Annual Report 2012

ROCA GROUP

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Six years into the global crisis, we have yet to see the much awaited economic recovery take hold. The slow pace seen in the developed economies is also affecting emerging economies.

In 2012, the global economy grew 3.1% compared to the previous year, lower than practically all forecasts. For example, in mid-2011, the International Monetary Fund had estimated that, due to it being a year of uncertainty, the global economy would "only" grow 4%.

Six years have now passed since the global crisis broke out, and the much awaited economic recovery has yet to be seen. In fact, after the upturn in 2010, which ushered in rather optimistic forecasts, subsequent years have seen nothing but continued and pronounced decline. Highly regarded analysts have pointed out that global growth seems to have been conditioned by the weak, sluggish, prolonged situation affecting the Japanese economy.

The slowdown in developed economies is also affecting emerging economies, as evident in the parallel trends seen in both over the last three years. In terms of percentage, economies in mature markets grew by 2.9% in 2010, 1.8% in 2011 and 1.4% in 2012, while emerging markets grew by 7.7%, 6.3% and 5.1% during the same years. In other words, both groups declined at a similar rate.

The significant increase in foreign trade to mature markets, (OECD), mainly brought about by imports of Chinese raw materials from Africa and South America, have still been insufficient to compensate for the overall downward trend. In full swing of globalization, international trade has continued to slide since 2010 and, in three years, the growth rate has dropped from 12% to 3.7%. The strength of countries such as Indonesia, Colombia and the Philippines is not included in the total calculation due to their small size. The Russian economy has been affected by slumping hydrocarbon prices — with the subsequent impact on its wide area of influence — and also is slow to take off.

Following different strategic policies, the American, Japanese and European economies are not obtaining satisfactory results. The truth is that the shortage of credit due to the instability of banks and a new wave of protectionism also add to the development difficulties of companies operating worldwide.

Against this backdrop, the Roca Group showed a 3.2% increase in 2012 compared to the previous year, a figure which consolidates the positive trend but falls slightly short of our own forecasts. Our performance in the eurozone, and especially Spain, has been crucial, with respective declines of 11.5% and 18.3% compared to the previous year.

Despite increased sales and structural cost containment to offset the drop in gross profits, the Group's net income posted losses of 31 million euros in 2012, compared to net earnings in 2011. This drop is mainly due to necessary restructuring costs and to accounting adjustments made due to the impairment of certain assets. The cost allocated to cessation of activities at the Spanish facilities in Alcalá de Henares and Alcalá de Guadaira was 39 million euros, which included asset and stock impairment and employee severance payments.

Despite these adjustments, we have had no intention of changing our direction. With due caution, but determination, we continue to invest to establish ourselves as a single modern, flexible and healthy organisation. In 2012 we opened the second sanitary ware plant in Santa Luzia, in the Minas Gerais state in Brazil. The 35.6-million-euro investment increased our capacity in Brazil by 15%, reaching 11.8 million pieces per annum, to cater to the growing demand in the north of the country.

Streamlining our industrial capacity is one of our strategic pillars for gaining a competitive advantage by significantly increasing our efficiency. Standardising processes, removing unnecessary solutions and minimising the number of components, coupled with applying the most advanced technology, will enable us to easily adapt our products to different consumer preferences, while maintaining a common technology base.

During this past financial year, we have established an industrial platform structure, both in faucets and furnishings, with a combined system of manufacturing sites for common components and assembly plants for the end product. We can thereby offer more complete ranges for all brands without the costs associated with regional production, which focuses on specific solutions and smaller production ranges.

Thanks to the internationalisation program launched almost two decades ago, the business no longer relies so heavily on home markets. Although we still have many growth and profitability challenges ahead, our strategy is well defined: the more we

Streamlining our industrial capacity is one of our strategic pillars for gaining a competitive advantage by significantly increasing our efficiency.

Our business no longer relies so heavily on home markets. Our competitive stance will continue to improve as we progress toward the management style of a global operator.

progress in our management capacity, the more competitive we will be as a global operator.

In this regard, we have had to be very pragmatic to finally accept such a painful and significant situation. The scale of the industrial structure in Spain was unsustainable and, in fact, was holding back the Group's development as a whole. As a result, in late 2012, we consolidated our operations into nine work facilities and closed two historical production plants (in the provinces of Seville and Madrid), which had been pivotal in driving the Group's growth for a number of years. Naturally, it is worth remembering that new housing construction in Spain has dropped 94% since 2006.

The path we have taken to become a single, compact, efficient organisation on a global scale — rather than merely managing aggregate businesses — is not an easy feat, especially in the uncertain times in which we live. In spite of everything, we remain somewhat optimistic, as we move forward in line with our strategy and keep on learning to take better advantage of globalisation-related opportunities.

To achieve our aim, however, we must focus primarily on halting our slip in margins, a common problem for multinational companies. Three main forces are putting pressure on our margins: the decline in sales in domestic markets, structural costs, and the need to adjust our prices to gain market share in an extremely competitive environment.

The structural costs of a Western multinational company are usually covered by relatively high prices based on the standard of living in the home markets.

Rental and maintenance for offices and non-production facilities, management team salaries, commercial expenses, transportation costs, professional services (consultancy, legal, marketing, IT, design, training, etc.), payment to other added-value suppliers (energy, marketing, logistics) and a long list of other items are all paid at Western prices. Although these costs are crucial for the organisation to operate as a whole, we must always ensure that corporate department and business unit processes are efficient and profitable.

To compete under these conditions, we must apply a cross-functional approach to management that also brings together talent and processes from areas, departments and functions that previously operated separately. Our management model works towards integrating the processes in the corporate environment, while also providing regional business units with some autonomy to adapt “on-the-ground” as needed to achieve efficiency and take advantage of opportunities.

In keeping with this cross-functional approach, during 2012 a series of significant measures were adopted: integration of the design and marketing process in the production chain (to improve products, shorten time to market and minimise part numbers), planned coordination of production at all plants, simplification of the logistical structure of supply facilities (to ensure a reliable, flexible, scalable supply chain), and a procurement policy that, in addition to obtaining better prices and service, enables more dynamic and efficient management of fixed assets.

Finally, allow me to close with some food for thought: having reached this point, we have possibly moved beyond the historical competitive model based on our leadership in domestic markets. Today, driven by our unique industrial know-how, we are a much larger, more complex organisation that focuses on talent management and the ability to transfer knowledge and culture to new companies that have joined the Group.

Constantly evolving demographic, economic, political, environmental and geostrategic factors require us to accept that we are an organisation that manages its options in an ever-changing situation that is hard to interpret and requires close follow-up for proper adaptability. The Roca Group can no longer be thought of only in terms of its static position (factories, employees, sales, etc.), but also its ability to interpret market trends and, if possible, lead the way.

I would like to express my appreciation to you all and I encourage you to continue contributing with your support and your talent so that the Roca Group continues to develop as a profitable company that is capable of managing complexity and quickly adapting itself to change.

Thank you very much.

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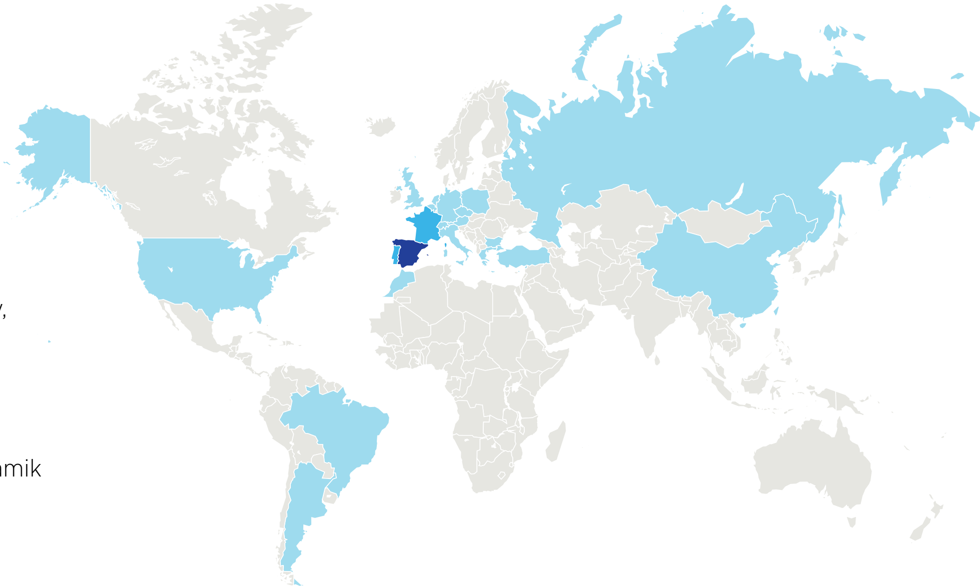
TURNOVER TREND

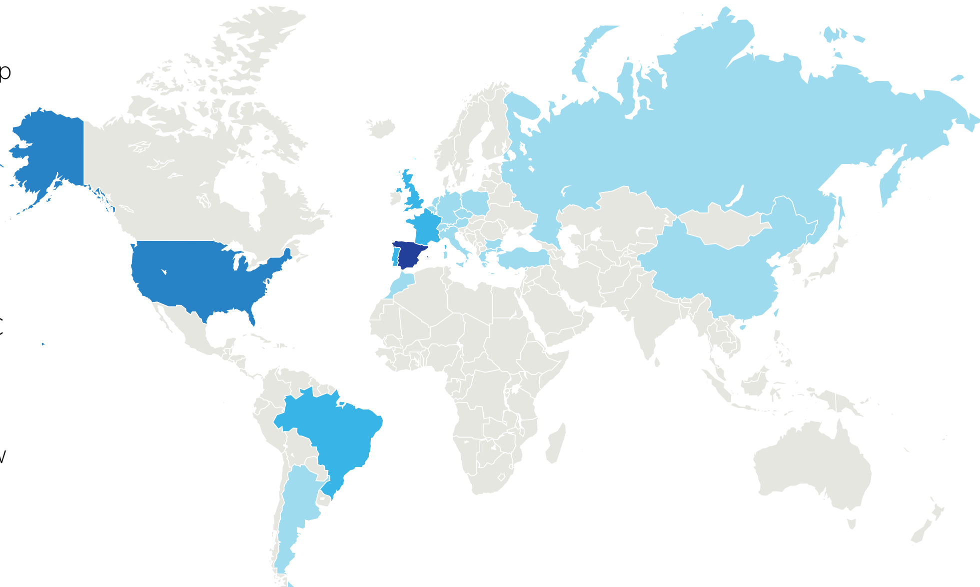
1998

In the 1990s, the Group carried out its first phase of international expansion, mainly based on opening commercial offices and signing agreements with leading companies in the respective markets. In addition to Portugal and France, business operations were extended to the UK, Germany, Italy, Russia, Turkey, Morocco, Argentina, Brazil and China. Our internationalisation process took another turn in 1999 with the acquisition of the Swiss group Keramik Holding Laufen, the fourth global manufacturer of sanitary ware.



2005

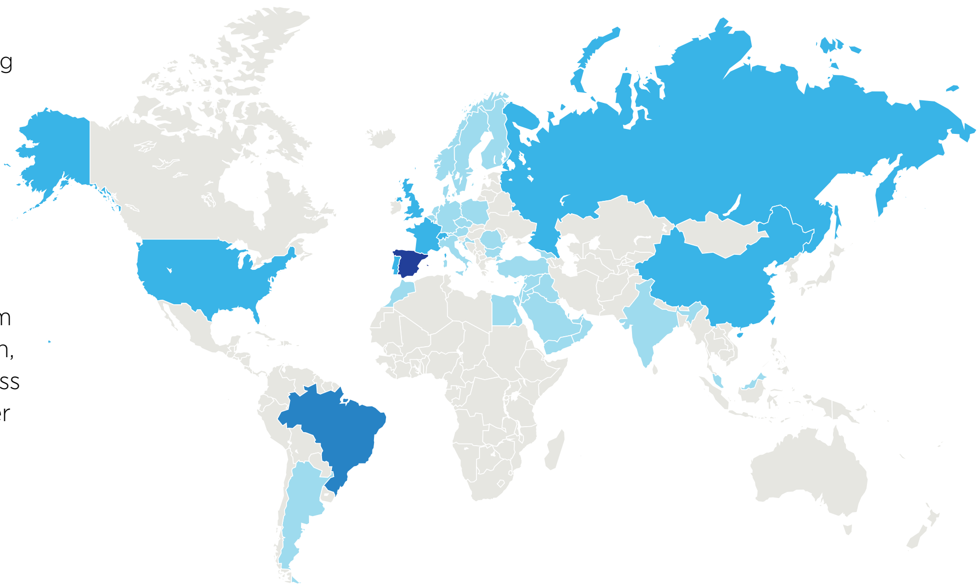
Acquiring Laufen enabled the Group to consolidate its presence in strategic markets where it had less market share, mainly in Eastern Europe, Brazil and the US. In 2005 the Group announced an ambitious strategic plan focused on the bathroom space sector and consolidation in the so-called “BRIC countries”. Twenty exclusive stores were opened in Brazil. A second production facility was opened in China, located in Suzhou, and a new sanitary ware factory was opened in Tosno, Russia.



<50 50–100 100–200 >200 (Turnover in millions of euros)

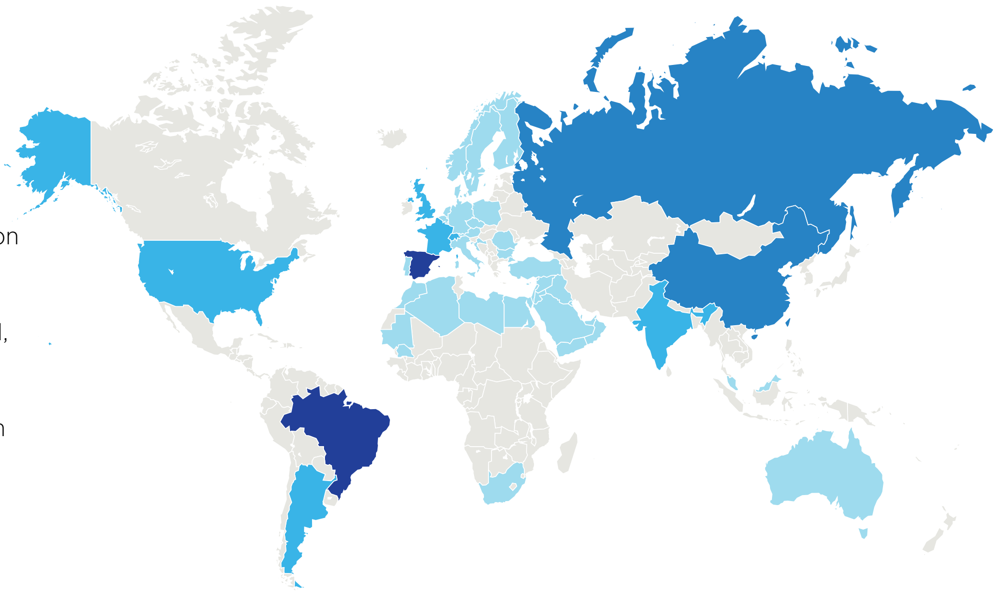
2008

In India, Roca acquired the remaining 50% stake in Parryware. In Spain the Group signed a strategic alliance with the Cosmic Group, acquiring 50% of its capital. The aim of this agreement was to combine synergies to establish itself as the European business leader of top-of-the-range bathroom accessories and furniture. In addition, in 2007, the Group acquired the Swiss group Similor Holding, market leader in faucet manufacturing.



2012

A second sanitary ware plant was opened at the industrial site of Santa Luzia II (Brazil). Boasting a total production capacity of 4.2 million units per annum, this is the Group's largest production plant worldwide. In 2011, Brazil had already become the number one market in sales volume. Also in 2011, the Group acquired the Russian company Akvaton, market leader in the furniture sector for bathroom spaces, thereby consolidating its leadership in the Russian market.

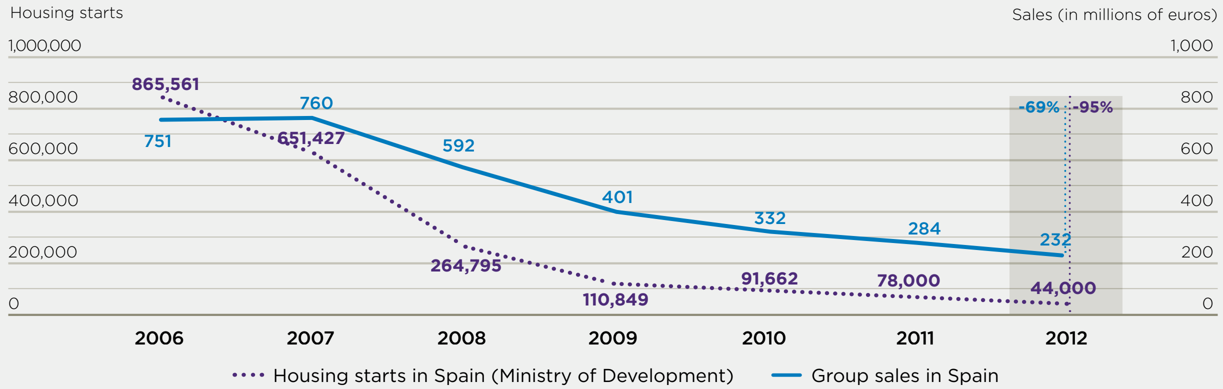


RECONFIGURING THE PRODUCTION SYSTEM IN SPAIN: A MEASURE NEEDED TO TACKLE

The persistent crisis and its impact on construction has required structural measures to avoid jeopardising the financial capacity of the entire group due to weak results in Spain.

New housing construction in Spain has dropped 95% from 2006 to 2012. Other factors which have an adverse impact have been the pressure to reduce sales prices and the decline in the high-end sector. Despite the various measures adopted to jumpstart the market during this period — with heavy investment in the commercial and marketing areas — unit sales of sanitary ware have dropped 75% since 2006.

Spain: housing starts vs. sales (2006-2012)



PRODUCTION ADJUSTMENT MEASURES

In view of the continued decline in sales, since 2007 Roca has focused its efforts on adjusting production while minimising the impact on employees. During this period, the company has undertaken early-retirement plans, voluntary redundancies, non-renewal of contracts and temporary layoffs. In the majority of cases, these are temporary measures taken until markets recover.

Despite the measures adopted, many of the Group's sites in Spain closed FY 2012 at 30% below their production capacity, with an average stock rotation of 160 days (twice the level seen in the past). Estimates for 2013 indicate that, unless new restructuring measures are adopted, the total number of units produced will exceed the number of units sold two-fold.

THE NEXT PHASE

IMPACT ON THE GROUP'S RESULTS

In FY 2012, sales in the Spanish market reached 232 million euros, which represents a drop of 18.3% compared to 2011, and a cumulative decline of 70% since 2007. Between the third quarter of 2007 and the fourth quarter of 2012, Roca Sanitario, the company that handles sanitary ware operations in Spain, had a cumulative total of 21 quarters of continuous sales decline.

This steady drop in Spanish sales has meant that the contribution of this market to the consolidated P&L for the Roca Group has been negative in all financial years since 2008, resulting in a total loss of 197 million euros.

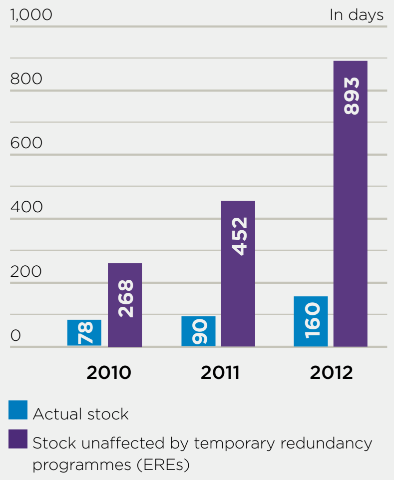
STRATEGY FOR CONSOLIDATING PRODUCTION

Faced with the structural problem of the construction market in Spain, it was not feasible to continue running the production plants in Spain with temporary short-fix measures, in view of their overcapacity. It was also unsustainable to maintain an industrial structure in Spain at the current scale, putting at risk the future of the Group as a whole.

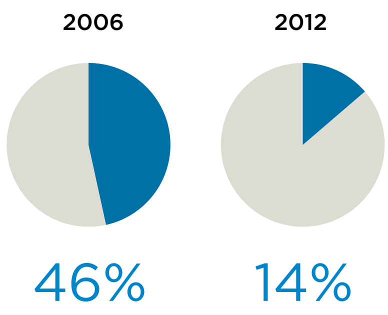
Having exhausted all of our options, we have opted for a strategy to consolidate production in the Spanish facilities which, for objective and well-analysed reasons, are more likely to succeed in recovering profitability in the medium term. Therefore, at the end of 2012 we chose to close two historical production plants (in the provinces of Seville and Madrid), which for years were pivotal in driving the Group's growth.

Following the consolidation process, the Group retains nine plants in Spain, in the provinces of Barcelona, Madrid, Castellón, Navarra and Burgos, and continues working to regain a good balance in this market, where it brings together corporate operations to become a true driver of competitiveness on a global scale.

Stock rotation in Spanish factories



Spain's share in the Group's business volume



MOST SIGNIFICANT DATA

In 2012, the Group posted a turnover of 1,600 million euros, an increase of 3.2% over 2011.

In FY 2012 the Group was affected by the slowdown in global growth and events deriving from the eurozone crisis. Emerging economies improved slightly in 2011, mainly thanks to the implementation of fiscal and monetary measures which allowed them to mitigate the risks of production overheating, currency appreciation and financial asset bubbles. Growth in the United States — slightly above 2% — has been conditioned by the serious imbalance in public finances and the sluggish recovery of the job market. In the current economic environment, investor confidence remains low, the risks of limited growth are worsening and the financial markets remain unstable.

In Europe, the financial crisis was exacerbated in mid-2012, as shown by the slump in activity in eurozone countries, reaching 0.5% over the entire year, although there are clear differences between countries. Economic growth in north and central Europe has dropped off significantly, but remains positive. In contrast, the "peripheral" countries continue to see corrections of the imbalances in their cumulative public accounts, which has led to the need for new austerity measures. These measures have resulted in further cuts in public spending and welfare benefits and further increases in tax revenue pressures, leading to significant downturns in gross domestic products.

The structural reforms implemented in the majority of EU countries seek fiscal consolidation and adjustments of imbalanced economies, and also aim to advance the process of unifying the European banking system, strengthening commitments to preserve the euro and consolidating access to bank financing of markets and some bailed-out countries.

Although the economic environment has been challenging, the most significant financial data of the Group in 2012 were as follows:

The consolidated **turnover** was 1,600 million euros, an increase of 3.2% over 2011.

Consolidated **EBITDA** stood at 211 million euros, accounting for 13.2% of the turnover.

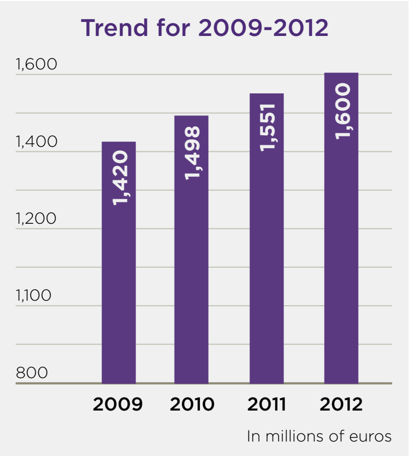
The consolidated **net income**, after tax, attributed to the Group reflects losses of 31 million euros as a consequence of the accounting adjustments made for the impairment of certain assets and the impact of industrial restructuring in Spain.

The Group's **equity stood** at 1,137 million euros at year-end 2012, and net **financial debt** at 31 December 2012 was 388 million euros.

Investment in tangible and intangible fixed assets was 108 million euros for the year, compared to 140 million euros in 2011. Investments have mainly focused on projects to expand production capacity in Russia, Brazil, China and India, with the aim of catering to growing demand in these domestic markets.

TURNOVER

The Group's turnover was 1,600 million euros in FY 2012, an increase of 3.2% over 2011. There has been notable growth in emerging economies, both in BRIC countries as well as markets such as Malaysia, Argentina, Morocco and Egypt. Western economies such as Germany, France and the UK have also seen significant sales growth. These results have enabled us to offset the significant dip in sales in Spain, which dropped 18.3% in 2012, with a cumulative decline of 70% since 2007, as well as the depreciation of the euro with respect to other currencies, with a negative impact of 0.5% on the Group's turnover.



RESULTS

The EBITDA for 2012 was 211 million euros, slightly less than the amount posted in 2011, despite a sales growth of 3.2%. The gross margin has narrowed due to an increase in manufacturing costs, which could not be entirely offset by equivalent price increases due to the formidable situation in the markets as a consequence of the crisis. The increase in manufacturing costs was a result of the steep increase in energy costs, increased raw material prices (particularly in countries where the currency has depreciated significantly compared to the euro and the dollar), and the reduction in production volumes, basically in European countries which have been experiencing a drop in sales.

The Group has been able to minimise these negative effects in part by making investments geared towards lowering costs through process and productivity improvements with temporary measures to adjust the workforce to the production levels of each market. It has also sought to significantly reduce structural costs in all of its companies. These measures resulted in EBITDA being only three million euros less compared to the previous year.

The net income for 2012 shows losses of 31 million euros, breaking the trend of the last two years, in which positive results were obtained. Due to the acute financial crisis and recession in Spain, the Group has had to apply structural measures in order to adjust production and stock levels to current demand.

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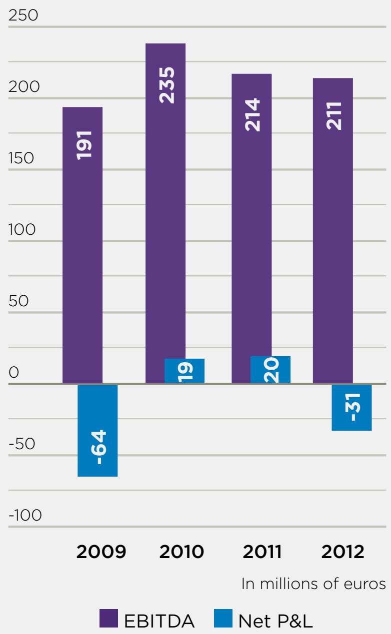
Trend for 2009-2012



In millions of euros

Performance results

	2009	2010	2011	2012
Net sales	1,420	1,498	1,551	1,600
EBITDA	191	235	214	211
% EBITDA	13.5%	15.7%	13.8%	13.2%
Net P&L	(64)	19	20	(31)

In millions of euros

INVESTMENTS AND FINANCIAL STRUCTURE

Investment in tangible and intangible assets was 108 million euros during the year, compared to 140 million euros in 2011. Investments have mainly focused on projects to expand production capacity in Russia, Brazil, China and India, with the aim of addressing growing demand in these domestic markets.

Regarding the financial structure at year-end FY 2012, the net financial debt has remained steady compared to the previous year, standing at 388 million euros. Debt containment has mainly been possible thanks to efforts made by the whole Group to reduce structural costs, controlling investments and working capital.

The Group continues to meet its financial obligations to long-term syndicated loan contracts, which stipulate compliance with certain financial ratios.

Trend for financial stucture

	2009	2010	2011	2012
Equity	1,168	1,174	1,180	1,137
Investments	139	172	176	108
Net financial position	(261)	(283)	(386)	(388)

In millions of euros

The net financial position shows balances at the end of each financial year in short-term financial investments, cash and other liquid assets, minus short-term and long-term debts with banks.


A única coisa
que vai transbordar
no seu banheiro, é a inovação.
Incepa
Do seu jeito
incepa.com.br


Parryware
Wow, what a bathroom!
crust
series


LAUFEN


Roca 乐家
It's your world


DAMA-N
ДИЗАЙН, ФУНКЦИОНАЛЬНОСТЬ
И МНОГООБРАЗИЕ КОМБИНАЦИЙ
BATHROOM
SOLUTIONS FOR
TODAY&TOMORROW
Roca


Achha lage yahan khona.
Hai apna sa woh kona.
Banaye isse kuchh khaas
Parryware

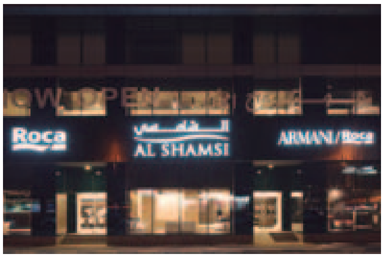
CORPORATE POLICIES

Commercial management

Business at a global scale is no longer an option to consider; it is a reality that the Group is adjusting to with increasing success. The Group's strategy seeks profitable growth that can only be achieved by establishing general management policies aimed at making our business more efficient and more flexible throughout the entire organisation. The commercial area works untiringly to improve the value proposition of the brands and products towards their respective markets in each tranche of the value chain: practitioners, distributors, large accounts, end customers, etc. However, international experience over recent decades has taught us that market trends are uneven and that, to be successful in this business — i.e., gain market share and sales margin —, local and regional factors must be taken into account if we are to strike a balance with the Group's strategy.

To obtain in-depth knowledge of the countries in which we operate, in 2012 we updated the dashboards of key markets, a visual representation aimed at identifying each socioeconomic reality to maximise our position in each area. The same criteria have been used for the NPL (New Product Launching) process, which is intended to optimise new product launches by using the right "time to market".

The Group's complete offering enables it to bolster local markets. Two examples of this are accessories and bathtubs: sets of accessories have been created and then used by each local market to build its own collection, adapted to the target market. Likewise, we have defined the Eco range of shower screens for local brands, with launches in Gala and Sanitana. These practices meant that the company was able to reduce costs by 20% compared to the previous model. This commercial streamlining has also been applied to catalogue publications. For example, in India, the Parryware products were presented in the same catalogue together with new releases of different Group brands: Ying and Sanitana (sanitary ware) and Pool Spa and Sanitana (wellness). This allowed us to broaden our offering and minimise product development costs.



Market development is not identical across the board. To be successful in the field, we have to strike a balance between local factors and the Group's strategy.

Our single point of contact makes the Group more approachable to global opinion leaders.

Naturally, regional specifics need to be thoroughly analysed, but it is also essential to understand key market segments if we are to enhance the speed and suitability of our new product launches. To achieve this, the targets are researched with the aim of achieving more diversity, adapting the product to end customers, offering them tools, design and services which meet their specific needs, and increasing the value proposition at every step. On one hand, the brand portfolio appeals to segments with varying financial levels ("for all pockets"); on the other hand, a wide range of products covers the entire bathroom space offering ("complete bathroom").

Acting as a sole liaison brings the Group closer to its stakeholders: key accounts, projects with large distributors — most notably, the agreement with St. Gobain in France — and to the Contract segment, through which we have gained presence in Abu Dhabi (United Arab Emirates), as well as other international alliances. This capacity also offers us the possibility to present hotel chains with unsurpassable offers. This is the case of the Brava Home resort in Brazil, with whom we have signed an important agreement to supply products from the Roca brand (Nexo, The Gap and Diverta).

Finally, due to our specialisation in bathroom spaces and our efforts to understand the market, nine new trends were identified in 2012 for the industry. International trends include what is known as 'homing', which considers the bathroom space as a personal sanctuary and involves reverting to natural materials and simple, aesthetically pleasing lines. Sustainability, in which Roca is well ahead of the curve, is another global value taking root. Likewise, design, performance and functionality are assets which customers are willing to pay for, in keeping with the international trend known as 'value for money'. Bathroom customisation and quality experiences are other prevailing trends for which the Group brands continue to offer separate product ranges that are compatible and can be used interchangeably. Materials have also taken centre stage. We currently combine wood, rubber, glass and resins, as well as the use of new materials such as Gel-coat, Stonex and Solid Surface. In the high-end segment, the bathroom tends to open up to the rest of the house; automation has come to Europe from the Asian market and the ageing population is a reality in Europe that will soon reach China, creating the opportunity for solutions that make daily tasks easier, with a pleasant, non-orthopaedic design.


Roca
26°C
15'

The Group's products will be featured at one of the venues for the next World Cup 2014 in Brazil.

WORLD CUP 2014: AGREEMENTS IN BRAZIL

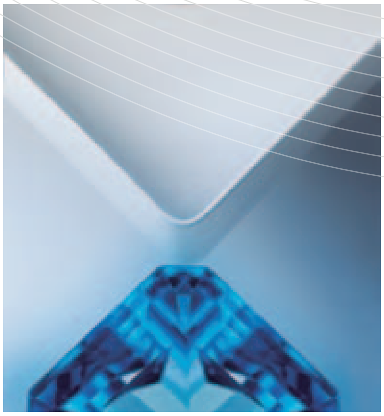
The Group has entered into an agreement to equip the Governador Magalhães de Belo Horizonte football stadium which will host six World Cup 2014 matches. The products provided will be the Celite Azálea and Celite Washbasins. For this sporting event, we have also reached an agreement with the hotel and sports complex Vila Ventura de Viamão, which has placed an order for WC Celite Riviera and WC Incepa Ocean.

ALLIANCE BETWEEN LAUFEN AND KARTELL

In 2012, cooperative efforts were undertaken with Kartell, a leading global furniture design company that asked us to develop a collection with Laufen, the Group's premium generalist brand. This new series brings innovative aesthetics to the bathroom space, combining the emotion of the Kartell world with the quality and innovation of Laufen ceramic products.

SAPHIR KERAMIK, CERAMIC REVOLUTION

After more than five years of research and development, Laufen has unveiled the new models of Living toilets at the Bau de Munich trade fair. These new models have been created with the innovative ceramic material Saphir Keramik. Thanks to its advanced formula and superior physical and chemical properties, this material is a revolution in the ceramic world, as it enables pieces to be produced with minimal thicknesses — up to four millimetres — and extreme geometries, previously unimaginable in sanitary ware. In addition, it replicates the look of other materials, such as metal and composites, which allows minimalist aesthetics and exceptionally pure lines to be brought into the ceramic world. Saphir Keramik also provides high added value in terms of sustainability and savings in natural resources, reducing natural gas consumption and CO_2 emissions and making it possible to produce pieces with a savings of up to 40% compared to traditional sanitary ware.



Saphir Keramik is able to produce pieces with minimal thicknesses and exceptionally pure lines.

> The success of the TV marketing campaign in Egypt has made the Roca brand extremely popular, boosting sales significantly.

SUCCESSFUL TV ADVERTISING CAMPAIGNS

Among the efforts made by the Group to adapt its marketing strategy to each consumer profile and the characteristics of various markets, the marketing campaign of the Roca brand in Egypt is particularly noteworthy. This hugely successful TV advertisement boosted sales by more than 100,000 units in the year following the launch. The ad managed to connect with Egyptian society, making the Roca brand a hit in the country. Another success was the “Another World” marketing campaign launched in China to increase brand awareness of the Roca brand, distinguishing it and positioning it in this market.

NEW RIMLESS TOILETS

Both Roca and Laufen have included the new rimless toilets in their product ranges. Thanks to this innovative system, these toilets are extremely hygienic, as they are easier to clean, thus avoiding grime and germs. The toilets can be installed in both public and private areas.

IN-TANK: OUR COMMITMENT TO INNOVATION AND SUSTAINABILITY

In-Tank, developed in our Innovation Lab, is the first toilet in the world with an integrated tank, with which Roca once again redefines bathroom spaces. It features Roca's cutting-edge technology in water savings and comfort, using an adjustable flushing system, thus combining practicality, design and respect for the environment.

LAUFEN 2012: A YEAR OF AWARDS

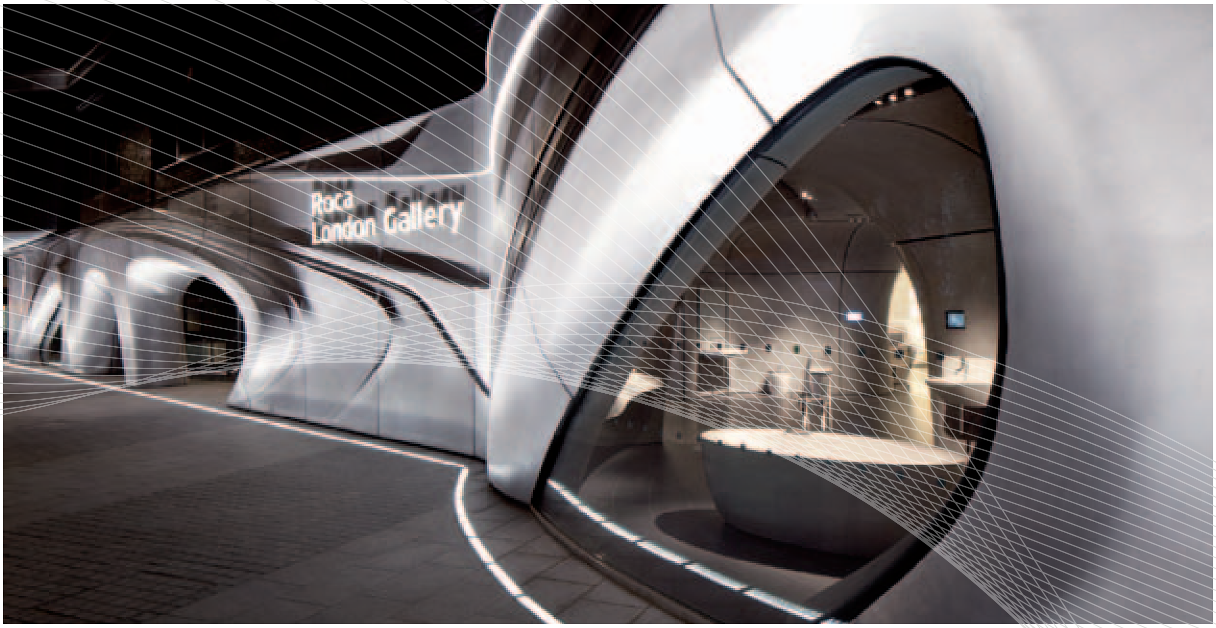
Laufen has won major awards in the design world with the launch of new products. These include the Red Dot Award for the new Antero urinal, the IF award for the special LCC (Laufen Clean Coat) enamel, the IF award for the Living Square toilet, the Green Good Design and Best of the Year by Interior Design for the new Palomba series.

red dot design award
winner 2012

FLAGSHIP PROJECTS IN INDIA AND MALAYSIA

The exclusive Armani/Roca collection, a concept created from the collaboration between two renowned and leading brands in their industries, will feature in the new World Tower of Mumbai, the highest residential building in the world. This project totals 10 million euros. This collection is characterised by its elegance, quality and design. In Malaysia, the Foster + Partners' Arcoris project being developed in Kuala Lumpur is worth highlighting. The Group will provide Roca products such as washbasins, faucets and bathtubs.

GOOD DESIGN



ROCA GALLERY AND ITS INFLUENCE ON GLOBAL BUSINESS

The Roca Galleries contribute to creating high-level dialogue with international practitioners.

The Roca target includes professionals, distributors, public and institutional affiliates, and the Galleries enhance the dialogue with practitioners, sparking an international discussion on sustainability, architecture, design, innovation, hospitality and tourism. In 2012, activities undertaken by the Galleries yielded tangible results, such as participation in the International Hotel Congress, HWIC, major European regional contracts in DIY awards, and acquisition of constructions projects in large regional groups such as the Mumbai Towers in India. Events held in Madrid and Barcelona brought together professionals and practitioners from Poland, Chile, China and Qatar, and distributors from Morocco visited the Roca Barcelona Gallery, an example of the stable relationship of trust with Morocco, where the Group has gained market share in recent years. The London Roca Gallery enjoys a particularly prime location in the world hub of global prescription. Last year London hosted the annual events of the American School of Architects and the British College of Interior Design.

ATTENDANCE AT INTERNATIONAL TRADE FAIRS

Throughout 2012 the Group has attended the most important international trade fairs and congresses in the field of architecture, interior design and construction. This participation stems from the company's desire to maintain its proximity to customers and consumers. Worth mentioning is the Group's participation in KBB in Birmingham, Revestir in Sao Paulo and Ecobuild in London, during the month of March. In addition it attended Mosbuild in Moscow with Roca and Santek, and Novelties in Bulgaria, in April. Subsequently, it attended the KBC in Shanghai and Index in Jeddah (Saudi Arabia) in May. The Group also participated in Cercaie in Bologna, Salon Belfort in France and PIR in Moscow in September, and in ICS in Cairo, SIB in Casablanca, IHG in Dublin and Acetech in Mumbai with the Roca and Parryware brands in November.

LAUFEN'S 120TH ANNIVERSARY

Laufen, the Group's premium brand, celebrated its 120th anniversary in 2012. Founded in 1892, this firm joined of the Roca Group in 1999. To celebrate its anniversary, the company created a marketing campaign with TV ads, magazine advertising, online banners, catalogues and leaflets. In addition, it created a new webpage and mobile apps. Laufen's anniversary image has also been present at trade fairs in Milan and Brazil, organising events in the Bienniale di Venizia and sponsoring the AR House Award.

"REINVENT THE TOILET", WITH THE GATES FOUNDATION

In its commitment to innovation and sustainability, Roca and the We Are Water Foundation have collaborated in the "Reinvent the Toilet" project, an initiative of the Bill & Melinda Gates Foundation. The challenge aims to find innovative solutions for the 2,500 million people who have no access to a toilet. Scientists from prestigious universities and representatives of multinational companies all over the world share information and advances in this international project.

Human resources

At the end of 2012, the Roca Group managed a workforce of 20,672 employees worldwide. As a global operator, identifying and managing talent is key in the countries in which the Group is present, where it implements corporate policies taking into account the business development and needs of each market. The priorities in this respect are identifying and improving the work system, increasing productivity through implementing new processes and efficiency methods and developing talent on a global level.

In the area of training, prompted by the awareness of the importance of optimising resources and obtaining results, the new management tool of "focused programs" has been created through the Roca Corporate University (RCU). The development of this tool has meant high-quality, high-impact training for the attendees and their work environments, allowing them to hone their skills and make them more efficient in managing and optimising resources.

Talent management has focused on improving work systems and boosting productivity.

Throughout 2012 we have continued to implement Roca Performance Management (RPM), completing training in the countries with sales offices such as France, the UK, Italy, Denmark, The Netherlands, Germany, Greece, Australia, as well as in companies in Croatia, Morocco, Akvaton and Ugrakeram in Russia. To support implementation, various online guides and tutorials that managers can access from the in-house portal have been developed. These training guides help participants understand and put into practice the objectives and procedures of the organisation's performance management system, with special emphasis on improving skills, carrying out performance reviews, and being proficient with IT support applications.

By year-end FY 2012, 29 motivational programs were in place, working with production and sales teams in ten countries and four continents. The first motivation program in Asia was aimed at middle management in the faucet factory in Suzhou (China) and was launched in September. Within the Group as a whole, RCU has provided more than 193,000 hours of training to nearly 21,000 professionals from all areas.

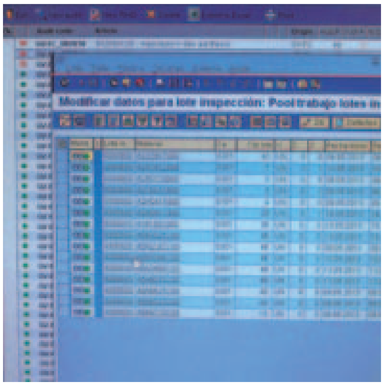
With the aim of improving productivity in manufacturing plants, incentive schemes have been implemented in the Malaysia plant and training and support programmes have begun for Methods & Processes (M&P) Department management at the Malaysia, Nanhai, Tangshan, Suzhou, and Czech Republic plants. Productivity rates have also been standardised and the new efficiency index has been implemented at the plants in Argentina, Gala, Santiana, Bechynne, Znojmo, Bulgaria, Poland, Perundurai, Dewas and Kela.

The Human Resources department has also worked with the IT Department to implement a new platform which offers a new communication and collaboration system between users, integrating voice, video and a telephony service via the Internet. This platform will have a huge impact on site productivity and cost control.

At the end of 2012, the Roca Group managed a workforce of 20,672 employees worldwide.


Roca
Roca
Roca

Information technology



The implementation of a single management platform for all companies is one of the biggest technological challenges the company has faced in recent decades.

FY 2012 marked the beginning of the implementation of the single management platform for all companies, developed in SAP, which is one of the biggest technological challenges the company has faced in recent decades. The Group thus improves its strategic use of information technology as tools aimed at its consolidation as a global player. In addition to aligning all actions under the same guidelines, information technology makes it possible to standardise processes in all areas of the company and apply common reporting systems.

The design and implementation of a single management platform is channelled through the SAP Fusion project, which in previous financial years launched the analysis phase of the business and design needs of technological solutions. In 2012, we began to implement the new platform in Roca Sanitario, the UK and France. The expansion plan forecasts roll-out in Portugal, Morocco and Italy in 2013 and will be extended to all Group companies before 2018.

In the Fusion Project framework, the IT department works on developing new management modules which will be progressively built into the new single platform. Among these, we highlight the conceptual development of implementing the SAP-APO system which enables us to set and communicate the estimated order delivery date to the customer. Developing this module, which is a big challenge in terms of customer service, involves improving the central planning and factory processes. Other modules under development include SAP integration of the processes related to repetitive manufacturing to better control plant operations and improve productivity, consolidation of a single SAP-CRM system for sales force operations and an advanced integrated cash solution for the entire Group.

Independently from the Fusion Project, we have also devised separate SAP implementation operations in markets with specific needs which required urgent action to align management processes. This is the case of Russia, which integrates the new Akvaton plant, and Malaysia.

In FY 2012, the IT and Process Reengineering Departments have taken part in close to 300 projects, among them, enhanced features in the online product catalogue and its implementation

in the Group's new local webpages; extending the DibaNext design application to Laufen and Keramika (Russia); and developing a solution which enables shower trays to be brought to market as a configurable product.

In terms of infrastructure, progress has been made in consolidating the Barcelona office as the only decision-making centre, as well as on unifying and simplifying processes. In compliance with the 2012-2015 Master IT Plan and following the large investment made in previous financial years, a progressive reduction in costs/technology investment can be seen in relation to the Group's total turnover.

In 2012 the features of the virtual product catalogue, which appears in the Group's new local web pages, have been enhanced.

Innovation and design

The innovation and design activity focuses on extending features and technological elements to new collections and researching new materials and solutions.

The bathroom space market has developed in recent years from a demand marked by a taste for pure design — predominantly aesthetics — to the current tastes for a more functional design, which naturally includes aspects of sustainability and comfort, in addition to easy installation and use. Consumers are increasingly well informed about products available in the market and look for added-value products that offer good value for money. In response to this demand, the Group has aimed its activity in innovation and design to two pivotal work lines: extending its features and advanced technological elements to new collections and researching new materials and solutions.

First, the knowledge obtained in designing flagship products such as W+W and In-Tank — recognised globally for their innovation — has an impact on product ranges in all segments and all the Group's brands, which increasingly incorporate a level of services and technology previously available only in top-of-the-range products. A good example of this is the launch of Debba, a complete collection for bathroom spaces, designed for small surfaces, which combines modern design with the most advanced elements of water and energy savings.

Research into new materials has been guided by the principle of finding solutions which offer more options in terms of product customisation, while at the same time streamlining components and production technology. In this regard, the new Saphir Keramik ceramic material, presented by Laufen, is particularly noteworthy. Thanks to its advanced formula, this ceramic can be used to produce fixtures with a minimum thickness of four millimetres and extreme geometries, previously unimaginable in sanitary ware. In addition to the advantages that this brings to the area of sustainability, the development of new materials such as Saphir Keramik, paves the way for new possibilities in design, with innovative aesthetics and solutions for the industry.




LAUFEN
LAUFEN

The development of all other product ranges is coordinated through the collaborative efforts of all the Group's design business units and production platforms. Significant progress has made in the previous financial year in Furniture and Faucet platforms. Integrated solutions of sanitary ware and furniture have been launched and the product offering in shower columns, timed faucets and the L20 collection — which incorporates the Cold Start system of cold opening — have been expanded. The new materials include poured resins for manufacturing shower trays.

The coordination of innovation and design activities all over the world has evolved from a structural level — unifying components, materials and processes — to the joint development of product lines that leverage the combined know-how of various design units. This is the case for the new designs unveiled at the Shanghai 2012 trade fair, led by the In-Wash project — shower and toilet in the same unit — jointly developed by specialists of the Roca Design Center, Laufen and Roca Taiwan. An electronic faucet collection with an integrated light system, exclusively for the Asian market, was also presented at the same trade fair.

Lastly, with regards to continually analysing market trends, the Innovation Lab dedicated FY 2012 to the urban mobility concept: new needs resulting from demographic consolidation in large urban areas, as well as the development of smaller housing and new family units (single-person households, elderly people, etc.).

Coordinating the innovation and design activities around the world has enabled us to develop product lines jointly.

Industrial management

The company's current phase of structural expansion includes streamlining its industrial capacity and coordinated production planning at all its factories.

As a result of its expansion strategy in the last decade of the 20th century and the first decade of the 21st, the Roca Group is currently the top-of-class industrial powerhouse in its industry. The company's current phase of structural expansion focuses on streamlining this industrial capacity and on coordinated production planning at all factories with the aim of simplifying the logistics structure of supply facilities for each of the business units into which the Group's activity is divided. The purpose of global management and the utilisation of synergies and best practices also include developing platforms for certain product groups. This project made significant progress in 2012, especially in faucets and furniture.

SANITARY WARE PLANTS

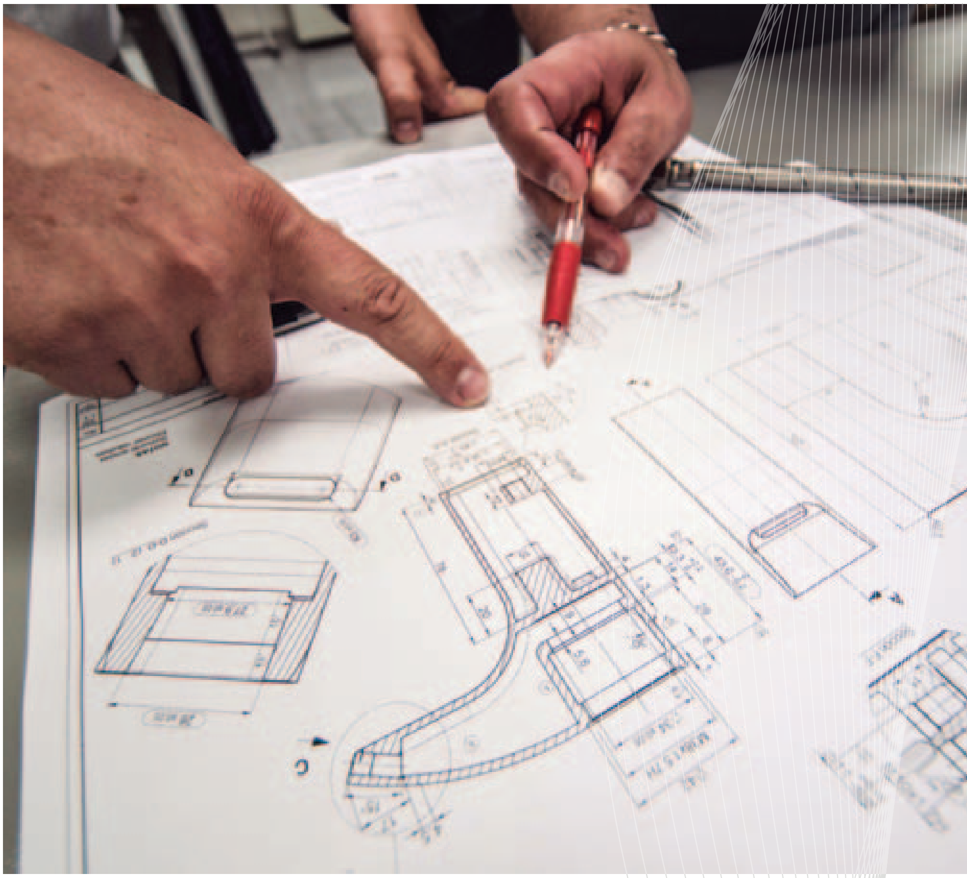
Brazil, the market with the highest sales volume, has received the heaviest investment in the financial year with the construction of a new sanitary ware plant at the industrial site of Santa Luzia II, in the southeast of the country. Thanks to an investment of 93 million Brazilian reals (35.6 million euros), the new factory's commissioning has increased the capacity at the Santa Luzia industrial site by 4.2 million units, making it the Group's most productive factory worldwide. In full operation, the new plant will boost production capacity in Brazil by 15%, up to 11.8 million units per annum. In addition to addressing local demand, the factories in Brazil and Argentina will allocate part of upcoming production to exports for other Latin American countries.

In addition to Brazil, the Group's other main markets have made investments to meet the respective growth rates, both domestically and in the Group's areas of influence. At the end of 2012, Russia started the expansion of the Nova Cheboksary factory. Once it begins operations, the plant will produce an additional one million units of sanitary ware per year. In the Asia-Pacific business unit, the investment made at the Dewas (India) factory for the site's first expansion phase will boost capacity by 400,000 units.

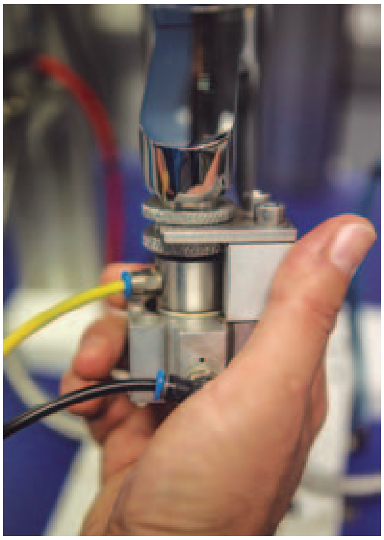

LIPPERT

Progress made in coordinating work at all factories makes it possible to pinpoint development projects and establish synergies.

Progress made in coordinating work at all factories makes it possible to pinpoint development projects and establish synergies. For example, work carried out at factories in the Balkan region has made progress in transferring production and improving productivity. In Africa and the Middle East, high efficiency rates have been reached, with the factories in Morocco operating at 95% capacity. The factories in Egypt, on the other hand, have the lowest cost per kilo produced among all the company's factories. The strategic location of the factories in Morocco and Egypt enable the Group to meet demand in the African continent as well as the Middle East.



INDUSTRIAL PLATFORMS



The platform project addresses the need to streamline the Group's industrial capacity with the aim of catering to the specific demand of local markets — for cultural, social and regulatory reasons, etc. — without the costs involved in regional production and development. The standardisation of solutions and technical components, as well as the coordination of the entire process by a single technical management, enables the Group to ensure maximum customisation of the product for the end customer with the least amount of difficulty and technical differentiation, while ensuring quality, functionality and flexibility.

In 2012 the four platforms (Furniture, Faucets, Acrylics and Installation Systems) have made considerable progress in their efforts to implement synergistic solutions in the different brands of the Group. In particular, advances have been made in Furniture and Faucets, where innovation is even more noticeable. These platforms have established a model based on a network of integrated factories and assembly units, where components developed by local suppliers are fitted together. The assembly units build on the infrastructure and logistics of other Group sites and are located near the main markets to lower distribution costs and shorten the time to market.

The four platforms (Furniture, Faucets, Acrylics and Installation systems) have extended into new markets at a steady pace in 2012.

The fast-paced development of the Furniture platform, responsible also for lighting and mirrors, meets the growing demand for furniture items in bathroom spaces, enabling the Group to generate commercial synergies with sanitary ware and faucet series. In 2012 the platform commissioned two new furniture assembly plants in Anadía (Portugal) and Znojmo (the Czech Republic). The comprehensive factories at Akvaton (Russia) and Ying (China) are the latest additions. The latest product releases under the Roca brand include the new furniture collections Debba and Prisma and Luna mirror-cabinets. The Polo, Suite and Mik series have also been developed for Eastern European local brands.

The Faucet platform has consolidated the thermostatic faucet project (Victoria T, L90-T, T-1000, OPEN T) and electronic faucet project with a solid portfolio (L20, Moai, Loft, M3 and L90). In addition, the company has kicked off the FASE 1 single mixer ceramic cartridge project and the modular platform that will enable the Group to eliminate items and obtain more flexible and standardised solutions. With a total production volume of four

million pieces and the management of seven factories and 24 brands, in 2012 the platform commissioned assembly units in Gavà and Znojmo and has begun the design of a comprehensive factory in Recife (Brazil) and another assembly facility in Cheboksary (Russia). New product releases include the S30 and S35 series for local brands and two complete shower and accessory sets (Basic 1 and Basic 2). A new range (MID 1 and MID 2) is also under development.

The Acrylic platform, which manages nine production plants, has invested in improving infrastructures and machinery to mainly drive the production of new materials. The Gel-Coat shower trays have been jointly developed by the Sanitana (Portugal) and Gavà (Spain) factories and investments were made in machinery for the Roca Polska (Poland) factory to meet the demand of specific Gel-Coat and Solid Surface products. The platform's activities also include expanding the Suzhou (China) plant with a flexible thermoforming machine, exclusively patented by Roca to increase the production capacity of free-standing bathtubs and the commissioning of a new hydromassage assembly unit at the Biwhadi (India) factory.

Lastly, some of the main developments of the installation system platform include 8 cm-deep toilet tanks — compared to traditional 13-cm tanks — for the Armani/Roca collection; new plate designs for built-in tanks; and solutions such as support rails for people with reduced mobility, self-supporting rails and rails for suspended toilets with faucet timers (flow systems) with dual flush.

QUALITY DEPARTMENT

Faced with an industrial capacity of this scale, the Group has also redesigned its quality management policy to guarantee that all brands comply with common standards. The Quality Department has therefore adopted a corporate mindset with the aim of consolidating a global structure featuring a common reporting system to take advantage of existing synergies and enhance visibility of areas for improvement.

This department carries out four lines of work: analysing and validating new projects with the aim of checking production viability; maintaining the Quality Control System (internal audits, indicator analysis and continuous improvement, maintaining certifications); verifying the quality of products already on the market through internal audits and responding to customer claims.

Activities carried out in 2012 following the strategic objective of consolidating corporate management include the implementation in Spain of the SAP Quality Management module, with the goal of extending these upcoming years to the other markets to make expanding a common system easier. In this financial year, response time for market returns has been shortened, and the number of claims has been reduced. Every three years the Quality Management System certification granted by AENOR is also renewed.

BUSINESS UNITS

The natural trend of organisations to become larger and more complex is more acute in groups which, like Roca, have grown essentially through acquisitions. Economic environments and business contexts change rapidly. This requires, if we are to act as a global operator, applying a model that allows us to dovetail two complementary lines of action: 1) designing and applying strategic lines and corporate policies that reinforce common principles while also developing synergies and systems to identify and extend best practices, and 2) managing each market in proximity, interpreting the different socioeconomic and cultural realities and trends to identify new growth opportunities and address them flexibly and efficiently.

Prior sections of this report analyse the corporate policies which, although always in continual development, are progressively being extended to all markets to strengthen the Group's structural consolidation. The following four sections contain a detailed analysis of the business units, with a view to analysing their performance in 2012 and interpreting their current circumstances and development trends.

Each business unit begins with an introduction to the socioeconomic reality of the region and several key indicators. Our aim is not to offer an exhaustive review but rather to provide a reliable and practical snapshot of the socioeconomic trends which will help understand our scope of action. Below we present the company's current business situation and the key points of its performance in the past financial year, based on market share in each region, trends and future outlook. All of the 135 countries where the company is present are not listed, and this report only mentions the most significant markets in 2012, as determined on the basis of specific contribution to Group turnover, uniqueness, strategic role and other aspects.

These markets are divided into four business units, which align — with certain adjustments for easier understanding — to the operational areas into which the Group is currently organised:

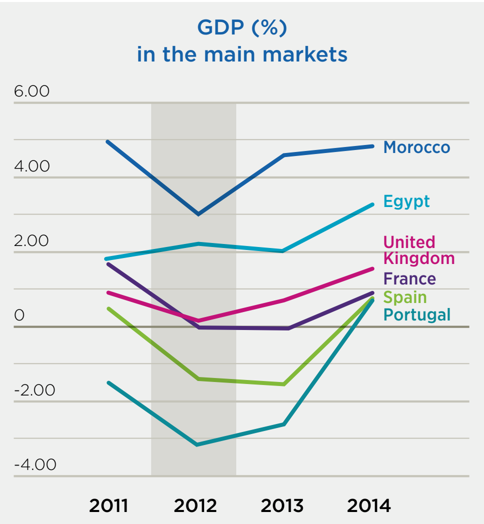
- Western Europe, Africa and the Middle East
- America (North, Central and South)
- Central Europe, Eastern Europe, Scandinavia and Baltic countries
- Asia-Pacific

The Group's performance in the bathroom space industry and the Tiles division activity are broken down by business unit.

WESTERN EUROPE, AFRICA AND THE MIDDLE EAST

SPAIN, PORTUGAL, THE UK, FRANCE, MOROCCO, EGYPT

The decline of the construction sector in Spain and Portugal continues to heavily impact sales volume, despite efforts to reactivate the market. In contrast, the UK and France have seen considerable growth and the Group has managed to strengthen its position in African and Middle East markets with a view to sustained growth in the coming years.



Source: International Monetary Fund

TOTAL REGIONAL POPULATION

1,397.2 million inhabitants

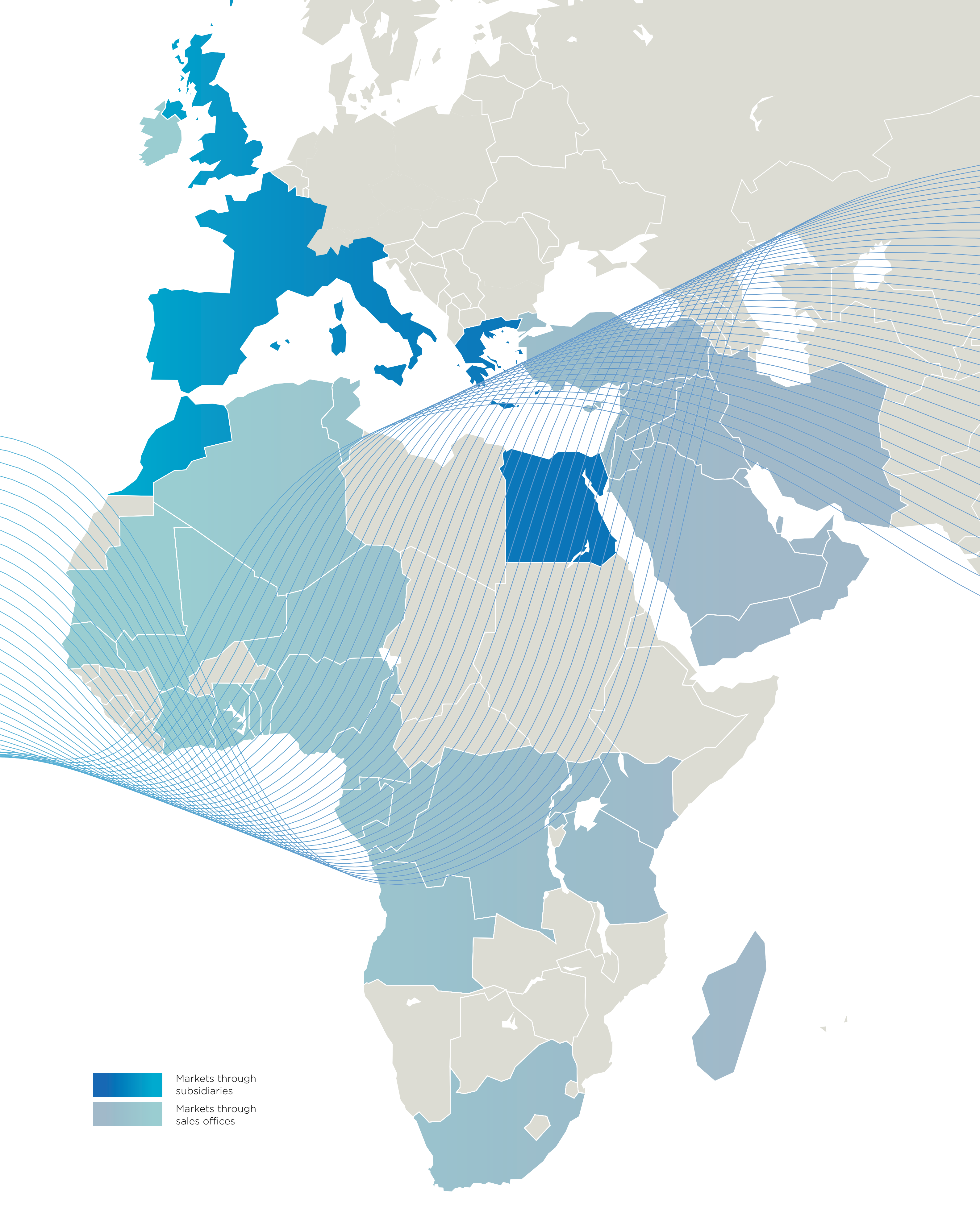
Source: World Bank

SOCIOECONOMIC SITUATION

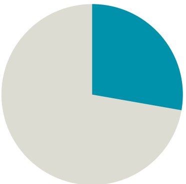
Western Europe. The increase in construction expenditure is weaker in Western Europe compared to the trends seen in the rest of the world. The United Kingdom had the highest growth in the sector (1.6%), although its economy is affected by low consumption and moderate corporate investments. In France, lower-than-expected growth and high unemployment rates (10.3%) are stretching its public finances. Domestic demand and investment have taken a plunge in Spain and the GDP in Portugal has also dropped.

Africa. After a period of stable growth, the Morocco market has suffered an economic downturn in 2012 influenced by the European crisis. Industrial development strategies and infrastructure spending are improving the country's competitiveness. Major opportunities are expected in the reconstruction of Libya and developing infrastructures in Egypt. In the rest of Africa, a mixed panorama is emerging, with some areas in strong growth, in particular Nigeria.

Middle East. The Middle East has shown a moderate rise in construction expenditure (4.2%) in 2012, particularly in energy infrastructure. Saudi Arabia is the biggest market in the region, followed by Arab Emirates (4% annual growth) and Qatar, where preparation for the 2022 FIFA World Cup and infrastructure modernisation point to rapid growth in construction expenditure.

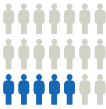

Markets through subsidiaries
Markets through sales offices

ROCA GROUP IN WESTERN EUROPE, AFRICA AND THE M



27.8%

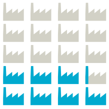
Contribution to gross profits for the Group



EMPLOYEES

5,141

24.9% of the Group



PLANTS

27

35.5% of the Group

INVOICING

474.2M€

29.6% of the Group

BUSINESS DEVELOPMENT AND OUTLOOK

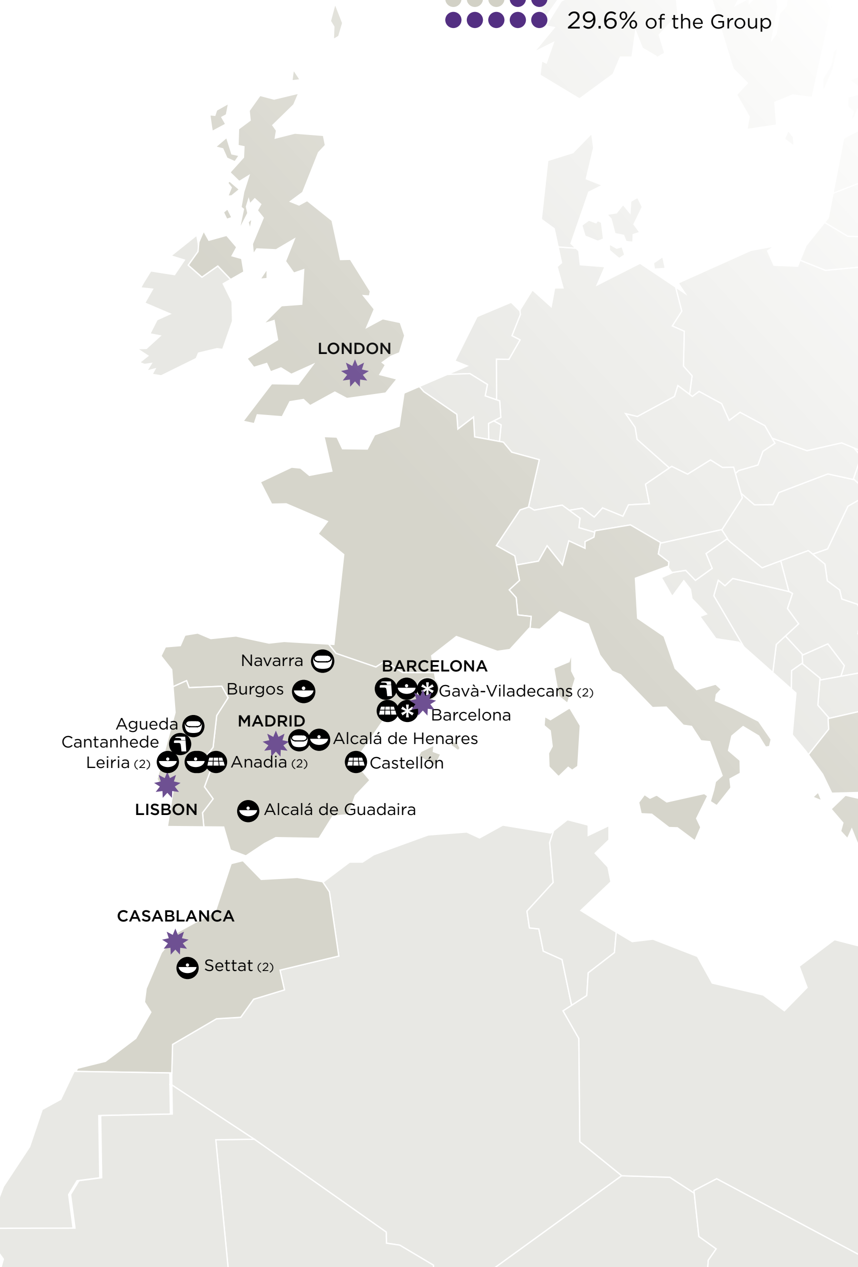
The business area of traditional European markets (Spain, Portugal, the UK and France), North Africa and the Middle East, are characterised by two main trendlines: sales posted in the markets of Spain, Portugal and Italy continued to suffer severely from the economic crisis, particular in the construction industry, whereas both the UK and France as well as the African and Middle East markets showed a decidedly positive trend, with growth even higher than expected.

Spain. The 95% drop in new housing between 2006 and 2012 has caused a 75% drop in sanitary ware sales during the same period, a trend also affected by diminished support for refurbishments. The distribution model, which was accustomed to managing large amounts of units, now operates with very small volumes, significantly affecting profitability.

Portugal. The construction industry has suffered a twelve-year decline, with a 90% reduction in the number of building permits between 2000 and 2012. Despite this, the Sanitana product range enjoys considerable market share and Roca retains its strong position in the premium sector.

Italy. The Italian market is undergoing a similar recession to Spain's and Portugal's, with huge pressure on prices. Despite this, the Group is working to improve its commercial presence in the north of the country, focus its activity on value-added products and take advantage of the capacity of Balkan plants to improve service and enhance flexibility.

United Kingdom. Despite the drop in the bathroom sector — close to 30% in recent years — the Group grew



MIDDLE EAST

close to 24% in 2012, growth perspectives which it looks to maintain in the short-term. Sales have exceeded one million pieces per annum.

France. Business is growing faster than GDP and the property sector. The increase in market share is based on agreements signed with major distributors. Its central position with Pan-European chains makes it an important market for obtaining international agreements.

Morocco. The industrial capacity and improved quality standards have led to increased distributor confidence in an environment of financial growth and political stability. The increase in internal demand and in the rest of the Western and Central African countries have offset the slump in the eurozone which previously received the majority of exports from the Moroccan plants.

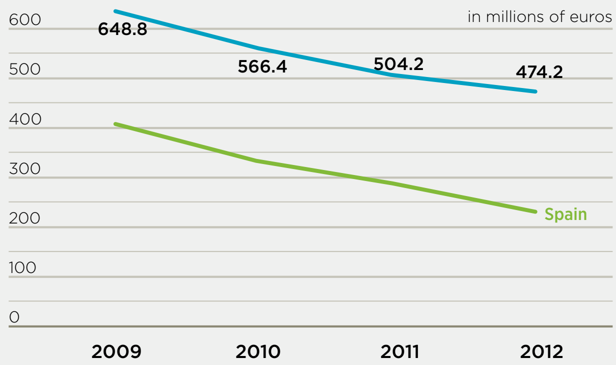
Egypt. In an environment of economic growth, the Group has consolidated its market position, boosted by the success of the Roca brand TV marketing campaign. The high efficiency of factories in Cairo and Al Mansura allow the growing demand in East Africa and the Middle East to be readily met.

Middle East Sales have risen significantly, thanks to the Group's solid premium offering. The Group is involved with architectural projects in the United Arab Emirates and in particular, in Abu Dhabi.

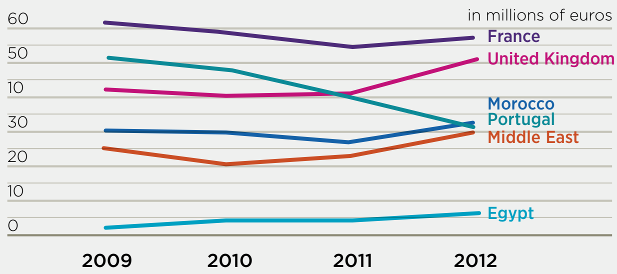
Ceramic tiles

The Tile division, focused on European business in Spain during this financial year, has made it a priority to rein in industrial costs by improving productivity and making innovations in production machinery. The market is experiencing heavy price erosion and overcapacity, although sales efforts have been boosted to enhance exports to countries in near proximity.

Regional sales



Sales in the main markets

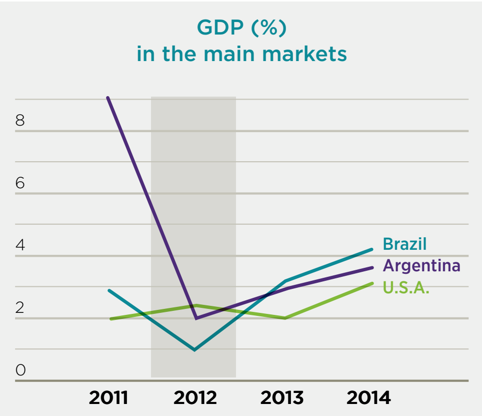


BRANDS

AMERICA (NORTH, CENTRAL AND SOUTH)

BRAZIL, ARGENTINA, UNITED STATES

Despite the economic slowdown seen in the past financial year in the Latam region, the business in Brazil and Argentina has continued to show strong growth, thanks to the positive housing trend, met by the Group with significant investments in production capacity. Key challenges for the future are to increase our presence in the rest of Latin American markets and strengthen our presence in the United States, by bolstering the performance of our Tiles division.



Source: International Monetary Fund

TOTAL REGIONAL POPULATION

916.7 million inhabitants

Source: World Bank

SOCIOECONOMIC SITUATION

After significant growth in recent years, driven by the global situation of high commodity prices and the political-economic stability in the region, the Latam region has experienced some slowdown in FY 2012.

The economic strength of **Brazil** has been undermined by factors such as near-zero growth, a drop in competitiveness and growing inflation, although it continues to have political stability in its favour.

In **Argentina**, short-term recovery has been jeopardised by economic stagnation and disarray resulting in high inflation, exchange rate lag, fiscal deficits, capital flight, import restrictions and a drop in investments.

However, the mid-term outlook for the Latam region is positive, and the region should continue to benefit from a favourable situation in terms of exports. Positive aspects include the fact that housing demand continues to increase, despite the existing deficit, and mortgage loans are seen to have interesting potential in the market.

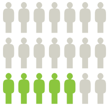
In the **United States**, construction expenditure remains stagnant, mainly due to the effects of the property crisis. Forecasts indicate that the current situation will last, perhaps with very slight growth, until 2015.


Markets through subsidiaries
Markets through sales offices

ROCA GROUP IN AMERICA (NORTH, CENTRAL AND SOUT

25.7%

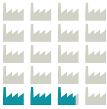
Contribution to gross profits for the Group



EMPLOYEES

4,707

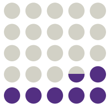
22.8% of the Group



PLANTS

11

14.5% of the Group



INVOICING

452.6M€

28.3% of the Group

BUSINESS DEVELOPMENT AND OUTLOOK

The Group boasts a strong position in Brazil and Argentina thanks to the outlook of constant growth in the housing market in the short to mid term. Turnover has doubled in the last three years in these markets, which have attracted the lion's share of investments made in 2012.

Production capacity has also been increased through a new sanitary ware factory opened at the Santa Luzia II (Brazil) industrial site. Once the plant goes into full operation, it will increase the Group's overall production capacity in Brazil by 15%. The new, completely automated facilities feature cutting-edge technology and production engineering innovations (presses, enamel robots, transport systems and equipment). After an investment of 35.6 million euros, the new factory's commissioning will generate 150 direct jobs. In addition to the new Santa Luzia II production facility, various improvements have been made in the rest of the Group's factories in Brazil, which will be strengthened by new investments in 2013.

The company boasts leading positions in both markets, characterised by strong resistance to competitors, which gives the Group a competitive advantage when setting investment priorities.

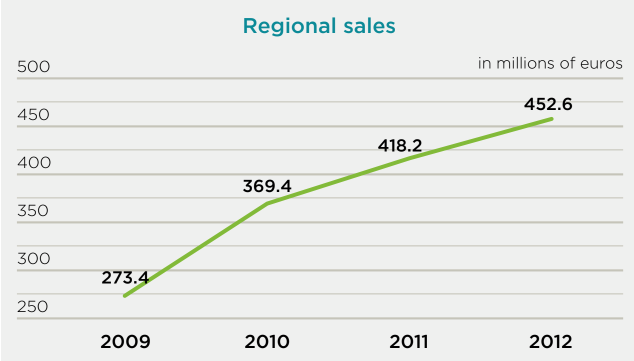
Likewise, growth prospects remain stable for the coming financial years, but with a two-fold challenge: 1) diversification of the business to include faucet, furniture and accessory ranges, providing a global offering for bathroom spaces which enables us to compete in the same sectors with our main competitors, and 2) doubling of our market share (within five years) in exports to Latin American countries — mainly, Uruguay, Chile, Bolivia and Paraguay — which currently account for merely 5% of regional business.

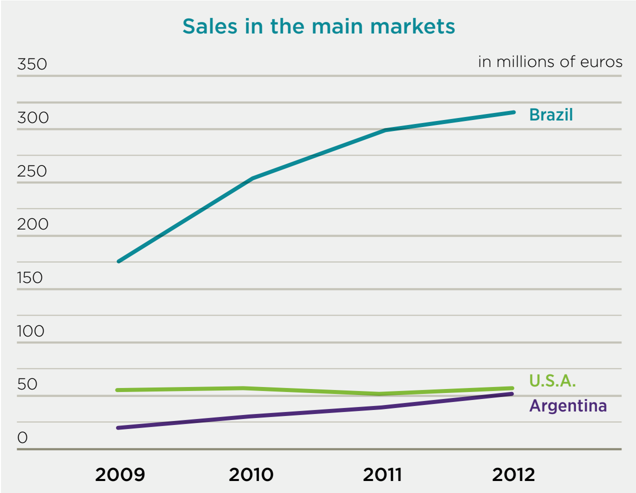
TH)

Ceramic tiles

Brazil and the United States are the two main markets for the Group's Tile division, marketing under the Roca, Incepa, Laufen and USTC brands. The company holds its position in Brazil thanks to the high profile of the local Incepa brand, the good outcomes achieved through industrial investments and the commercial synergies with sanitary ware products which, together with the impact on turnover, help strengthen the Group's corporate image.

In the United States, the sales activity for tiles focuses more on the country's high profitability areas, with the objective of achieving greater market share by modifying the current warehouse structure.





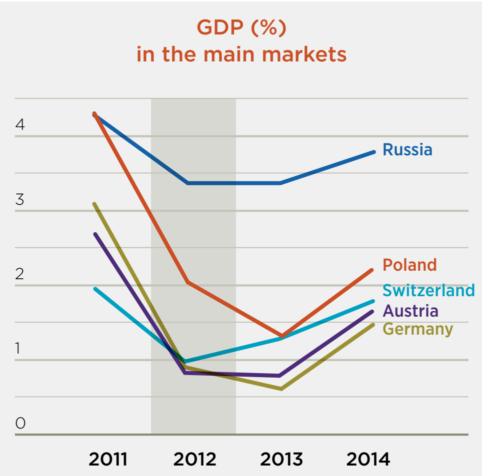
BRANDS

Roca LAUFEN Celite Incepa logasa capea UNITED STATES CERAMIC TILE

CENTRAL EUROPE, EASTERN EUROPE, SCANDINAVIA AND BALTIC COUNTRIES

RUSSIA, SWITZERLAND, AUSTRIA, GERMANY, POLAND

The strength and local penetration of the Laufen brand enable the Group to retain its leading position in Switzerland and Austria, influential in the positive growth trend in Germany. Furthermore, the organic growth strategy and the positive contribution of recent acquisitions helped to make Russia one of the main drivers offsetting the decline in activity in Eastern Europe. In Scandinavia, incipient commercial activities point to a potentially strong market in the future.



Source: International Monetary Fund

TOTAL REGIONAL POPULATION

475.9 million inhabitants

Source: World Bank

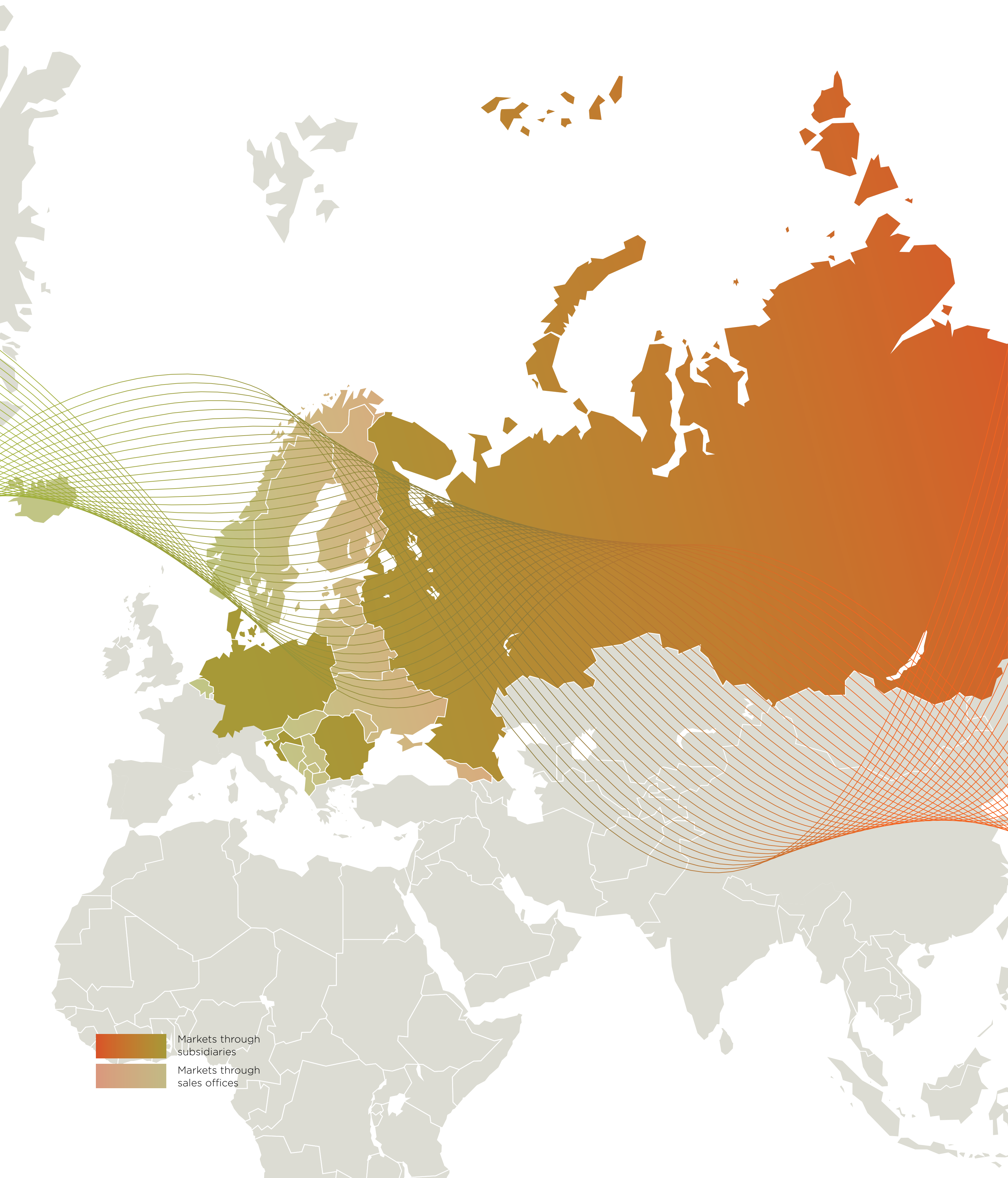
SOCIOECONOMIC SITUATION

Russia. GDP growth in 2012 was 3.4%, an increase that paralleled growth in the bathroom sector during the same period. This industry is witnessing heavy pressure from the competition, which is looking for alternative markets outside the majority of European markets. Forecasts point to sustained increase in the Russian economy in the coming years, with growth exceeding 3%.

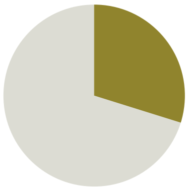
Central Europe (Switzerland, Germany, Austria). The Group's main markets in Central Europe posted GDP growth close to 1% and have moderately optimistic growth forecasts for the next two years. Distribution in this market is consolidated for the most part in large chains and generic brands are exerting significant pressure when it comes to negotiating prices.

Eastern Europe. Eastern European markets have been seriously affected by the 2012 crisis, with a relatively stable first half of the year and a second half that saw significant drops in market indicators. In parallel with the general dip in activity, the region has experienced strong deterioration in distribution liquidity, with significant adjustments in aggregate stock levels in sales channels.

Scandinavia. Scandinavian countries have remained immune to the impact of the European debt crisis and their markets have continued the same upward trend with slight growth during 2012.

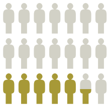

Markets through subsidiaries
Markets through sales offices

ROCA GROUP IN CENTRAL EUROPE, EASTERN EUROPE, S



30%

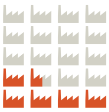
Contribution
to gross profits
for the Group



EMPLOYEES

5,325

25.8% of the Group



PLANTS

21

27.6% of the Group

INVOICING

423.4M€

26.5% of the Group

BUSINESS DEVELOPMENT AND OUTLOOK

Russia

Russia has shown significant growth in 2012 as a result of the organic growth strategy and the positive contribution of acquisitions made in previous years.

To maintain the high growth rates, the Group has approved the expansion of the Nova Cheboksary plant which will contribute an additional one million units in terms of sanitary ware capacity. High, steady levels have also been reached in production at the acrylic bath plant. Akvaton integration in 2011 has allowed the Group to gain the leading position in the bathroom furniture segment. Along with strong increases in Roca brand sales, the Jika and Santek faucet ranges have been launched, strengthening the full-range concept for the bathroom product offering.

Central European Countries: Switzerland, Austria, Germany

Market shares have been strong in Switzerland and Austria thanks to the Laufen brand and a positive growth trend in Germany. The strategic focus is on maintaining the high market share of sanitary ware in Switzerland and Austria, in parallel to developing other business lines. In Germany, where the market share is notably smaller, double-digit growth has been maintained in the last decade. The Group's global presence and size favours its consolidation of its distribution strategy with large groups, which sets us apart from the competition. Likewise, stable shareholding and a long-term strategy are considered great assets by our customers.

Eastern Europe (Poland, Czech Republic, other Eastern European countries)

In an extremely competitive environment and a global slump in business volume, huge efforts have been made to rein in production costs and structural expenses, with the aim of maintaining some operating margins. Business activities have focused on improving the mix, thus offsetting the low volumes and downward

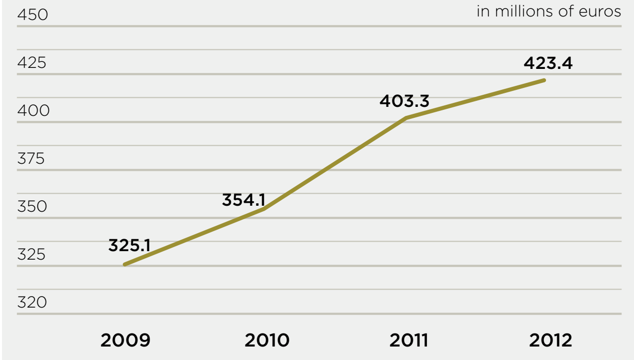
SCANDINAVIA AND BALTIC COUNTRIES

price trend. A new project management process and customisation unit in Poland has resulted in increased market share in upper market segments.

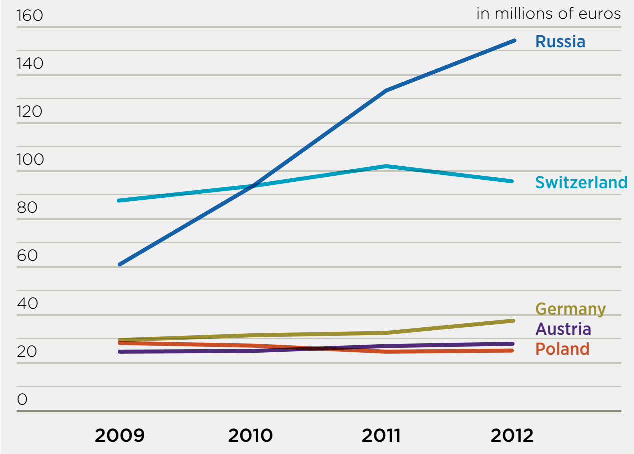
Scandinavia

Scandinavian countries are one of our main opportunities for the future. This market includes almost 25 million people with high income levels although, for historical reasons, the presence of the Group is currently limited. The region is characterised by a small number of large distributors and a high level of product customisation to local tastes. Still with moderate absolute figures, the Group has experienced strong growth in 2012. The introduction of new models adapted to local demand, such as the new Laufen Pro Nordic series, has been a success and paves the way for strong growth in the coming years.

Regional sales



Sales in the main markets



Ceramic tiles

As part of the commercial strategy in Russia, the Tiles business area took part, together with sanitary product brands, in Mosbuild 2012, the most important trade fair in the construction industry in Russia, where new products especially developed for the Russian market were unveiled.

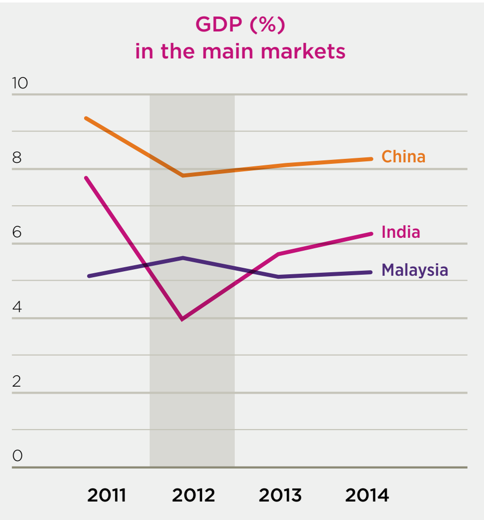
BRANDS

Roca LAUFEN SANTEK santeri JIKA zoom FAYANS INKER AQUART sanimatic arwa SIMILOR KUGLER POOLSPA COSMIC AKBATOH gala

ASIA-PACIFIC

CHINA, MALAYSIA, INDIA

In 2012, business profitability in the Asia-Pacific region maintained its upward trend, with an increase in EBITDA proportionally higher than sales and an especially strong performance in markets where the Group has industrial plants (China, India and Malaysia). Investment efforts geared toward increasing production capacity have been accompanied by organisational improvements that have increased productivity and reduced costs.



Source: International Monetary Fund

TOTAL REGIONAL POPULATION

3,834.7 million inhabitants

Fuente: Worldbank

SOCIOECONOMIC SITUATION

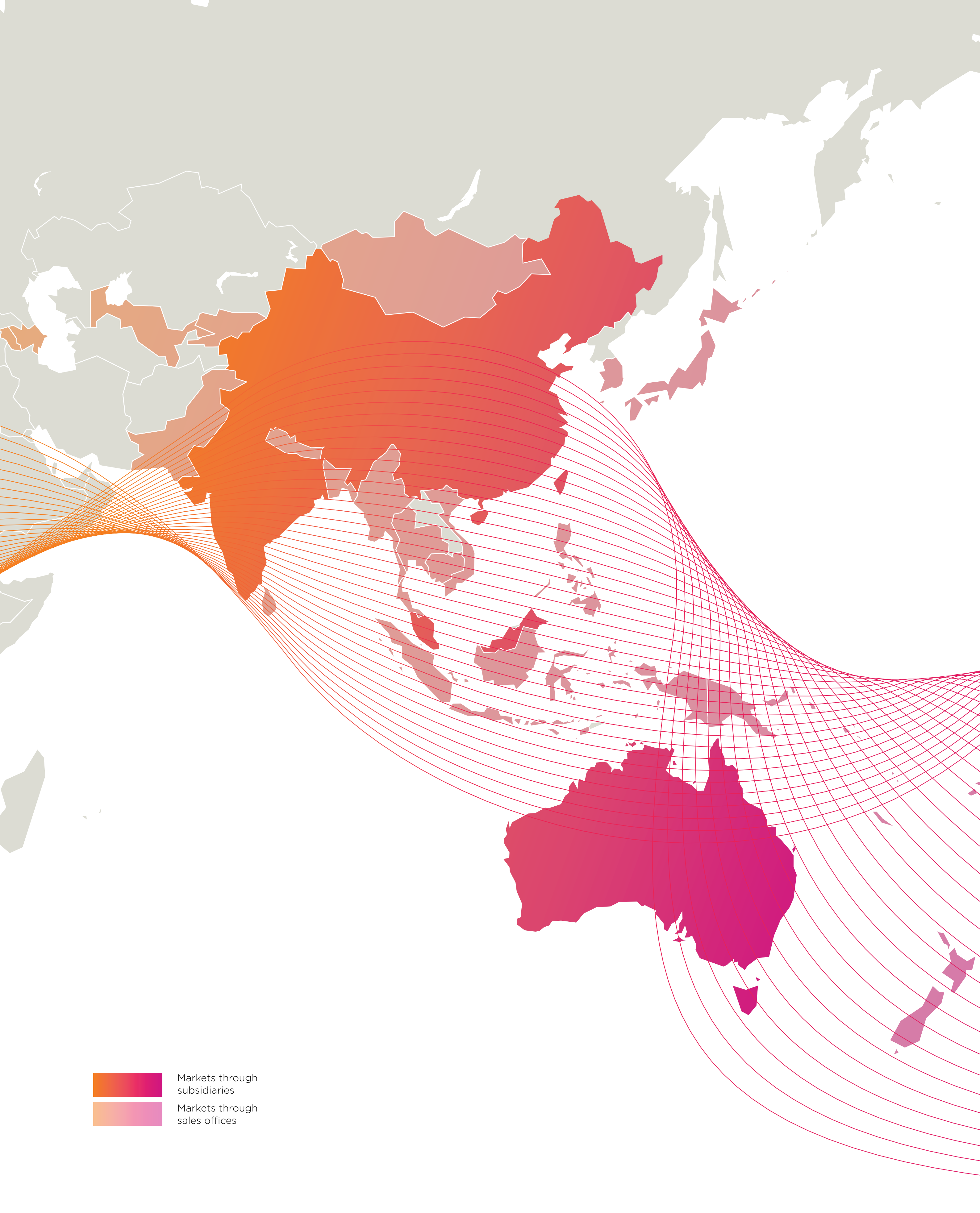
India. The socioeconomic situation remains unchanged. The demographic explosion could cause serious social conflicts in large cities, especially in the north, with a similar scenario as in Egypt. To provide job opportunities to the younger generation, millions of unskilled jobs must be created. The most successful solution taken by other countries in a similar situation has been to foster the export industry.

The demographic potential of the country— and therefore that of new housing — remains intact, a positive trend if partnered with economic development.

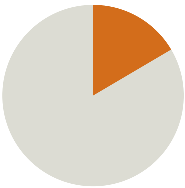
China. China's dazzling growth over the past fifteen years shows signs of slowing down. In any case, the country's business performance has remained strong, with variations according to industry. Growth fluctuates according to region and sector, a situation which certainly represents a challenge.

One of the main objectives of the new government is to promote internal demand as a growth engine to replace foreign investment and exports. The operating environment will be increasingly difficult: companies must deal with growing costs, scarce human resources and a protectionist stance.

Hong Kong has suffered the impact of the financial crisis together with a series of restrictive policies that have led to negative growth in housing transactions.


Markets through subsidiaries
Markets through sales offices

ROCA GROUP IN ASIA-PACIFIC



16.5%

Contribution to gross profits for the Group

EMPLOYEES

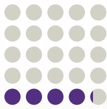
5,439

26.4% of the Group

PLANTS

17

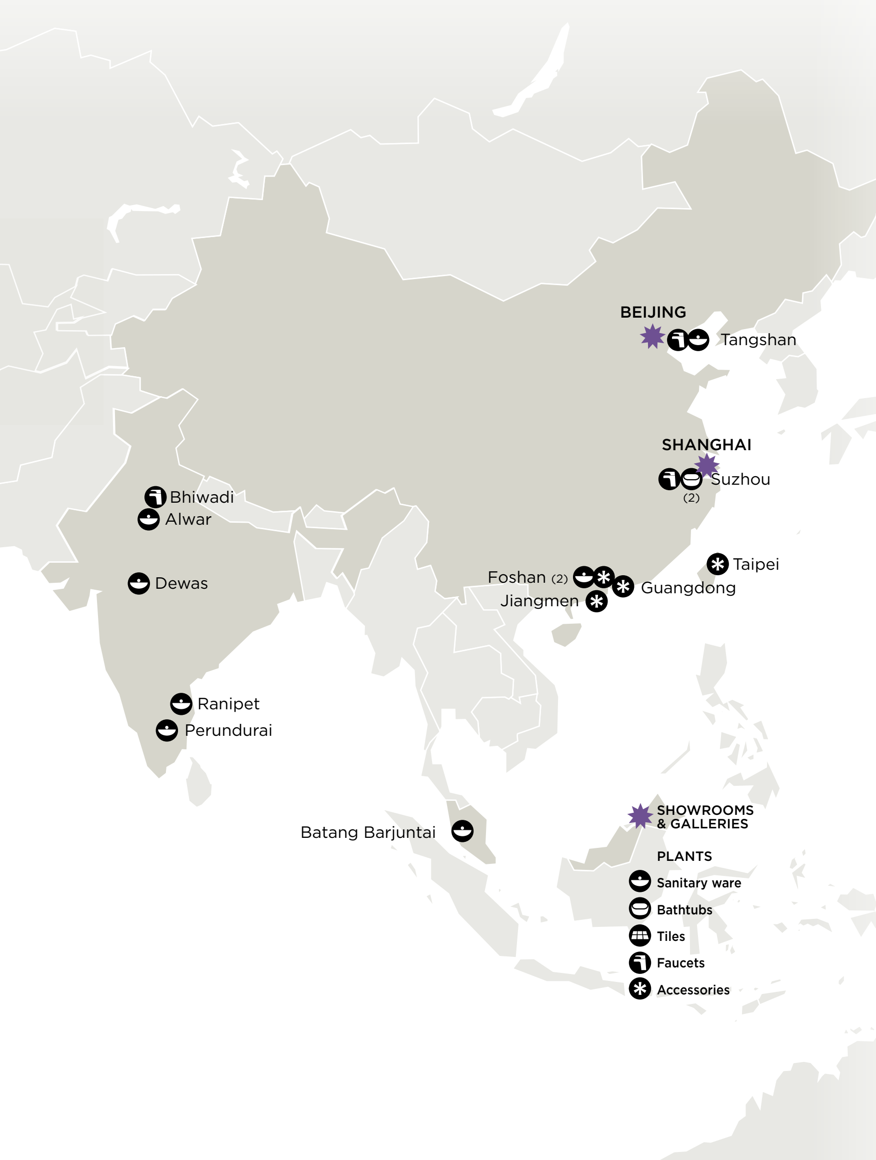
22.3% of the Group



INVOICING

250.3M€

15.6% of the Group



BUSINESS DEVELOPMENT AND OUTLOOK

The Group intends to maintain its market share in countries where it has an industrial presence (China, India and Malaysia) and, therefore, has applied a series of organisational improvements mainly aimed at continuing to increase business profitability and gain market share in other countries in the region. FY 2012 profitability held steady, with EBITDA growth proportionally higher than sales.

The main threats are energy price hikes and the labour conflicts in India, as well as increased employment costs in China, triggered by governmental pressure to achieve growth via domestic consumption.

India

Sanitary ware has seen an increase in volume as well as in value across the board in all brands. In the case of Parryware, various launches have been carried out which have adapted products of the Group's other brands, enabling it to streamline product development costs. Despite cashflow problems with builders, Roca is positioned as an alternative in contract projects and at the end of 2012 began to deliver Armani/Roca products for what will become the tallest residential building in the world, located in Mumbai: the World Towers.

Faucets showed an uptick in volume — mainly in Parryware — and in value, in all brands. Significant efforts have been made to update the furniture catalogue, which will yield its initial results in 2013. This category is one of the fastest-growing in the market.

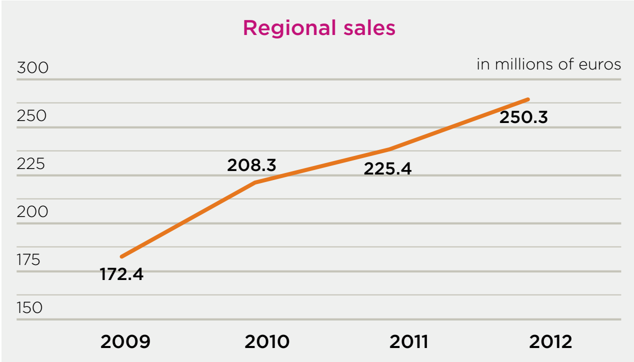
China

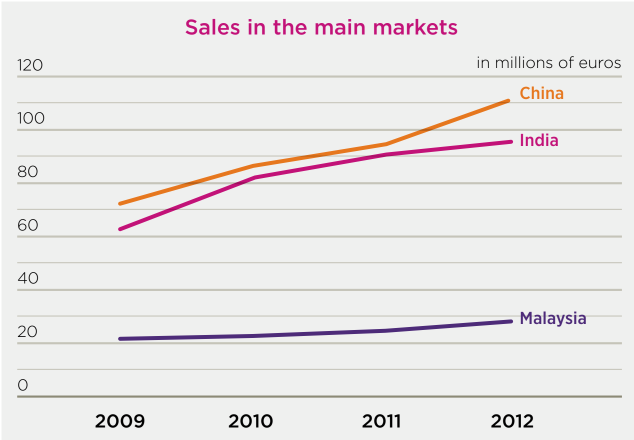
Market growth has slowed due to measures introduced by the government with the intention of putting the brakes on property price increases and speculation in apartment sales. This situation has affected retail sales, since a high percentage of residential flats sold in the mid and mid-to-low range are not fitted without bathrooms.

The premium segment, in which Roca and Laufen compete, continues to grow, above all due to the brands' alliances with large constructors. The mid-market segment, on the other hand, has been more adversely impacted by the retail slowdown.

Malaysia

Opportunities in the upper-high market have emerged from rapidly increasing brand awareness achieved through marketing campaigns and gains in market share in prominent projects. The new Roca models introduced comply with the Malaysian Standard, in order to compete against other more traditional international brands in the Malaysian market.





Ceramic tiles

For the third consecutive year, the Tiles division has taken part in the China Build 2012 trade fair, one of the main construction fairs in Asia.

BRANDS

Roca LAUFEN YING Giessdorf Parryware

JohnsonSuisse ECONAX COSMIC pomdor BB gala

AUDITED ANNUAL ACCOUNTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

INCOME (EXPENSES)	2012	2011
NET SALES	1,600,465	1,551,047
Purchase of materials, trade goods and services	(552,611)	(548,061)
Personnel costs	(439,359)	(391,699)
Depreciation	(115,921)	(118,906)
Other operating expenses and income	(489,884)	(427,864)
OPERATING RESULT	2,690	64,517
FINANCIAL RESULTS	(32,992)	(25,991)
Participation in profits from companies consolidated by equity method	3,677	(1,665)
Impairment in companies consolidated by equity method	(623)	-
CONSOLIDATED RESULT BEFORE TAXES	(27,248)	36,861
Income tax	(3,816)	(17,065)
CONSOLIDATED RESULT	(31,064)	19,796
Attributable to minority interests (loss)	(3)	7
NET PROFIT ATTRIBUTABLE TO GROUP	(31,061)	19,789

In thousands of euros

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS	2012	2011
NON-CURRENT ASSETS		
Intangible fixed assets	392,991	397,376
Tangible fixed assets	803,782	867,212
Property investment	15,845	16,517
Long-term investments in associates	31,194	28,497
Long-term financial investments	18,883	19,263
Deferred income tax assets	136,002	99,881
TOTAL NON-CURRENT ASSETS	1,398,697	1,428,746
CURRENT ASSETS		
Non-current assets held for sale	-	51
Inventories	371,113	399,355
Trade accounts receivable and other debtors	313,607	315,897
Short-term financial investments	17,423	22,164
Prepaid expenses	11,148	11,101
Cash and cash equivalents	51,485	62,501
TOTAL CURRENT ASSETS	764,776	811,069
TOTAL ASSETS	2,163,473	2,239,815

In thousands of euros

LIABILITIES	2012	2011
TOTAL EQUITY		
SHAREHOLDERS' EQUITY	1,136,763	1,180,320
Share capital	155,530	155,530
Share premium	409,564	409,564
Reserves	615,256	607,963
Net profit for the period	(31,061)	19,789
Prepaid dividend	(12,526)	(12,526)
CURRENCY EXCHANGE ADJUSTMENTS	33,345	47,907
CAPITAL GRANTS	4,139	4,502
MINORITY INTERESTS	181	184
TOTAL EQUITY	1,174,428	1,232,913
NON-CURRENT LIABILITIES		
Long-term provisions	35,059	39,309
Long-term debts	360,748	383,402
Deferred income tax liabilities	71,461	67,128
TOTAL NON-CURRENT LIABILITIES	467,268	489,839
CURRENT LIABILITIES		
Short-term provisions	73,562	47,726
Short-term debts	125,658	113,910
Trade accounts payable and other creditors	322,434	355,260
Accrued expenses	123	167
TOTAL CURRENT LIABILITIES	521,777	517,063
TOTAL LIABILITIES AND EQUITY	2,163,473	2,239,815

In thousands of euros

GROUP COMPANIES

	LOCATION	COMPANY
Argentina	Buenos Aires	Roca Argentina, S.A.
Australia	Sydney	Roca Bathroom Products Australia Pty Ltd
Austria	Wilhelmsburg	Laufen Austria AG
Brazil	Campo Largo-Paraná	Incepa Revestimentos Cerâmicos Ltda.
	Campo Largo-Paraná	Roca Sanitários Brasil Ltda.
	Sâo Paulo	Roca Brasil Ltda.
Bulgaria	Kaspichan	Roca Bulgaria AD
China	Jiangmen	Jiangmen Giessdorf Bathroom Products, Co. Ltd.
	Foshan	Roca (China), Co. Ltd.
	Foshan	Xinle Bathroom Products (Foshan), Co. Ltd.
	Foshan	Cosmic Bathroom Accessories, Co. Ltd.
	Shanghai	Roca Sanitaryware Trading, Co. Ltd.
	Suzhou	Roca Sanitaryware (Suzhou), Co. Ltd.
	Tangshan	Tangshan Ying Bathroom Products, Co. Ltd.
Croatia	Zapresic	Inker, Industrija Keramike i Porculana D.D.
Czech Republic	Prague	Laufen CZ, s.r.o.
Denmark	Köge	Laufen Nordic ApS
Egypt	6th of October City	National Industrial & Trading Co “Gravena” S.A.E.
	6th of October City	National Sanitaryware Company S.A.E.
France	Paris	Roca S.A.R.L.
Germany	Staudt	Roca GmbH
Greece	Athens	Roca Hellas, A.E.E.
Hong Kong	Hong Kong	Roca Asia Ltd.
	Hong Kong	Roca Procurement, Ltd.
India	Chennai	Roca Bathroom Products Pvt Ltd.
Italy	Milan	Roca S.R.L.
	Milan	Laufen Italia S.R.L.

Malaysia	Selangor Darul Ehsan	Roca Malaysia Sdn Bhd
	Selangor Darul Ehsan	Johnson Suisse Sdn Bhd
	Selangor Darul Ehsan	Econax Sdn Bhd
Morocco	Settat	Roca Maroc, S.A.
Netherlands	Eindhoven	Laufen Benelux B.V.
Poland	Gliwice	ZWS Silesia, Sp. z.o.o.
	Gliwice	Roca Polska, Sp. z.o.o.
Portugal	Agueda	BLB – Indústrias Metalúrgicas, S.A.
	Anadia	Sanitana, S.A.
	Cantanhede	Roca Torneiras, Lda.
	Leiria	Roca, S.A.
Romania	Bucharest	Roca Obiecte Sanitare SRL.
Russian Federation	Cheboksary	Keramika OOO
	Davidovo	Aquaton Rus OOO
	Kaluga	Ugrakeram OOO
	Tosno	Roca Rus OOO
Singapore	Singapore	Roca Bathroom Products Singapore Pte Ltd
Slovakia	Bratislava	Laufen SK s.r.o.
Spain	Barcelona	Roca Corporación Empresarial, S.A.
	Barcelona	Roca Sanitario, S.A.
	Barcelona	Cerámicas del Foix, S.A.
	Barcelona	Industrias Cosmic S.A.
	Madrid	Laufen Bathrooms, S.A.
	Burgos	Cerámicas Gala, S.A.
	Castellón	Cerámicas Belcaire, S.A.
	Seville	Cerámicas de Bellavista, S.A.
Switzerland	Laufen	Keramik Holding AG
	Laufen	Keramik Laufen AG
	Laufen	Roca Finance AG
	Laufen	Similor AG
Taiwan	Changhua	Roca Taiwan Co Ltd
United Kingdom	Birmingham	Roca, Ltd.
	Worcestershire	Laufen Ltd.
U.S.A.	Miami	Laufen International Inc.

JUNE 2013

Avda. Diagonal, 513
08029 Barcelona - Spain
Tel. +34 93 366 1200
Fax +34 93 419 4501