21	0.21	-	-	-
Payout ratio	%	33.3	30.0	-	-	-
Effective dividend yield	%	2.5	1.6	-	-	-
Price / Earnings		13.5	17.4	-	-	-

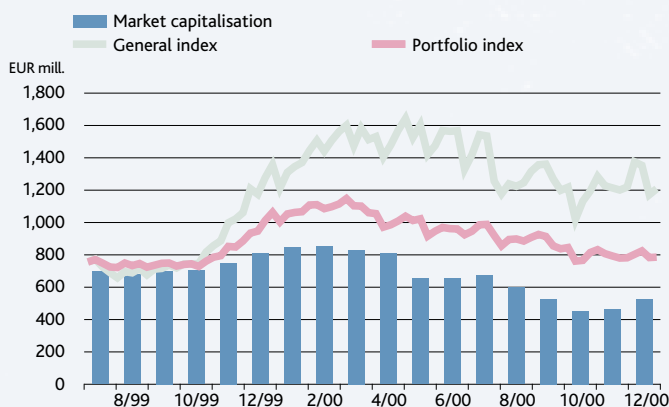
Share Price Development



Trade Volumes



Market Capitalisation



Major Shareholders

1 February 2001		Number of shares 1,000		% of votes and shares
1.	Wärtsilä Corporation		29,081	46.7
2.	Fiskars Corporation		3,924	6.3
3.	Sampo group			
	Sampo Life Insurance Company Limited	805		
	Industrial Insurance Company Ltd.	788		
	Leonia Mutual Funds	505		
	Mandatum Mutual Funds	35	2,133	3.4
4.	Varma-Sampo Mutual Pension Insurance Company		1,825	2.9
5.	Ilmarinen Mutual Pension Insurance Company		1,725	2.8
6.	Tapiola group			
	Tapiola Mutual Pension Insurance Company	1,168		
	Tapiola Mutual Insurance Company	321		
	Tapiola Mutual Life Assurance Company	115		
	Tapiola Corporate Life Insurance Company	45	1,649	2.7
7.	Nordea group			
	Merita Life Assurance	861		
	Merita Bank Plc	201	1,062	1.7
8.	The Local Government Pensions Institution		585	0.9
9.	Pohjola group			
	Pohjola Life Assurance Company Ltd.	150		
	Pohjola Non-Life Insurance Company Ltd.	116		
	Suomi Mutual Life Assurance Company	243	509	0.8
10.	Svenska Litteratursällskapet i Finland		373	0.6
11.	Agrofin Oy Ab		366	0.6
12.	Evli Mutual Funds		309	0.5
13.	Stiftelsen Brita Maria Renlunds Minne		293	0.5
14.	Pension Fennia Mutual Insurance Company		250	0.4
15.	FIM Mutual Funds		232	0.4
	15 largest, total		44,316	71.2

Sanitec Shares on the Helsinki Exchanges

Year	Trading	Number	Stock	Average	Trading	Trading	Share price	Year-end
2000	EUR mill.	traded	turnover	share price	low	high	at the	market
		1,000	%	EUR	EUR	EUR	year end	capitalisation
							EUR	EUR mill.
	128.3	12,057	19.4	10.64	6.70	15.00	8.50	528.8

Analysts

To our knowledge Sanitec's performance during 2000 was monitored by at least the following brokers.

Broker	Analyst	Telephone	E-mail
Alfred Berg Finland Oyj Abp	Tia Lehto	+358 (0)9 2283 2711	tia.lehto@alfredberg.fi
ArosMaizels Equities	Osmo Junkkarinen	+358 (0)9 123 41	osmo.junkkarinen@arosmaizels.com
D. Carnegie AB Finland Branch	Lauri Sillantaka	+358 (0)9 61871 230	lauri.sillantaka@carnegie.fi
Deutsche Bank AG, Helsinki Branch	Carl-Henrik Frejborg	+358 (0)9 252 5250	carl-henrik.frejborg@db.com
Enskilda Securities	Tommy Ilmoni	+358 (0)9 6162 8720	tommy.ilmoni@enskilda.se
Evli Securities Ltd	Pekka Spolander	+358 (0)9 4766 9201	pekka.spolander@evli.fi
Mandatum Stockbrokers Ltd	Eeva Mäkelä	+358 (0)10 513 5476	eeva.makela@mandatum.fi
Svenska Handelsbanken, Equities Research	Kalle Uljas	+358 (0)10 444 2454	kaul01@handelsbanken.se

Review by the Board of Directors

Net Sales and Result

Sanitec Group's net sales in 2000 continued to grow strongly, increasing 39.3% on 1999. Most of this increase was due to the integration of the Sphinx group into Sanitec at the beginning of 2000. This brought in a major new market area, Benelux. The Group's organic growth during the year was a good 6.3% (5.2%). Sanitec's net sales totalled EUR 877.3 (630.0) million.

Sanitec's performance improved in the 4th quarter as planned, and the operating profit of the quarter reached EUR 23.0 (22.6) million, i.e. 10.4% of net sales. This development gives a good basis for the year 2001.

For the full year 2000, Sanitec's profitability was affected by the Sphinx integration as estimated. Other main factors straining the profitability were high energy costs, losses by the associated company Lecico and the tightening market situation in Germany and Poland. The Group posted an operating profit in 2000 of EUR 75.8 (80.6) million, i.e. 8.6% (12.8%) of net sales. Operating profit before goodwill depreciations was EUR 87.2 million (87.6). The profit before extraordinary items was EUR 64.3 (71.3) million and the net profit was EUR 39.2 (43.4) million. Earnings per share (EPS) for the year were EUR 0.63 (0.75).

Bathroom Products

Total net sales of Bathroom Products, consisting of the Bathroom Ceramics and Bath & Showers business areas, reached EUR 789.2 (559.5) million producing an operating profit of EUR 69.1 million, i.e. 8.8% of net sales (corresponding to EUR 76.5 million and 13.7% in

1999). In the 4th quarter of the year, Bathroom Products showed a good progress and posted net sales of EUR 196.4 (145.3) million and profitability of 10.6% (16.0%).

Bathroom Ceramics

Net sales of the Bathroom Ceramics business area was EUR 524.9 million. The overall ceramics market in Europe showed relatively good growth and Sanitec was able to outgrow the market. Germany, however, was stagnant primarily because of a decline in apartment newbuilding in Eastern Germany. The Polish market growth also slowed down considerably in the latter part of the year.

Profitability of Bathroom Ceramics remained at a good level and improved towards the year-end, even though the increase in energy costs had a notable effect on the energy-intensive ceramics business. Bottlenecks in production at the Nordic subsidiaries caused delivery problems throughout the summer months. These were solved in the autumn and a normal level of performance was resumed. The Group implemented new automated production technologies, and especially at Sphinx, the productivity was improved.

In East Asia and the Middle East, market development remained slow during the whole of 2000. The associated company Lecico continued to make a positive operating profit. It was, however, not sufficient to carry the full acquisition costs of the joint venture.

Bath & Showers

During the year 2000, the market served by the Bath & Showers business area showed a clear shift towards more luxurious products.

High-end quality products with attractive design features were in increasing demand and this trend is expected to continue in 2001. In the past year, the European market grew both in volume and value, and Sanitec strengthened its position as the leading supplier on the continent. Domino, as well as the former Sphinx units Koralle and Leda, performed well.

Net sales of the Bath & Showers business area amounted to EUR 264.3 million. Profitability developed well and this is expected to continue during 2001.

Vacuum Sewage Systems

Evac's net sales increased strongly towards the end of the year and the total growth of the business area in 2000 was 25.0% on 1999. Profitability also improved in the 4th quarter, but did not quite meet the targets. Evac's net sales in 2000 were EUR 88.1 (70.5) million, and the operating profit was EUR 6.7 (4.1) million.

Setbacks in the profitability were caused primarily by the train business and Evac's new German unit Aquamar GmbH. Owing to tough competition in the European train business, Evac decided to concentrate on its core business, toilet systems and cabin subsystems, and discontinued the production of complete toilet cabins for trains.

The aviation market is dominated by two global companies, Airbus and Boeing. Evac's business covers about 50% of the total Boeing market volume. The marine industry continues to grow in its main segments; the cruise industry and the cargo and navy businesses. In 2000, Evac Marine succeeded in further raising its market share. This development is expected to continue in 2001, and Evac's order

backlog is good.

In the building sector Evac continues to build up its marketing and sales network and to strengthen its pioneer position in the Americas as well as in Europe.

Changes in the Group

Koninklijke Sphinx B.V. was acquired in December 1999 and a remaining 2.1% of its shares in January 2000. Sphinx has been fully consolidated into Sanitec as from 1 January 2000. As a condition for the acquisition set by the European Commission, Gustavsberg AB and its subsidiaries were sold to Villeroy & Boch AG on 2 May 2000.

The Sphinx integration has proceeded as planned and the restructuring process will be fully completed by the end of 2002. The following major restructuring measures were taken in 2000:

- The former head office organisation was dismantled and reduced by 25 persons,
- Restructuring of production at Warneton (Belgium) commenced. Personnel was reduced by 95 employees,
- Production at Wroclaw (Poland) was terminated. Personnel decreased by 130,
- Operations in Germany, France and Poland were integrated into Sanitec subsidiaries,
- New Managing Director, Mr Benny Persson, started 1 August 2000
- Performance of the Slovakian plant was clearly improved.

The total cost of write-downs, social plans and other planned actions in the restructuring, approximately EUR 43.9 million, is covered by provisions. The results of the Sphinx restructuring will contribute positively to Sanitec's financial performance from 2001 onwards.



Sanitec strengthened the management of its Bath & Showers and Bathroom Ceramics business areas last year in order to improve group-wide coordination and internal efficiency. Mr Pertti Lehti, Managing Director of Ido Bathroom, acts as Chairman of the Bathroom Ceramics sector coordination team. The Managing Director of Sanitec Kolo, Mr Marek Kukuryka, acts as Chairman of the Bath & Showers sector coordination team. Full-time coordinators and controllers have been recruited for both business areas. Starting in the first quarter of 2001, the sales and operating profit figures of the Bathroom Ceramics and Bath & Showers business areas will be reported separately.

During 2000, Sanitec also investigated how to capitalise on the potential of e-business. The group-wide project has now proceeded to the implementation phase and Sanitec expects to implement its first e-business initiatives in mid 2001.

Changes after the Financial Year 2000

In January 2001 Sanitec, in line with its growth strategy, acquired the UK company Twyford Bathrooms (former Caradon Bathrooms) from HSBC Private Equity. Through this acquisition, Sanitec gained a strong position in the UK bathroom ceramics market, where until now it had only a limited presence. The purchase price was GBP 82 million, on a cash and debt-free basis. The acquisition was completed on 29 January 2001 and the resulting goodwill from the acquisition of GBP 33.3 million will be amortised over 20 years. Twyford's financials will be consolidated into the Sanitec Group as from 1 Janu-

ary 2001. The effect of the acquisition is expected to be EPS-neutral in 2001 and thereafter contribute positively to Sanitec's EPS. In 2000, Twyford recorded net sales of GBP 79.3 million (EUR 130.1 million) and the pro forma operating profit on a standalone basis was GBP 7.0 (EUR 11.5 million), i.e. 8.8% (un-audited).

Twyford Bathrooms is a leading manufacturer of bathroom ceramics in the UK, trading under the internationally recognised brand names Twyford, Doulton and Royal Doulton. The combined Group will gain significant synergy benefits from using the Group's production network, global purchasing and cross-selling inside the Group. The joint integration team is proceeding well in its work. The previous Twyford management team continues in charge of the business.

Financing

Cash flow from operating activities in 2000 was EUR 47.5 (77.8) million, or 5.4% of net sales. Cash flow before financing activities was EUR 35.5 million. The Group's financial position and liquidity were good throughout the period. Financial costs were EUR 11.5 (9.3) million; an increase of only EUR 2.2 million although Sanitec Group's indebtedness increased totally by EUR 210.2 million at the end of 1999 due to the Sphinx acquisition.

Net indebtedness at the end of 2000 amounted to EUR 148.0 (159.4) million. Sanitec's solvency ratio was strong and improved further to 47.3% (42.5%). Gearing was 0.42 (0.56).

Capital Expenditure and R&D

The Group's gross capital expenditure totalled EUR 57.6 (153.8) mil-

lion, i.e. about the level of depreciation. Investments in shares were EUR 12.9 million, including mainly minority shareholdings acquired in existing Group companies, and a share capital increase of EUR 8.0 million in the associated company Lecico. The remainder of capital expenditure was industrial. In 2000, Sanitec spent EUR 16.6 (11.3) million on product development.

Deconsolidation from the Wärtsilä Group

Wärtsilä Corporation's (former Metra) ownership in Sanitec decreased from 64.2% to 46.7% on 7 April 2000, and Sanitec became an associated company of Wärtsilä, which currently holds 29,080,479 Sanitec shares.

Issue of Warrants

The Annual General Meeting on 21 March 2000 decided to issue altogether 3,300,000 warrants to Sanitec Group's key personnel, corresponding to 5% of the total share capital. In 2000, the Board of Directors allotted 1,700,000 warrants. The subscription period for the allotted warrants is 1 March 2002 - 31 March 2006. Another 1,600,000 warrants have been retained for subsequent use.

Board of Directors and Auditors

At the Annual General Meeting of 21 March 2000, Mr Robert G. Ehrnrooth declined re-election to the Board, and Mr Berndt Brunow was elected a new member. The seven directors are Mr Georg Ehrnrooth (Chairman), Mr Stig Stendahl (Vice Chairman), Mr Berndt Brunow, Mr Henrik Eklund, Mr Wolfgang H. Molitor, Mr

Carl-Henric Svanberg and Mr Juha Toivola.

The Annual General Meeting appointed KPMG Wideri Oy Ab, authorised public accountants, as the Company's auditors.

Changes in Management

As of 21 March 2000, Mr Henrik Eklund resigned as President and CEO of Sanitec Corporation and he retired at the end of 2000. Mr Berndt Brunow, Executive Vice President, was appointed the new President and CEO as of 21 March 2000.

Prospects

In 2001, Sanitec's organic growth is foreseen to continue at the good level of previous years. Net sales is estimated to increase to over EUR 1000 million and the operating profit margin to improve clearly on year 2000. Cash flow from operations is expected to remain strong.

Business Units

	Net sales, 2000		Personnel	
	EUR mill.	Change, %	31 Dec 2000	Change
Allia	170.8	64.0	1,549	-16
Keramag	164.6	3.2	1,139	23
Ifö	114.0	9.2	849	19
Evac	88.1	25.3	321	-8
Sphinx (1)	85.1		989	-133
Ido	83.5	7.9	477	5
Sanitec Kolo	68.8	19.0	823	-6
Koralle (1)	62.1		569	25
Domino	56.7	11.2	264	14
Sanitari Pozzi	47.9	3.7	457	-3
Sanitec Johnson Suisse	10.3	1.0	346	-51
Other units	17.2	10.4	301	-162
Group management	10.5	128.6	27	5
Intragroup sales	-102.3	43.9	0	0
Total Sanitec Group	877.3	39.3	8,111	-288
Associated company Lecico	70.0	-6.5	3,382	-261

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

Net Sales, Operating Profit, and Personnel by Business Area

	2000	1999	1998	1997	1996
Net sales, EUR mill.					
Bathroom Ceramics	524.9	-	-	-	-
Bath & Showers	264.3	-	-	-	-
Bathroom products	789.2	559.5	510.2	445.6	409.6
Evac	88.1	70.5	60.6	50.8	42.3
Total Sanitec Group	877.3	630.0	570.8	496.4	451.9
Operating profit, EUR mill.					
Bathroom products	69.1	76.5	69.8	62.7	54.4
Evac	6.7	4.1	7.6	6.1	4.9
Total Sanitec Group	75.8	80.6	77.4	68.8	59.3
Personnel, end of period					
Bathroom products	7,790	8,070	5,308	4,609	4,223
Evac	321	329	249	215	193
Total Sanitec Group	8,111	8,399	5,557	4,824	4,416

Income Statement, Net Sales and Operating Profit by Quarters

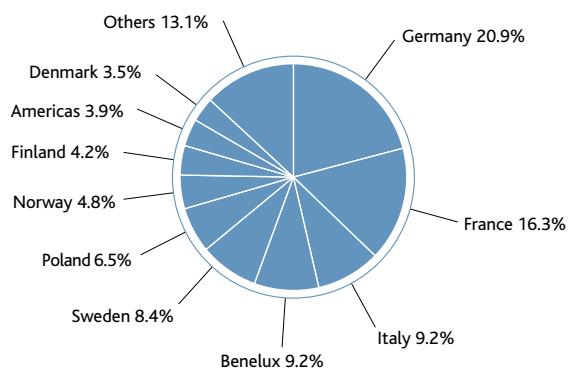
Income statement EUR mill.	1Q/2000	2Q/2000	3Q/2000	4Q/2000	1Q/1999 Proforma	2Q/1999 Proforma	3Q/1999 Proforma	4Q/1999 Proforma
Net sales	224.4	224.7	206.0	222.2	153.7	161.2	150.8	164.3
Expenses	-191.9	-192.3	-177.4	-185.6	-127.4	-131.1	-122.5	-133.2
Depreciation and writedowns	-13.1	-12.0	-12.5	-12.9	-8.7	-8.6	-8.6	-8.5
Share of results in associated companies	-1.5	-1.2	-0.4	-0.7	-0.6	-0.2	0.0	0.0
Operating profit	17.9	19.2	15.7	23.0	17.0	21.3	19.7	22.6
Financial income and expenses	-3.3	-3.6	-2.4	-2.1	-2.2	-2.6	-2.5	-2.0
Profit before extraordinary items	14.6	15.6	13.3	20.9	14.8	18.7	17.2	20.6

Net sales EUR mill.	1Q/2000	2Q/2000	3Q/2000	4Q/2000	1Q/1999 Proforma	2Q/1999 Proforma	3Q/1999 Proforma	4Q/1999 Proforma
Bathroom Ceramics	141.6	131.2	123.3	128.8				
Bath and Showers	63.2	71.7	61.8	67.6				
Bathroom products	204.8	202.9	185.1	196.4	138.2	142.9	133.1	145.3
Evac	19.6	21.8	20.9	25.8	15.5	18.3	17.7	19.0
Sanitec Group	224.4	224.7	206.0	222.2	153.7	161.2	150.8	164.3

Operating profit 1) EUR mill.	1Q/2000	2Q/2000	3Q/2000	4Q/2000	1Q/1999 Proforma	2Q/1999 Proforma	3Q/1999 Proforma	4Q/1999 Proforma
Bathroom products	16.2	18.1	13.9	20.9	15.3	20.4	17.5	23.3
Evac	1.7	1.1	1.8	2.1	1.7	0.9	2.2	-0.7
Total	17.9	19.2	15.7	23.0	17.0	21.3	19.7	22.6

1) Including shares of associated companies' results.

Net Sales by Country
2000



Income Statement

Income statement EUR mill.	Note	2000	Group %	1999	%	Parent company 2000	1999
Net sales	1	877.3		630.0		10.5	4.6
Change in inventories of finished goods and work in progress		2.6		-4.3		-	-
Production for own use		1.1		0.7		-	-
Other operating income	2	6.6		4.7		0.0	4.7
Materials and services							
Materials and consumables							
Purchases during the financial year		-269.5		-193.3		-	-
Change in inventories		1.9		2.7		-	-
External services		-80.6		-63.7		-	-
		-348.3		-254.3		-	-
Personnel expenses	3	-268.6		-167.5		-1.9	-1.1
Depreciation and writedowns	4	-50.5		-34.4		-1.2	-1.0
Other operating expenses		-140.8		-93.5		-6.9	-3.4
Share of profits / losses in associated companies		-3.8		-0.8			
Operating profit		75.8	8.6	80.6	12.8	0.5	3.8
Financial income and expenses	5						
Income from financial assets		-		-		26.3	31.4
Other interest income and financial income		5.9		3.6		19.6	4.2
Exchange gains and losses		0.8		-0.8		-2.4	-4.2
Interest expenses and other financial expenses		-18.2		-12.1		-14.7	-8.4
		-11.5	-1.3	-9.3	-1.5	28.8	23.0
Profit before extraordinary items		64.3	7.3	71.3	11.3	29.3	26.8
Extraordinary items	6						
Group contributions						16.2	17.5
						16.2	17.5
Profit before appropriations and taxes		64.3	7.3	71.3	11.3	45.5	44.3
Appropriations	4						
Change in appropriations						0.1	1.0
Profit before taxes		64.3	7.3	71.3	11.3	45.6	45.3
Income taxes	7	-24.9		-26.6		-5.8	-5.6
Minority interests		-0.2		-1.3			
Profit for the financial year		39.2	4.5	43.4	6.9	39.8	39.7

Financial Analysis

Financial analysis EUR mill.	Group		Parent company	
	2000	1999	2000	1999
Cash flow from operating activities				
Operating profit	75.8	80.6	0.5	3.8
Adjustment for:				
Share of profits / losses in associated companies	3.8	0.8		
Depreciation and writedown	50.5	34.4	1.2	1.0
Selling profit and loss of fixed assets	-0.6	-0.5	0.0	-
Cash flow before working capital changes	129.5	115.3	1.7	4.8
Changes in working capital				
Current assets, non-interest bearing, increase (-) / decrease (+)	-32.2	-8.2	1.1	11.4
Inventories, increase (-) / decrease (+)	-4.9	-0.6	-	-
Current liabilities, non-interest bearing, increase (+) / decrease (-)	1.0	6.4	-7.4	-8.7
	-36.1	-2.4	-6.3	2.7
Cash flow from operating activities before financial items and taxes	93.4	112.9	-4.6	7.5
Interest and other financial expenses	-23.3	-11.7	-39.8	-23.1
Received dividends from operating activities	-	-	26.3	31.4
Interest and other financial income from operating activities	5.9	3.6	37.5	17.2
Income taxes	-28.5	-27.0	-5.8	-5.6
Cash flow from operating activities (A)	47.5	77.8	13.7	27.4
Cash flow from investing activities				
Acquisitions	-4.4	-122.1	24.1	-10.1
Investments in shares	-8.5	-0.7	-	-
Investments in other tangible and intangible assets	-44.7	-31.0	-1.6	-4.0
Proceeds from sale of tangible and intangible assets	45.6	1.7	0.0	-
Loan receivables, increase (-) / decrease (+)	0.0	0.9	-	-
Cash flow from investing activities (B)	-12.0	-151.2	22.5	-14.1
Cash flow from financing activities				
Issuance of share capital	-	8.4	-	8.4
Issue premium	-	76.4	-	76.4
Loans receivable, increase (-) / decrease (+)	18.4	-3.3	-28.7	-170.2
Current loans increase (+) / decrease (-)	-6.3	-21.3	9.0	9.3
New long-term loans	-	61.5	-	61.5
Amortisation and other changes of long-term loans	-48.6	-36.1	-20.4	-7.3
Paid dividends	-14.3	-8.8	-13.1	-7.6
Received group contributions	-	-	17.5	16.8
Other changes	2.0	-0.8	-	-
Cash flow from financing activities (C)	-48.8	76.0	-35.7	-12.7
Change in liquid funds (A+B+C), increase (+) / decrease (-)	-13.3	2.6	0.5	0.6
Liquid funds at the beginning of period	30.8	28.2	0.8	0.2
Liquid funds at the end of period	17.5	30.8	1.3	0.8

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

Balance Sheet

Balance sheet, Assets		Group				Parent company	
EUR mill.	Note	2000	%	1999	%	2000	1999
Fixed assets	8						
Intangible assets							
Intangible rights		4.9		3.5		0.2	0.1
Goodwill on consolidation		133.5		126.5			
Other long-term expenditure		2.2		2.3		3.6	3.8
		140.7	17.9	132.3	16.3	3.8	3.9
Tangible assets							
Land and water		37.2		39.9		2.6	2.6
Buildings and structures		82.6		77.9		11.6	12.5
Machinery and equipment		100.8		107.1		0.3	0.2
Other tangible assets		6.4		2.8		-	-
Advance payments and construction in progress		10.8		8.2		1.3	-
		237.8	30.3	235.9	29.1	15.8	15.3
Financial assets							
Shares in Group companies						203.0	235.1
Shares in associated companies		39.3		34.0		8.0	-
Other shares and securities		0.8		40.2		0.0	0.0
Other receivables		6.4		1.6		-	-
		46.5	5.9	75.8	9.3	211.0	235.1
Total fixed assets		425.0	54.2	444.0	54.7	230.6	254.3
Current assets							
Inventories							
Materials and consumables		50.1		47.7		-	-
Work in progress		15.5		16.0		-	-
Finished products / goods		69.4		65.1		-	-
Advance payments		0.2		0.2		-	-
		135.2	17.2	129.0	15.9	-	-
Long-term receivables							
Trade receivables		1.8		2.5		-	-
Receivables from Group companies	10	-		-		126.6	140.5
Receivables from associated companies		-		0.1		-	-
Loan receivables		0.1		6.7		-	-
Deferred tax assets	14	5.6		2.9		-	-
Other receivables		1.1		0.1		-	-
Prepaid expenses and accrued income	9	0.5		3.2		-	-
		9.1	1.2	15.5	1.9	126.6	140.5
Short-term receivables							
Trade receivables		147.0		130.4		0.4	-
Receivables from Group companies	10	-		-		99.3	71.5
Receivables from associated companies	10	0.1		0.3		0.0	0.3
Loan receivables		3.7		27.6		11.4	-
Deferred tax assets	14	2.5		1.0		-	-
Other receivables		14.4		13.5		0.5	0.5
Prepaid expenses and accrued income	9	29.2		18.9		8.9	8.0
		196.8	25.1	191.7	23.6	120.5	80.3
Investments in other securities		0.2	0.0	0.0	0.0	-	-
Cash and bank balances		17.7	2.3	30.8	3.8	1.3	0.8
Total current assets		359.0	45.8	367.0	45.3	248.4	221.6
Assets		784.0	100.0	811.0	100.0	479.0	475.9

Balance Sheet

Balance sheet, Shareholders' equity and Liabilities		Group				Parent company	
EUR mill.	Note	2000	%	1999	%	2000	1999
Shareholders' equity	11						
Share capital		64.9		64.9		64.9	64.9
Share premium reserve		90.5		90.5		90.5	90.5
Other reserves		19.7		18.0		-	-
Retained earnings		152.7		122.7		86.9	60.2
Profit for the financial year		39.2		43.4		39.8	39.7
Total shareholders' equity		366.9	46.8	339.5	41.9	282.1	255.3
Minority interests		3.9	0.5	4.9	0.6		
Depreciation difference						1.6	1.7
Provisions	12						
Provisions for pensions		32.6		32.7		-	-
Provisions for taxation		0.0		1.7		-	-
Other provisions		33.7		24.5		-	-
		66.4	8.5	58.9	7.3	-	-
Liabilities	13						
Long term							
Loans from credit institutions		68.3		116.7		52.8	73.2
Deferred tax liability	14	3.4		11.6		-	-
Other long-term liabilities		1.9		2.9		-	-
		73.7	9.4	131.2	16.2	52.8	73.2
Current	13						
Loans from credit institutions		30.7		52.9		-	-
Advances received		0.2		0.6		-	-
Trade payables		72.3		70.2		0.9	0.1
Liabilities to Group companies	16	-		-		69.2	84.0
Liabilities to associated companies	16	0.3		0.2		-	0.1
Other current liabilities		83.1		70.6		69.6	51.6
Accrued expenses and deferred income	15	86.6		82.0		2.8	9.9
		273.2	34.8	276.5	34.1	142.5	145.7
Total liabilities		346.8	44.2	407.7	50.3	195.3	218.9
Shareholders' equity and liabilities		784.0	100.0	811.0	100.0	479.0	475.9

Accounting Principles

The consolidated financial statements of Sanitec Group have been prepared in accordance with the Finnish accounting regulations. 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.

Sphinx Technical Ceramics B.V., a fully owned company of the Group, is excluded from the consolidation, as the company was acquired with a view to its subsequent disposal, and the ownership is intended to be temporary.

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 acquisition cost

method. The goodwill in the subsidiaries is calculated on the basis of their acquisition cost by eliminating the Group's share of the equity in the acquired subsidiaries, including untaxed reserves, less deferred tax liability. Provisions related to restructuring plans in the acquired subsidiaries at the moment of acquisition, are included in the consolidation goodwill. 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, which 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 after the moment of acquisition, taking into account goodwill write-offs and dividends received. The Group's share of post-acquisition change in the net assets of these companies, deducted by accumulated goodwill write-offs, is included in the acquisition cost and shareholders' equity. The book values of the shares in 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.

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. Differences arising 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 in accordance with the principles approved by the Board of Directors, to hedge 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 is 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 Costs

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.

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	20 - 30 years
Machinery and equipment	3 - 15 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.

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 2000

EUR mill.	Group		Parent company	
	2000	1999	2000	1999
1. Net sales				
Net sales by country				
Germany	183.5	150.4	1.9	-
France	143.3	80.5	1.4	-
Sweden	74.0	57.1	0.7	0.6
Italy	80.9	76.0	0.8	-
Norway	42.0	36.5	-	0.1
Denmark	30.5	32.1	-	-
Finland	36.6	32.7	3.6	3.3
Poland	57.0	47.4	0.8	0.6
Americas	34.1	25.8	-	-
Other countries	195.4	91.5	1.3	-
Total	877.3	630.0	10.5	4.6
2. Other operating income				
Rental income	0.5	0.2	-	-
Profit on sales of fixed assets	0.9	0.6	0.0	-
Other operating income	5.2	3.9	-	4.7
Total	6.6	4.7	0.0	4.7
3. Personnel expenses				
Wages and salaries	212.3	125.1	1.5	0.9
Pension costs	10.4	7.7	0.3	0.2
Other compulsory personnel costs	45.9	34.7	0.1	0.0
Total	268.6	167.5	1.9	1.1
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				
Managing Directors and members of the Boards of Directors		5.0	3.5	0.3
President and 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	8,302	5,796	31	25
4. Depreciation and writedowns				
Depreciation according to plan and writedowns				
Intangible assets	2.2	0.6	0.0	0.0
Goodwill on consolidation	11.6	6.9		
Other long-term expenditure	1.1	0.8	0.2	-
Land and water	0.1	0.1	-	-
Buildings and structures	5.1	3.9	0.8	1.0
Machinery and equipment	27.6	21.1	0.2	0.0
Other tangible assets	2.9	1.0	-	-
Total depreciation according to plan	50.5	34.4	1.2	1.0
Total book depreciation			1.1	0.0
Change in depreciation difference			-0.1	-1.0
Depreciation difference on 1 January			1.7	2.7
Change in depreciation difference			-0.1	-1.0
Depreciation difference on 31 December			1.6	1.7
5. Financial income and expenses				
Dividend income				
From Group companies			26.3	31.4
Total			26.3	31.4

EUR mill.	Group		Parent company				
	2000	1999	2000	1999			
Other interest income and financial income							
From Group companies			16.8	2.7			
From other companies	5.9	3.6	2.8	1.5			
Total	5.9	3.6	19.6	4.2			
Exchange gains and losses	0.8	-0.8	-2.4	-4.2			
Writedowns of financial assets	-0.1	-0.5	-	-			
Interest expenses and other financial expenses							
To Group companies			-5.3	-3.3			
To other companies	-18.1	-11.6	-9.4	-5.1			
Total	-18.1	-11.6	-14.7	-8.4			
Financial income and expenses, total	-11.4	-9.3	28.8	23.0			
6. Extraordinary income and expenses							
Group contributions received			16.2	17.5			
Total			16.2	17.5			
7. Income taxes							
Income taxes							
- for the financial year	-29.0	-28.0	-5.5	-5.1			
- for prior years	0.5	1.1	-0.3	-0.5			
Change in deferred tax	3.7	0.3	-	-			
Total	-24.9	-26.6	-5.8	-5.6			
Income tax from extraordinary items			-4.7	-4.9			
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	9.0	3.7	-	-5.5	-	-2.3	4.9
Goodwill on consolidation	182.1	18.5	-	-55.6	-	-11.5	133.5
Other long-term expenditure	6.3	1.0	-0.1	-4.0	0.1	-1.1	2.2
Group 2000	197.4	23.3	-0.1	-65.1	0.1	-14.8	140.7
Group 1999	126.1	72.3	-1.1	-57.7	1.0	-8.3	132.3
Tangible assets							
Land and water	40.0	0.8	-3.5	-0.1	0.1	-	37.2
Buildings and structures	119.9	11.3	-2.0	-42.0	0.5	-5.1	82.6
Machinery and equipment	282.7	27.9	-12.6	-175.7	6.5	-28.1	100.8
Other tangible assets	15.1	6.8	-1.9	-12.3	1.1	-2.4	6.4
Advance payments and construction in progress	8.2	7.1	-4.6	-	-	-	10.8
Group 2000	466.0	53.9	-24.6	-230.0	8.1	-35.6	237.8
Group 1999	370.2	105.1	-9.4	-209.0	5.1	-26.1	235.9
Financial assets							
Shares in associated companies	36.9	9.1	-3.8	-2.8	-	-	39.3
Other shares and securities	42.5	-	-39.3	-2.4	-	-	0.8
Other receivables	1.6	4.7	-	-	-	-	6.4
Group 2000	81.0	13.8	-43.1	-5.2	-	-	46.5
Group 1999	35.8	45.5	-0.3	-4.7	0.0	-0.5	75.8
Capitalised interests during construction, included in Group fixed assets							
Buildings and structures	0.4	0.1	-	-	-	0.0	0.5
Machinery and equipment	1.3	0.2	-	-	-	-0.2	1.3
Group 2000	1.7	0.3	-	-	-	-0.2	1.8
Group 1999	1.7	-	-	-	-	-	1.7

Notes to the Financial Statements 2000

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	0.1	-	0.0	-	0.0	0.2
Other long-term expenditure	3.8	0.1	-	-	-	-0.2	3.6
Parent company 2000	3.9	0.2	-	0.0	-	-0.2	3.8
Parent company 1999	0.0	3.9	-	0.0	-	0.0	3.9
Tangible assets							
Land and water	2.6	-	-	-	-	-	2.6
Buildings and structures	20.0	-	-	-7.6	-	-0.8	11.6
Machinery and equipment	1.6	0.2	0.0	-1.3	0.0	-0.2	0.3
Advance payments and construction in progress	-	1.3	-	-	-	-	1.3
Parent company 2000	24.2	1.5	0.0	-8.9	0.0	-1.0	15.8
Parent company 1999	24.1	0.1	-	-7.9	-	-1.0	15.3
Financial assets							
Shares in Group companies	235.1	0.0	-32.2	-	-	-	203.0
Shares in associated companies	-	8.0	-	-	-	-	8.0
Shares in other companies	0.0	-	-	-	-	-	0.0
Parent company 2000	235.1	8.0	-32.2	-	-	-	211.0
Parent company 1999	225.0	10.1	-	-	-	-	235.1

EUR mill.	Group		Parent company	
	2000	1999	2000	1999
9. Main items in prepaid expenses and accrued income				
Interest	0.4	0.2	0.3	0.2
Other financial items	2.9	0.7	2.6	0.5
Income and other taxes	16.7	11.9	4.8	5.6
Other	9.7	9.3	1.3	1.7
Total	29.7	22.1	8.9	8.0
10. Specification of short- and long-term receivables				
Long-term				
Receivables from Group companies				
Loan receivables			126.6	140.5
Total	-	-	126.6	140.5
Short-term				
Receivables from Group companies				
Trade receivables			2.3	0.8
Loan receivables			95.6	65.9
Prepaid expenses and accrued income			1.3	4.8
Total	-	-	99.3	71.5
Receivables from associated companies				
Trade receivables	0.1	0.1	0.0	-
Prepaid expenses and accrued income	0.0	0.2	-	0.3
Total	0.1	0.3	0.0	0.3
11. Shareholders' equity				
Share capital on 1 January	64.9	56.5	64.9	56.5
Share issue during the financial year	-	8.4	-	8.4
Share capital on 31 December	64.9	64.9	64.9	64.9
Share premium reserve on 1 January	90.5	14.1	90.5	14.1
Issue premium	-	76.4	-	76.4
Share premium reserve on 31 December	90.5	90.5	90.5	90.5
Other reserves on 1 January	18.0	17.2	-	-
Transfers from retained earnings	0.5	-1.8	-	-
Translation differences and other changes	1.3	2.6	-	-
Other reserves on 31 December	19.7	18.0	-	-
Retained earnings on 1 January	166.2	122.3	100.0	67.9
Transfers to other reserves	-0.5	1.8	-	-
Dividend distribution	-13.1	-8.8	-13.1	-7.6
Translation differences and other changes	0.1	7.5	-	-
Profit for the financial year	39.2	43.4	39.8	39.7
Retained earnings on 31 December	191.9	166.2	126.7	100.0

EUR mill.	Group		Parent company	
	2000	1999	2000	1999
Distributable equity				
Retained earnings on 31 December	191.9	166.2	126.7	100.0
Voluntary provisions and depreciation difference	-34.2	-11.7	-	-
Deferred tax liability	12.5	3.5	-	-
Distributable equity on 31 December	170.2	158.0	126.7	100.0

12. Provisions

Provisions for pensions	32.6	32.7	-	-
Provisions for taxation	0.0	1.7	-	-
Provisions for restructuring	27.0	20.5	-	-
Other provisions	6.8	4.0	-	-
Total	66.4	58.9	-	-
Change in provisions in Income statement	-1.1	3.0	-	-

13. Liabilities

Long-term				
Non-interest bearing	4.1	13.1	-	-
Interest bearing	69.5	118.1	52.8	73.2
Total	73.7	131.2	52.8	73.2
Current				
Non-interest bearing	168.6	170.7	5.7	13.2
Interest bearing	104.5	105.8	136.8	132.5
Total	273.2	276.5	142.5	145.7

Maturity profile of external long-term debt, Group

	Bank loans	Other loans	Total
2001	4.6	0.4	5.0
2002	37.0	0.6	37.5
2003	11.3	0.2	11.5
2004	0.0	0.1	0.1
2005	-	0.0	0.0
2006 –	20.0	0.3	20.3
Total 31 December 2000	72.9	1.6	74.5
Total 31 December 1999	125.3	1.8	127.1

Division of long term loans by currency, %	Group		Parent company	
	2000	1999	2000	1999
EUR and other EMU-currencies	83.8%	88.7%		
SEK	15.6%	9.5%		
Other currencies	0.6%	1.8%		
Total	100.0%	100.0%		

14. Specification of deferred tax assets and liabilities

Deferred tax assets				
Based on consolidation	0.8	0.5		
Based on balance sheets of Group companies	7.3	3.4		
Total	8.1	3.9		
Deferred tax liabilities				
Based on appropriations	13.5	4.8		
Based on consolidation	1.0	5.7		
Based on balance sheets of Group companies	-11.0	1.1		
Total	3.4	11.6		

In certain countries deferred tax assets and liabilities have been netted.

Notes to the Financial Statements 2000

EUR mill.	Group		Parent company	
	2000	1999	2000	1999
15. Main items in accrued expenses and deferred income				
Warranty costs	7.9	7.1	-	-
Income and other taxes	8.4	13.7	1.1	4.8
Personnel expenses	35.9	32.9	0.2	0.1
Financial items	1.8	5.3	1.5	4.3
Others	32.6	23.0	0.0	0.7
Total	86.6	82.0	2.8	9.9
16. Specification of current liabilities				
Liabilities to Group companies				
Trade payables			1.6	0.0
Other current liabilities			67.1	81.3
Accrued expenses and deferred income			0.5	2.7
Total			69.2	84.0
Liabilities to associated companies				
Trade payables	0.3	0.1	-	0.0
Other current liabilities	0.1	0.1	-	0.1
Total	0.3	0.2	-	0.1

17. Collateral, contingent liabilities and other commitments	Group				Parent company			
	Balance sheet 2000		Balance sheet 1999		Balance sheet 2000		Balance sheet 1999	
	Debt	Security	Debt	Security	Debt	Security	Debt	Security
Mortgages given as collateral for liabilities and commitments								
Loans from credit institutions	0.4		0.4					
Pension loans								
Liabilities to Group companies								
Total	0.4	-	0.4	-				
Chattel mortgages given as collateral for liabilities								
Off balance sheet commitments		1.8		1.9				
Total		1.8		1.9				
Other pledges given as collateral for liabilities								
Loans from credit institutions	0.7	0.3	0.3	0.1				
Other liabilities		0.2		0.8				
Off balance sheet commitments		1.7		1.1				
Total	0.7	2.2	0.3	2.0				

EUR mill.	Group		Parent company	
	2000	1999	2000	1999
Collateral on behalf of Sanitec Group companies				
Mortgages	0.5	0.5	0.1	0.0
Other pledges	1.0	1.3		
Guarantees and contingent liabilities				
on behalf of Sanitec Group companies	3.0	2.7	29.3	26.8
on behalf of associated companies		10.3		
on behalf of others	0.2	2.5		
All pension liabilities are included in the balance sheet.				
Nominal amounts of rents according to operating leasing contracts				
Payable within one year	2.2	3.3	0.0	0.0
Payable after one year	2.1	6.0	0.1	0.0
Total	4.3	9.3	0.1	0.0

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 2000	Total amount	of which closed contracts
Interest rate swaps	50.0	-
Interest futures and forward rate agreements (FRA)	22.3	-
Forward foreign exchange contracts	190.0	3.5

If all the above instruments were reversed (sold) at the market prices at the end of the period, the net effect would be EUR +1.3 million.

19. Exchange rates at closing	Closing rates		Average rates	
	31 Dec 2000	31 Dec 1999	31 Dec 2000	31 Dec 1999
FIM	5.94573	5.94573	5.94573	5.94573
USD	0.93050	1.00460	0.92409	1.06580
GBP	0.62410	0.62170	0.60946	0.65874
SEK	8.83130	8.56250	8.44670	8.80750
NOK	8.23350	8.07650	8.11419	8.31040
CHF	1.52320	1.60510	1.55772	1.60030
DEM	1.95583	1.95583	1.95583	1.95583
NLG	2.20371	2.20371	2.20371	2.20371
FRF	6.55957	6.55957	6.55957	6.55957
ITL 1,000	1.93627	1.93627	1.93627	1.93627

20. Shares and securities

		Number of shares	% of shares	% of votes	Nominal value	Curr.	1,000	Curr.	Book value 1000	
									Sanitec Corporation direct ownership	Indirect ownership through subsidiary
SUBSIDIARIES										
Ido Bathroom Ltd	Finland	300,000	100.0	100.0	EUR	5,046	EUR	5,046		
Ido Badrum AB	Sweden	20,000	100.0	100.0	SEK	2,000	EUR			1,795
Porsgrund Bad A/S	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	EUR			2,365
Ifö Sanitär A/S	Norway	20	100.0	100.0	NOK	200	EUR			21
Scandi-aqualine A/S	Denmark	70,000	100.0	100.0	DKK	7,000	EUR			1,749
Ifö Sanitär Eesti AS	Estonia	10	100.0	100.0	E EK	1	EUR			24
Scandiaqua Sp. z o.o.	Poland	4,995	100.0	100.0	PLN	500	EUR			213
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	EUR			16,769
Polyroc S.A.	France	67,995	99.9	99.9	FRF	680	EUR			1,297
Omnium de Distribution Sanitaires S.A.S.	France	2,499	99.9	99.9	FRF	250	EUR			38
Omnium de Distribution Sanitaires Sp. z o.o.	Poland	1,000	99.9	99.9	PLN		EUR			26
Murena S.A.	France	2,573	99.9	99.9	FRF	1,000	EUR			31,441
Leda S.A.	France	49,994	100.0	100.0	FRF	69,992	EUR			10,670
Leda Production S.A.	France	4,994	100.0	100.0	FRF	250	EUR			38
Leda Tech S.A.	France	2,994	100.0	100.0	FRF	249	EUR			38
Produits Ceramiques de Touraine S.A.	France	10,134	100.0	100.0	FRF	134,548	EUR			20,512
S.N.B. Manufacture S.A.R.L.	France	500	100.0	100.0	FRF	100	EUR			8
Wisa S.A.	France	2,495	100.0	100.0	FRF	998	EUR			152
Royal Sphinx France S.A.R.L.	France	998	99.8	99.8	FRF	100	EUR			18
Sphinx B.V.	The Netherlands	9,441,001	99.9	99.9	NLG	23,105	EUR			122,733
Sphinx Services B.V.	The Netherlands	40	99.9	99.9	NLG	40	EUR			29,467
Sphinx Sanitair B.V.	The Netherlands	1,000	99.9	99.9	NLG	1,000	EUR			29,140
Sanitair Techniek Rosmalen B.V.	The Netherlands	600	99.9	99.9	NLG	60	EUR			667
Warneton Industrie S.A.	Belgium	3,178,117	99.9	99.9	BEF	391,878	EUR			12,702
Sanker Spol. S.r.o.	Slovakia	1	99.9	99.9	SKK	112,291	EUR			5,261
ODS Panda Sp. z o.o. (Gustavsberg Poland Sp. z o.o.)	Poland	1,000	99.9	99.9	PLN	200	EUR			626
Sphinx Gustavsberg Wroclaw Sp. z o.o.	Poland	199,000	80.3	80.3	PLN	400	EUR			3,471
Deutsche Sphinx Beteiligungen GmbH	Germany	2	99.9	99.9	DEM	25,403	EUR			4,836
Sphinx International B.V.	The Netherlands	4,000	99.9	99.9	NLG	4,000	EUR			4,385
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			146
Richard Heinze Gesellschaft m.b.H. & Co. KG	Austria	2	99.9	99.9	ATS	5,696	EUR			568
Bekon-Koralle AG	Switzerland	1,000	99.9	99.9	CHF	1,000	EUR			2,321
Koralle Sp. z o.o.	Poland	800	99.9	99.9	PLN	400	EUR			0
Koralle S.a.r.l.	France	1,000	99.9	99.9	FRF	100	EUR			0
Sphinx Bathrooms Belgium N.V.	Belgium	25,250	99.9	99.9	BEF	25,250	EUR			0
Sphinx Bathrooms Ltd	Great Britain	900,000	99.9	99.9	GBP	900	EUR			0

Notes to the Financial Statements 2000

20. Shares and securities

SUBSIDIARIES		Number of shares	% of shares	% of votes	Nominal value		Sanitec Corporation direct ownership	Book value 1000 Indirect ownership through subsidiary
					Curr.	1,000		
Koralle International GmbH	Germany	1	99.9	99.9	DEM	50	EUR	3,175
Deutsche Sphinx Sanitär GmbH	Germany	2	99.9	99.9	DEM	4,050	EUR	13,431
Koralle Sanitärprodukte GmbH	Germany	1	99.9	99.9	DEM	1,550	EUR	5,905
Servico Gesellschaft für Sanitärtechnik GmbH	Germany	2	99.9	99.9	EUR	51	EUR	51
Keramag Keramische Werke AG	Germany	4,572,500	95.3	95.3	DEM	23,289	EUR	13,277
Keramag Keramische Werke Haldensleben GmbH	Germany		95.3	95.3	DEM	5,263	EUR	23,396
Keramag Vertriebs Holding GmbH	Germany		85.8	85.8	DEM	2,934	EUR	2,691
Deutsche Sphinx Vertriebs GmbH	Germany		95.3	95.3	EUR	1,000	EUR	1,500
Spectra Vertriebsgesellschaft GmbH	Germany	15,000	95.3	95.3	DEM	1,555	EUR	1,000
Varicor S.A.	France	6,357,999	95.3	95.3	FRF	6,358	EUR	795
Eurocer Industria de Sanitarios S.A.	Portugal	540,000	100.0	100.0	PTE	54,000	EUR	2,651
Laminex Sp. z o.o.	Poland	10,040	100.0	100.0	PLN	2,510	EUR	3,620
Evac International Ltd.	Finland	500	100.0	100.0	FIM	5,000	EUR	3,357
Evac AB	Sweden	70,000	100.0	100.0	SEK	7,000	EUR	1,705
Evac Vacuum Systems (Shanghai) Co Ltd.	China	1	100.0	100.0	CNY	1,655	EUR	758
Evac GmbH (Sanivac GmbH)	Germany		100.0	100.0	EUR	1,534	EUR	186
AquaMar GmbH	Germany		70.0	70.0	EUR	26	EUR	3,847
Evac Oy	Finland	70,000	100.0	100.0	EUR	1,177	EUR	23
Evac S.A.R.L.	France	500	100.0	100.0	EUR	25	EUR	1,040
Evac S.r.l.	Italy		100.0	100.0	EUR	120	EUR	115
Evac (U.K.) Ltd.	Great Britain	2	100.0	100.0	GBP	0	EUR	716
Envirovac Inc.	USA	1,010	100.0	100.0	USD	1,246	EUR	0
Evac Ltda	Brazil		100.0	100.0	BRL	518	EUR	923
Sanitec Kolo Sp. z o.o.	Poland	413,024	99.5	99.5	PLN	20,651	EUR	322
Sugarlop B.V.	The Netherlands	249	100.0	100.0	NLG	240	EUR	12,377
Sanitec International GmbH	Germany	1	100.0	100.0	DEM	250,000	EUR	30,123
Sanitec Leasing AB	Sweden	1,000	100.0	100.0	SEK	100	EUR	100
Scan Aqua Sp. z o.o.	Poland	100	100.0	100.0	PLN	22,496	EUR	2,523
Domino Italia S.p.A.	Italy	2,000	100.0	100.0	tITL	200,000	EUR	5,420
Sanitec Italia S.p.A.	Italy	255,936	100.0	100.0	EUR	255,936	EUR	104
Sanitari Pozzi S.p.A.	Italy	4,999,997	100.0	100.0	EUR	10,000	EUR	8,623
Sanitec Servizi Logistici S.r.l.	Italy	4,099,949	100.0	100.0	EUR	4,132	EUR	4,161
Domino S.p.A.	Italy	2,666,996	100.0	100.0	EUR	1,387	EUR	3,036
Sanitec Holding AG	Switzerland	15,000	100.0	100.0	CHF	3,750	EUR	32,153
Sanitec Johnson Suisse Sdn Bhd	Malaysia	26,860,607	83.9	83.9	MYR	26,861	EUR	15,776
Sanitec Holdings Pte Ltd	Singapore	1,000,000	100.0	100.0	SGD	1,000	EUR	416
Sanitec Johnson Suisse Pty Ltd	Australia	500,000	100.0	100.0	AUD	500	EUR	334
Sanitec Johnson Suisse Pte Ltd	Singapore	500,002	100.0	100.0	SGD	500	EUR	310
Sanitec Service GmbH (Albatross Bad-Systeme GmbH)	Germany		100.0	100.0	DEM	47	EUR	26
Total								202,960
ASSOCIATED COMPANIES								
Hutschenreuther-Keramag GmbH	Germany		47.7	47.7	DEM	1,500	EUR	2,583
Ina/lfö Co Ltd.	Japan	60,000	50.0	50.0	JPY	30,000	EUR	107
Ceramics Holdings Middle East B.V.	The Netherlands	10	50.0	50.0	NLG	10,000	EUR	15
Ceramic Holdings Middle East C.V.	The Netherlands		50.0	50.0	NLG		EUR	8,002
AWEK Industrial Patents Ltd. Oy	Finland	50	25.0	25.0	EUR	17	EUR	17
Total								8,002
OTHER COMPANIES								
Sphinx Technical Ceramics B.V. (1)	The Netherlands	1,055	50.0	50.0	NLG	1,055	EUR	9
Sanitec Corporation others (2)							EUR	9
Total								9
Sanitec Corporation total shares and securities								210,970

1) Profit for the financial year EUR -2.0 mill. and shareholders' equity EUR -2.3 mill.

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 2000 amounted to EUR 191.9 million and included distributable funds totalling EUR 170.2 million.

The parent company's net profit for the financial year amounted to EUR 39.8 million and the retained earnings from previous periods to EUR 86.9 million. The distributable funds on 31 December 2000 amounted to EUR 126.7 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 113.7 million be carried forward in the parent company.

Helsinki, 16 February 2001

Georg Ehrnrooth

Henrik Eklund

Wolfgang H. Molitor

Stig Stendahl

Carl-Henric Svanberg

Juha Toivola

Berndt Brunow
President and CEO

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 2000. 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, 16 February 2001

KPMG WIDERI OY AB

Sixten Nyman
Authorized Public Accountant

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