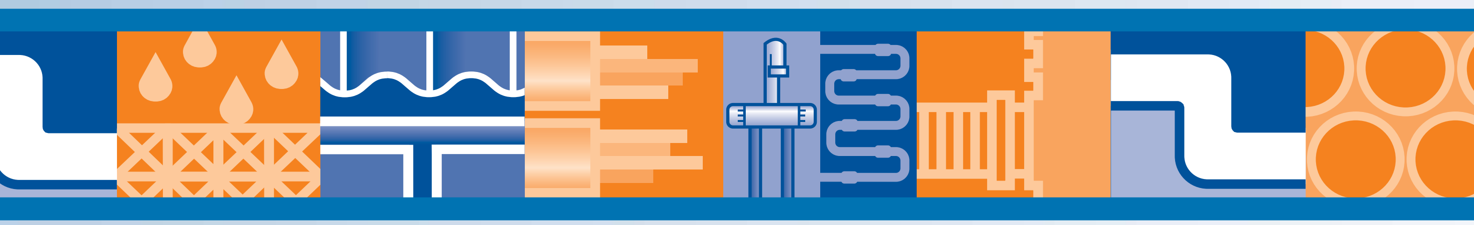
Annual Report 2008

# Providing essentials

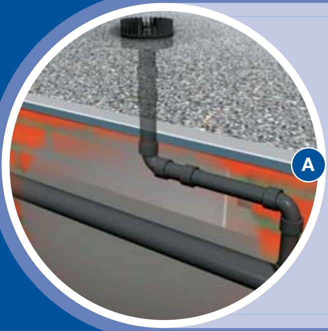
Pipe Systems & Solutions

# Providing essentials

Management of scarce water resources. Availability of clean water and sanitation in every home. Optimal indoor climate control. Data connections anytime, anywhere. Wavin brings the pipe systems and solutions that make it all possible. Wavin provides essentials everywhere through innovative and flexible systems for water supply, drainage, rain and storm water management, surface heating and cooling, soil and waste discharge, sewer, energy and telecom. Wavin is everywhere in Europe. International and local expertise, regional manufacturing and just-in-time logistics are combined to deliver the very best service to customers.



Wavin solutions in practice




## Siphonic roofdrainage

The large flat roofs typically found on industrial and commercial properties can be exposed to high volumes of rainwater. Our systems are designed to drain the most violent rainfall quickly from any flat roof. Software modelling tools ensure the most efficient configuration for each specific project.


## Infiltration systems

Rainwater is not waste water and it does not belong in the sewer. Our infiltration systems control the flow of excess rainwater into the ground or, as is increasingly popular, into storage for reuse. This approach is environmentally friendly and reduces flood risk.


## Hot and cold tap water

Wavin's plastic and metal-plastic plumbing systems are increasingly used as an alternative for traditional materials.

Our complete range of pipes and fittings makes plumbing flexible and fast, while providing secure connections.


## Low-noise soil and waste

Nobody wants to hear the flush in apartment buildings, hotels or indeed in private houses. Wavin has developed multi-layer soil and waste piping systems designed for near-silent flushing.

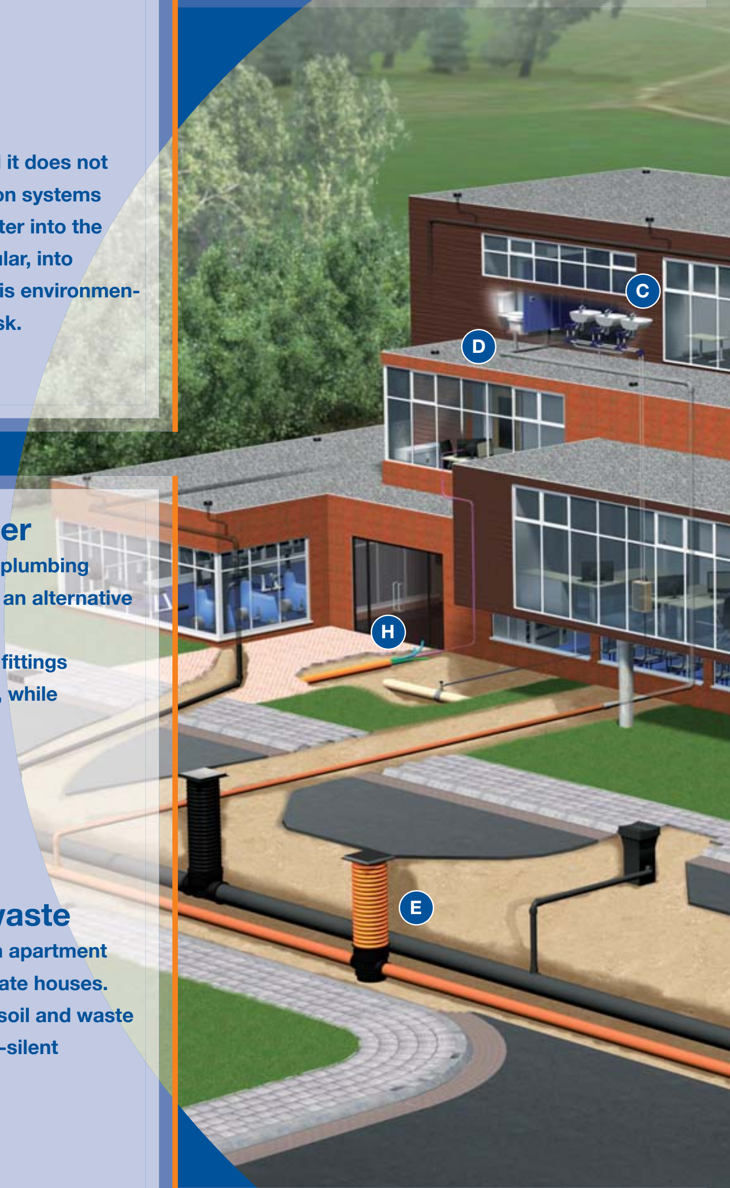

## Foul water systems

Foul water needs to be transported as safely and efficiently as possible. We provide systems for all main sewer and drainage networks.

Our plastic manholes and inspection chambers are light and robust, manoeuvrable and easy to install. Trouble-free accessibility makes inspection and cleaning simple.

## Water management

Weather patterns are changing and rain bursts have become both increasingly frequent and severe. Traditional roof and surface drainage systems and the associated sewers can struggle to contain increased rainwater runoff. Wavin water management solutions are sustainable and are designed to handle this increased capacity.




## Clean and waste water

Wavin's end-to-end systems transport clean water to wherever it is needed and collect and discharge foul water, taking it from buildings and hard surfaces to water purification plants.

## Surface heating and cooling

The development of this area, which is of growing importance to Wavin, is stimulated by European energy saving directives. Integrating heating and cooling in the surfaces of a building (like floor or ceiling) offers more than increased energy efficiency, however: comfort and control coupled with low maintenance are making them the preferred alternative to more traditional wall-mounted systems.

### Ceiling cooling

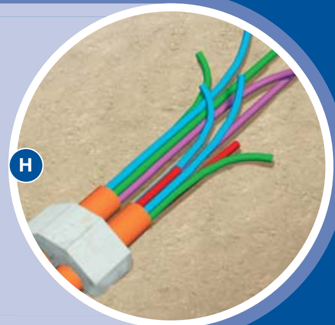
Our ceiling cooling systems are among the most energy efficient available. They are particularly suited to covering large surfaces, and project design is supported with practical software modelling tools. Our systems are silent and provide excellent and precise indoor climate control.


### Underfloor heating

Underfloor heating delivers consistent and controlled ambient warmth while operating at lower temperatures than conventional heating systems. Ease-of installation and near-zero maintenance are essential, and Wavin achieves both: our systems are widely used in domestic, commercial and industrial buildings across Europe.


### Future-proof duct systems

Telecommunications and energy providers want the minimum of intervention on underground infrastructure once it has been laid. Wavin's latest generation of cable ducts is future proof: our ducts allow additional, upgrade or replacement cables to be efficiently fed into the duct as required. Ducts remain accessible for any necessary repair or maintenance.




## Cable ducting

In a wired world, robust and flexible ducting must protect the sensitive, easily-damaged underground cables we all rely on for our phones, TVs and internet connections. In parallel, we need equally secure and versatile ducting for electricity cables.

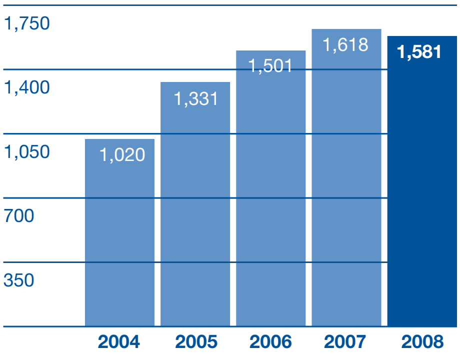

## Solutions in practice

Wavin provides integrated above and below ground pipe systems. To ensure that customers get the best use from our systems, we offer consultancy and design services, product and implementation support, and after-sales service. Innovation is one of our strategic pillars and Wavin works to continually improve and invent both systems and processes. Wavin T&I, our technology and innovation centre, is leading in creating the solutions described here.

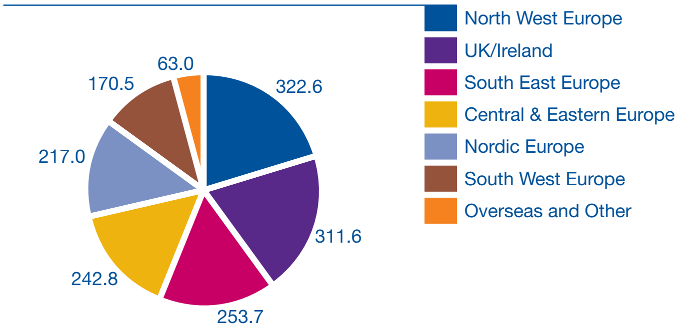
# TABLE OF CONTENTS

# COMPANY PROFILE
## Key financial data

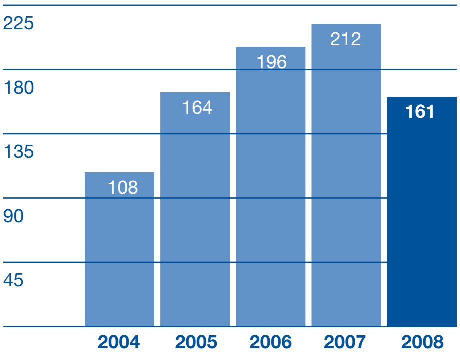
### Revenue (€ x million)



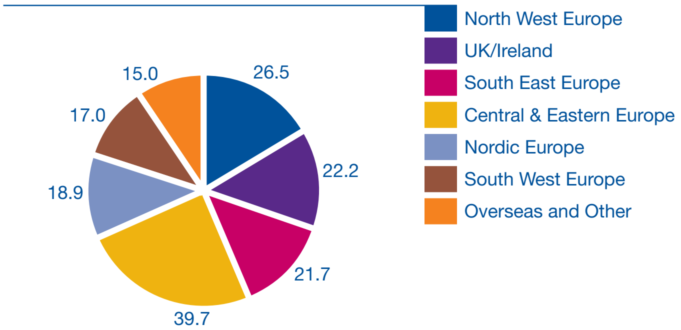

### Revenue per region (€ x million)



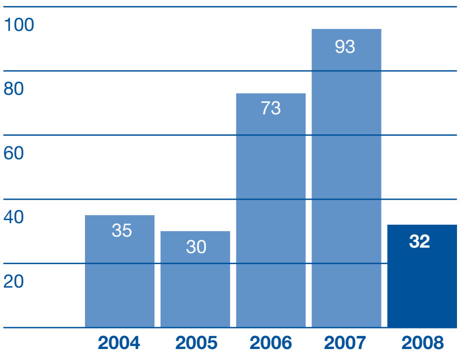

### Ebitda (€ x million)



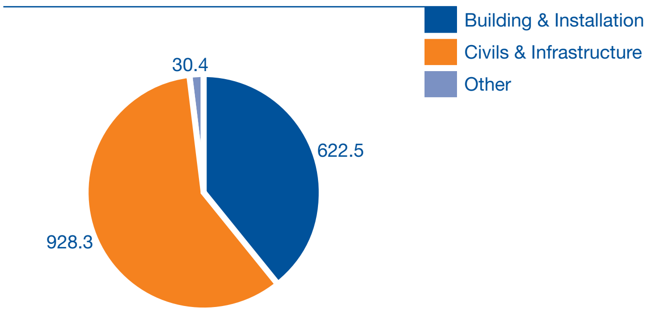

### Ebitda per region (€ x million)




### Net profit (€ x million)




### Revenue per Strategic Business Unit (€ x million)



# Key figures

| (€ × 1 million unless otherwise stated) | | 2008 | 2007 |
|---|---|---|---|
| **Income statement** | | | |
| Total revenue | | 1,581.2 | 1,618.5 |
| Ebitda [1] | | 161.0 | 212.1 |
| Non-recurring operational result | | (10.3) | (2.7) |
| Result from operating activities [2] | | 83.3 | 149.8 |
| Profit before non-recurring items | | 38.9 | 90.0 |
| Net profit | | 32.1 | 93.0 |
| **Other key financials** | | | |
| Depreciation | | 54.2 | 51.6 |
| Amortisation | | 14.7 | 7.3 |
| Net investments | | 53.2 | 70.4 |
| Dividend (declared) | | 28.4 | 44.4 |
| Net cash from operating activities | | 202.3 | 144.4 |
| **Balance sheet** | | | |
| Total equity | | 334.2 | 369.8 |
| Net debt | | 461.1 | 542.4 |
| Total assets | | 1,375.8 | 1,491.5 |
| Net capital employed | | 815.0 | 926.3 |
| Leverage ratio | × 1 | 2.84 | 2.49 |
| Interest coverage ratio | × 1 | 4.83 | 6.44 |
| **Ratios continuing operations** | | | |
| Ebitda [1] as % of revenue | % | 10.2 | 13.1 |
| Return on average net capital employed | % | 10.9 | 16.4 |
| Debt to equity ratio | ratio | 1.4 | 1.5 |
| Total equity as % of total assets | % | 24.3 | 24.8 |
| **Key data per share** | | | |
| Number of shares issued (year end) | × 1 | 80,769,090 | 78,766,116 |
| Net profit attributable to equity holders of the Company | | 32.1 | 91.2 |
| Dividend per share | € | 0.16 | 0.46 |
| Share price at year end | € | 2.33 | 9.12 |
| Earnings per share (year end) | € | 0.40 | 1.16 |
| **Employment** | | | |
| Workforce | × 1 | 7,094 | 6,931 |

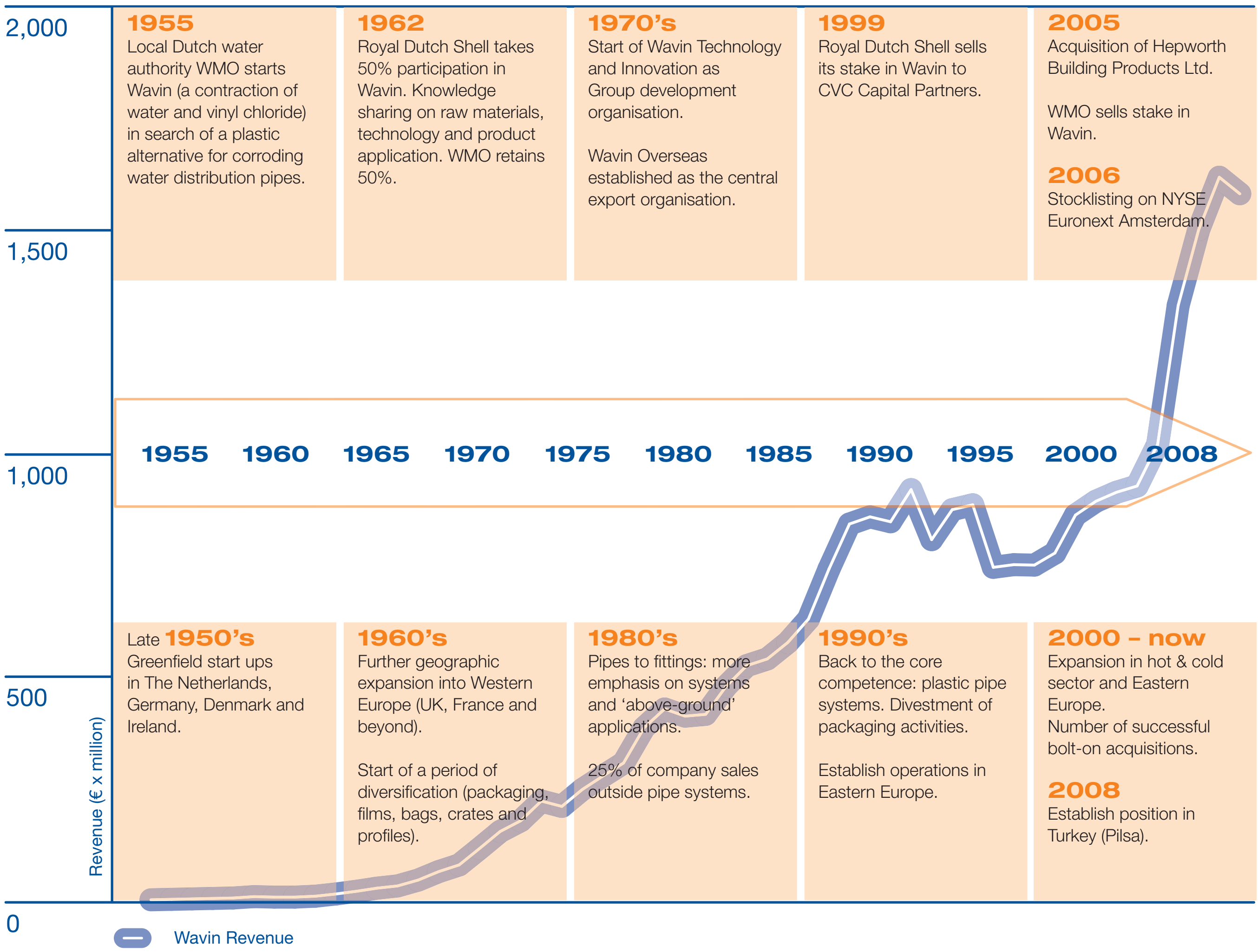
1 References to Ebitda reflect operating result before depreciation, amortisation and non-recurring items.
2 All references to result from operating activities include non-recurring items.

# Vision

## Vision

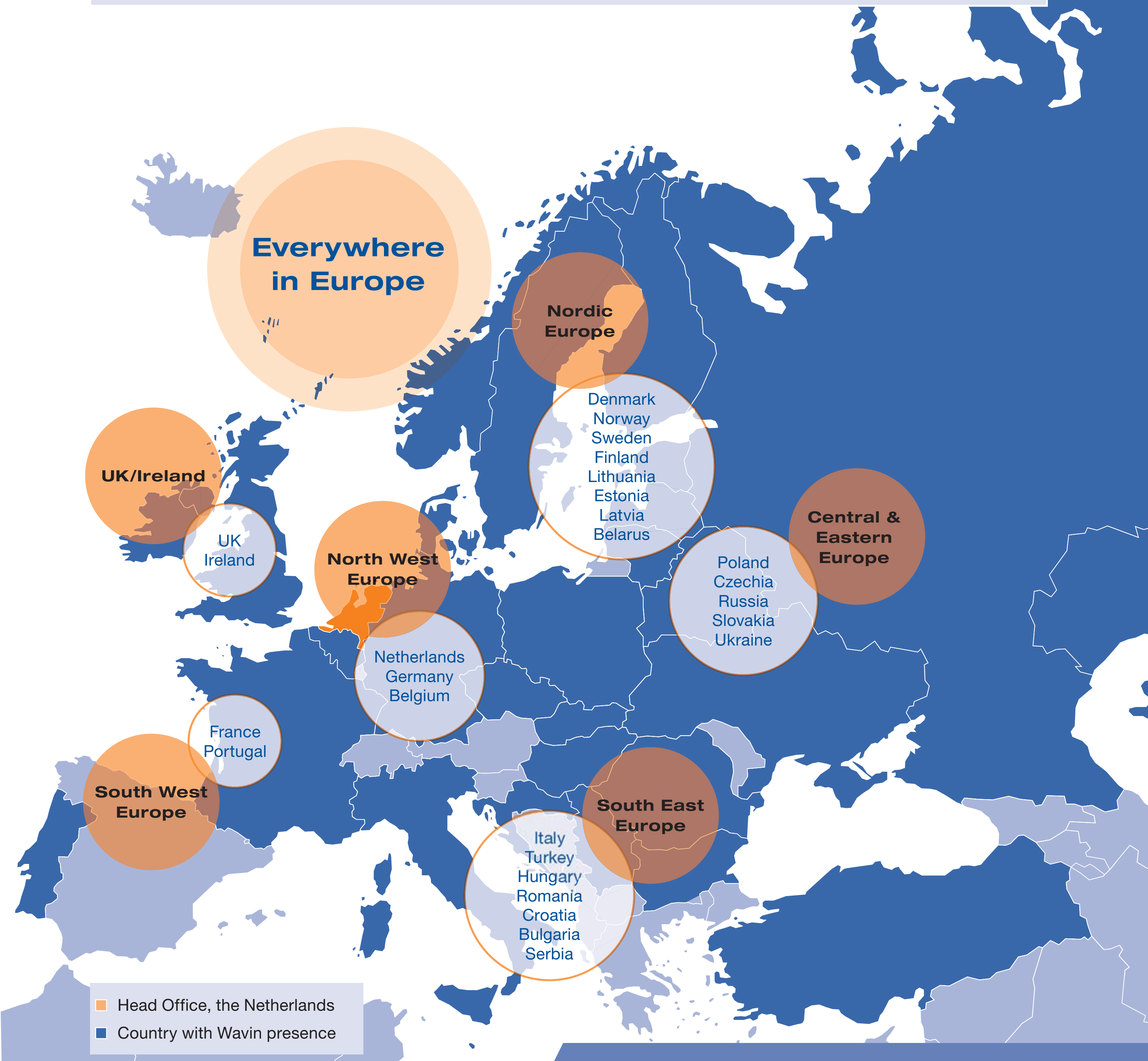
**Wavin's objective is to be the supplier of choice for plastic pipe systems and solutions, unrivalled in product range, service, innovation and geographic presence**

## History at a glance



# Wavin today

- Leading supplier of plastic pipe systems and solutions in Europe
- Revenue of € 1.58 billion
- Present in 28 countries in Europe
- Approx. 7,000 employees
- Covering two strategic market segments: Building & Installation and Civils & Infrastructure
- Focus on innovation
- Complete range of plastic pipe systems
- Strong, established relationships with local and pan-European clients
- Actively expanding in Europe's emerging markets
- Global network of agents and licensees
- Listed on the Amsterdam stock exchange



# Company description

Wavin offers innovative plastic pipe systems and solutions to customers such as building and civil wholesalers, plumbing merchants, civil contractors, housing developers, large installers, utility companies and municipalities. The company is active in two distinct market segments: Building & Installation (above ground pipe systems) and Civils & Infrastructure (below ground pipe systems). Product development, cross border sales and marketing, and key account management are organised through two strategic business units.

## Building & Installation

Above ground plastic pipe and fitting systems for hot and cold tap water, surface heating and cooling, soil and waste discharge and electrical conduit applications.

### Hot & Cold

Systems (pipes, fittings, manifolds) used in residential and non-residential buildings to supply hot and cold tap water, radiator connections, and surface heating and cooling. Wavin's product range includes: Tempower underfloor heating systems and radiant heating and cooling solutions integrated in the structure of buildings; Hep$_2$O, a flexible range of pipes and push-fit fittings; smartFIX, a plastic push-fit fitting; K1, a press-fit solution, and Ekoplastik, a fusion welded system mainly for potable water applications.

### Soil & Waste

Systems (pipes, fittings, siphons, and accessories) designed to discharge waste water from kitchens and bathrooms to sewer collection systems. Wavin's European product range includes AS and SiTech, systems with reduced noise levels for commercial and multi-level residential buildings.

### Other Building Systems

Complete roof gutter systems and a full range of PVC pipes and fittings for in-house electrical conduits.

## Civils & Infrastructure

Below ground pipe systems for foul water and water management applications, cable ducting, as well as water and gas distribution systems.

### Foul Water Systems

Systems used to discharge foul water from buildings and hard surfaces to water purification plants. Wavin's European product range includes solid wall and multi-layer PVC systems, as well as PP Twin-Wall pipes and fittings such as X-Stream and Optirib. The Tegra range of manholes and inspection chambers are an essential part of our foul water systems.

### Water Management

Systems used to catch, convey, infiltrate, attenuate and clean rainwater. Wavin's European product range includes systems such as QuickStream siphonic roof drainage, gullies, channel drain and infiltration / attenuation units such as Q-Bic, AquaCell and Azura. A range of filtering systems and solutions is also available.

### Cable Ducting

Systems to guide and protect cables for power lines as well as fibre-optic cables for data, voice and video transmission. The power lines are protected by regular or corrugated pipe systems, the Telecom systems include microduct solutions such as Novomicro, Novonet, Novosplit and Novospace.

### Water & Gas

Systems comprising pressure pipes and fittings for the supply and distribution of gas and potable water, including pipeline rehabilitation solutions. Wavin's European product range includes Apollo pressure pipe systems for potable water distribution, PE SafeTech multilayer pipes and Compact Pipe, a system used for trenchless rehabilitation.

# Shareholder information

## Wavin shares

Wavin shares are listed on the Dutch Stock Exchange (NYSE Euronext Amsterdam) under ISIN code NL0000290856. On 4 March 2008 Wavin was included in the Dutch mid cap index (AMX).

**Wavin in Dutch mid cap since March 2008**

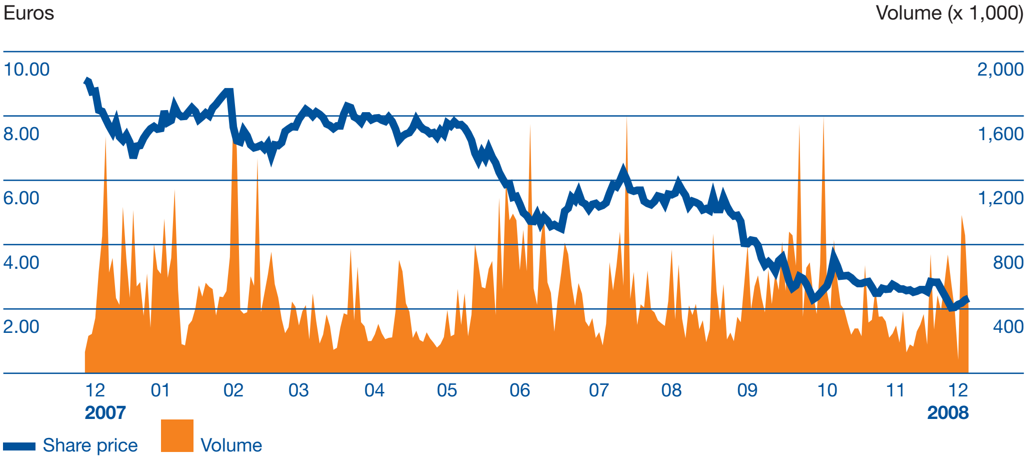
## Share capital

The company's authorised share capital amounts to € 320 million and is divided in 128,000,000 ordinary shares and 128,000,000 preference shares all with a par value of € 1.25. The preference shares – if issued – offer a preferred position in case of dividend payments. In 2008 2,002,974 ordinary shares were issued as stock dividend bringing the total issued ordinary shares to 80,769,090 on 31 December 2008 (31 December 2007: 78,766,116).

## Share price development and trading volumes

The Wavin share traded down from € 9.12 on 31 December 2007 to € 2.33 on 31 December 2008. In 2008, the total trading volume of Wavin N.V. shares was 132.4 million, equalling an average daily trading volume of 517,480 shares.

Trading volumes and share price development of the Wavin share in 2008 were as follows:




## Disclosures of substantial shareholdings

Pursuant to the Dutch Financial Markets Supervision Act (*Wet Financieel Toezicht*), the Financial Markets Authority *(Autoriteit Financiële Markten)* has received notifications about the following substantial shareholdings regarding Wavin N.V.:

| Per 31 December 2008<br>Filing entity | Country | Percentage of total issued<br>and outstanding shares |
|---|---|---|
| Julius Baer Multipartner SICAV | CH | 5.83% |
| Fortis Verzekeringen Nederland N.V. | NL | 5.43% |
| Navitas B.V. | NL | 5.18% |
| Lloyds TSB Bank Plc. | UK | 5.02% |
| Beheersmaatschappij Breesap B.V. | NL | 5.00% |
| Delta Lloyd Levensverzekering N.V. | NL | 5.00% |

An updated overview can be found on our website www.wavin.com.

## Dividend policy

Wavin NV intends to pay an interim dividend of 40% of H1 net profit and an annual dividend of 40% to 50% of annual net profit, assuming performance continues in line with expectations, and provided such distribution is legally permitted. Dividend will be available in cash or ordinary shares. The dividend policy may be revised from time to time.

## Dividend 2008

At the Annual General Meeting of shareholders on 22 April 2009 the Boards of Wavin will propose a full year dividend of € 0.16 per share. After deduction of the interim dividend of € 0.12 per share declared in September 2008, a final dividend of € 0.04 will be available for shareholders. This equals a pay out ratio of 40% of net profit which is in accordance with our dividend policy. The dividend, if approved, is payable at the discretion of each individual shareholder in stock or cash.

**Proposed full year dividend € 0.16 per share**

## Investor relations policy

Wavin is committed to frequent and transparent communication with the investor community such as its shareholders, other investors, analysts and debt providers. Fair and simultaneous disclosure to all stakeholders forms an important part of this. All important business information will be published by means of a press release which will be made available to the whole investment community. Should important information, which would lead to a preferred position, accidentally be received by an individual shareholder, Wavin will immediately publish a press release and inform the Financial Markets Authority (*AFM*).

Wavin will not in advance assess or comment upon or correct analysts' reports and valuations other than factually. The company does not pay any fee(s) to parties for carrying out research for analysts' reports or for the production or publication of analysts' reports, with the exception of credit rating agencies. Analysts meetings, presentations to institutional or other investors and direct discussions with the investors will not be held shortly before the publication of the regular financial information (quarterly, half-yearly or annual reports).

## Investor information and contact

Part of Wavin's corporate website (www.wavin.com) is dedicated to provide information about the company to the financial community. The investor relations chapter covers a broad range of information such as financial reports, press releases, analyst/investor presentations, financial calendar, listing information, corporate governance structure, share information and other financial information.

For further information please contact Wavin Investor Relations
Email: InvestorRelations@wavin.com

| | |
|---|---|
| Tel: | +31 (0)38 – 429 43 57 |
| Fax: | +31 (0)38 – 429 42 38 |

## Financial calendar 2009

| | |
|---|---|
| 22 April | General Meeting of Shareholders |
| 6 May | Trading Update (before start of trading) |
| 28 August | Publication of H1 figures 2009 (before start of trading) |
| 5 November | Trading Update (before start of trading) |

# Company strategy

Wavin's strategy is to be the supplier of choice for plastic pipe systems and solutions across Europe. We strive to excel in the areas that our customer base finds most relevant:

- **Product range:** Wavin offers the widest and most competitive range of plastic pipe systems in the industry and is active in above ground systems (Building & Installation) as well as below ground systems (Civils & Infrastructure).
- **Service:** We realise that logistical reliability is a key factor in this business. We commit to producing and delivering orders on-time and in-full to our customers across Europe.
- **Innovation:** Product innovation is ever more relevant in the construction industry. We have a target innovation rate of 15% (percentage of revenue from products no older than five years) and pride ourselves on meeting that target.
- **Geographic presence:** Wavin is currently present in 28 European countries and has production plants in 16 of those. With this footprint we are very well positioned to serve a customer base that operates increasingly cross-border.

We intend to reach the above objectives with a strategy that is based on four pillars:

### Product range

Our customers and end-users are active in two markets: building and installation as well as civils and infrastructure. We supply products across the whole spectrum to best service our customers. Wavin targets high-growth / high-margin product segments such as Hot & Cold and Water Management for future growth. In the hot and cold market we see an increasing demand for surface heating and cooling solutions due to increased attention to energy efficiency of buildings. In the water management sector, the climate change is a strong driver for the demand of complete solutions to catch, transport, infiltrate, attenuate and/or reuse rainwater.

**Increasing demand for energy efficient solutions**

### Continued operational improvements

Wavin continuously optimises its manufacturing footprint by rationalising locations and specialising plants. Group-wide initiatives in the areas of supply chain management, complexity reduction, pricing and strategic sourcing further contribute to operational improvements. All these initiatives will be supported by the 'Connect/*T*' project: a long-term programme to converge all IT systems to one common platform with a uniform data structure across all Wavin regions.

### Geographic expansion

Wavin was one of the first companies in the industry to move into the emerging Central and Eastern European economies at a time when these economies were still seen as risky. Wavin's leading position today in Poland, Czechia, Hungary, the Baltics, Romania and Turkey, is a result of its well-established local presence and the quality of our products and organisations. We are actively looking to expand further in the emerging economies of Europe and have established sales offices in Russia, Ukraine, Bulgaria, Serbia and Belarus.

### Accretive acquisitions

Over the past five years, Wavin completed twelve acquisitions. Most of our acquisitions are bolt-on take-overs of small or medium-sized local players. Wavin has a track record of successful integrations and intends to continue its consolidation strategy while remaining selective in the pursuit of acquisition opportunities. Candidates either have complementary market positions with a distinctive product range in countries where Wavin is already present, or provide a significant entry in countries where the company has no position. All targets must bring substantial synergies and add shareholder value.

# STATEMENT OF THE CEO

Last year I finished this statement with the observation that construction statistics indicated more challenging times ahead and that it had yet to be seen what the impact would be of the credit crunch on the European building sector.
We certainly did not foresee the 'perfect storm' that would become the result of what we then still considered a largely US subprime issue. Although 2008 started well, housing starts in the second quarter began to tumble by double digit percentages in some key European countries. The financial crisis soon affected consumer confidence as well. This led to a considerable weakness of the normally less-cyclical RMI (repair, maintenance and improvement) sector. Only government sponsored infrastructural activities maintained momentum.

**Financial crisis affected consumer confidence**

The situation for our company was aggravated by sharply rising raw material costs around midyear in the aftermath of record oil prices. The unprecedented events in the financial markets around September gave a further blow to consumer confidence and led to a severe contraction in all the sectors that we serve. Massive destocking efforts in the supply chain and the effect of weakening currencies against the Euro made the last quarter of 2008 a period we will not lightly forget.

Thanks to acquisitions, our consolidated revenue over the year only dropped by 2%; adjusted for acquisitions and currency effects, the decrease was a more severe 7%.
It is obvious that under these market circumstances we prioritised cost reduction and cash flow control. Our management teams took immediate action when it became clear that markets were contracting. These actions were taken against a local background as timing, speed and degree of the headwind varied significantly per country. In Western Europe, where most of the contraction took place, we reduced our workforce by 12%, or 650 people.

These cost reduction measures could not compensate for the unparalleled market deterioration and led to a disappointing 24% drop in our Ebitda and a 57% fall in recurring net profit. Nevertheless, the company remained solidly cash generative. Strict cash control measures resulted in a net debt reduction of € 81 million over the year. This significant result was realised on top of a sizeable spend of € 59 million on acquisitions. Working capital in ongoing operations was reduced by € 102.1 million year-on-year. Net investments amounted to € 53 million, largely because of commitments made in previous years. New investment commitments stayed below € 50 million.

**Wavin remained solidly cash generative**

In spite of the adverse economic circumstances we managed to take further steps in our chosen strategic direction.

- After the acquisition of the Turkish company Pilsa we now realise more than a quarter of our revenue in emerging economies with relatively high long term growth prospects.
- Sales in the so-called 'system/solution' segments, namely Water Management and Hot & Cold, continued to show good growth.
- Our innovation rate – the percentage of sales of new products on total revenue – was above our 15% target, due to the successful roll-out of the latest generation structured wall pipes, further acceptance of our telecom ducts and increased penetration of push fit systems.

Structural cost price reduction is pursued through a company wide programme to rationalise, redesign and re-engineer our European offering in our mainstream product ranges. The benefits of that programme will be realised in the coming years.

We made steady progress with Connect*IT*, a group wide programme to gradually align the IT platforms across all our operations. Due to the market circumstances we have decided to temporise some of these projects but the company remains committed to create one common IT platform in the years to come.

The difficult business climate in 2008 has not stopped us from investing in talent. All senior managers and their potential successors have followed a custom designed management course with IMD Lausanne where Wavin's strategy and its implementation have been intensively discussed. We continue to facilitate the exchange of best practices in manufacturing, sourcing, logistics, sales and marketing across the 28 countries in which we are active. I am happy to note that over 70% of management appointments this year came from internally groomed candidates.

In the 53 years of Wavin's history sustainability has always been an important aspect in our way of operating. We have been one of the industry's frontrunners in the collection and use of recycled materials in our products. Product and process development have always been focussed on reducing material and energy usage. As part of our sustainability programme we have established our $CO_2$ footprint this year. It needs no explanation that we intend to further reduce that footprint. We believe that sustainability will be an important driver in the purchasing decisions of our customers and we intend to be leading there as well. Wavin is a committed participant and contributor of the Vinyl 2010 programme, a Europe wide initiative to recycle and reuse PVC.

Our continuous efforts to improve the safety of our operations paid off well this year. The accident rate of 2.3 lost-time incidents per million hours worked is an all time record for the company and well below the world class benchmark of 3.0 that we set when we first initiated our safety programmes.

### Outlook

All market indicators point towards continuation of difficult market conditions in 2009. Construction market statistics predict a further drop in European housing starts during the year. On the other hand, public spending on infrastructure projects is expected to maintain momentum. Wavin's revenue is likely to see further contraction, particularly in the first half of the year.

We have taken out € 23 million in costs during 2008, most of which will materialise in 2009, and have announced further reductions since then. Furthermore, we anticipate some margin compensation due to declining input prices. Both should help in our effort to steer the company through the present storm.

Management will continue to prioritise cash generation. In the current unpredictable circumstances we will continue to monitor our capital structure closely.

Long term trends such as urbanisation, substitution towards plastics, energy-efficiency of buildings, smaller households and effects of the climate change have not altered and are in favour of our business.

**Continuation of difficult markets conditions in 2009**

**Philip Houben**
**President & CEO**


When Hungary's leading mobile telecommunications company decided it needed a new headquarters building, it paid great attention to environmental issues. Pannon GSM wanted a new nerve centre that would demonstrate corporate social responsibility in every way: they left 69% of the site as green space; they invested in a 1 MW heatpump; and they opted for an innovative surface heating and cooling solution from Wavin.

Wavin was actively involved in the design of the system, allowing Pannon GSM to heat and cool the premises energy efficiently while creating optimal comfort. With a 14,000 square metre active temperature control surface, this was the largest Wavin project of its kind to date. The solution is not just about temperature, however: it also ensures excellent air quality throughout the building.

## BUSINESS AND MARKET SUMMARY

2008 turned out to be a very demanding year for Wavin. The turmoil in the financial sector had severe repercussions on the construction industry throughout Europe. Reduced credit availability and declining consumer confidence affected housing starts as well as commercial building activities, especially during the last quarter of the year.

Inevitably, this fall-out had a negative effect on our business. Wavin's 2008 revenues of € 1.58 billion were down 2.3% for the year. Excluding acquisitions and currency effects, revenues decreased 6.6%. Our margin – Ebitda as a percentage of revenue – fell from 13.1% in 2007 to 10.2% in 2008. Wavin generated € 262.4 million in cash from operating activities during 2008 and stayed well within the covenants of its loan facilities.

### Key figures

| (€ x million) | | 2008 | 2007 | Change |
|---|---|---|---|---|
| **Revenue** | | **1,581.2** | **1,618.5** | **(2.3%)** |
| Organic growth | | (6.6%) | 7.6% | |
| **Ebitda** | | **161.0** | **212.1** | **(24.1%)** |
| Ebitda margin | | 10.2% | 13.1% | |
| Operating result | | 83.3 | 149.8 | (44.4%) |
| **Net profit** | | **32.1** | **93.0** | **(65.5%)** |
| **Cash from operating activities** | | **262.4** | **192.7** | **36.2%** |
| **Earnings per share (year end)** | € x 1 | **0.40** | **1.16** | **(65.5%)** |
| **Dividend** | € x 1 | **0.16** | **0.46** | **(65.2%)** |

### Markets

In 2008, Wavin was confronted with four major external developments: a rapid decline in the building market; adverse currency developments; rising input costs; and destocking among clients. Market conditions were significantly more adverse in the second half of the year than in the first half. Among Wavin's regions, construction activities were hit hardest in the UK and Ireland. Particularly in the UK we saw, from the first quarter onwards, a dramatic contraction from previously good levels. In Ireland, the decline in housing starts, which began in 2007, accelerated in 2008. In Denmark, building activities fell sharply as well. Together, these three countries made up approximately 24% of our 2008 revenue. The severity of the drop in activity level in the new residential building markets is illustrated by the year-on-year decline in housing starts of more than 30% in the UK, 60% in Ireland and 20% in Denmark.

Most of our other geographic markets held up reasonably well during the first half of the year but faced deterioration after the summer and especially in the fourth quarter, when the financial crisis deepened.

More than half of Wavin's revenue is denominated in currencies other than the Euro. During 2008, all non-Euro currencies weakened, with a subsequent negative impact on our reported revenue and Ebitda. This depreciation was especially pronounced in the last quarter. During the year, the Pound Sterling weakened 29.9% vis-à-vis the Euro. In the Nordic region and most emerging markets local currencies declined sharply as well.

**Weakening of non-Euro currencies impacted revenue**

Until well into the second half of the year, we faced rising costs for raw materials, energy and transportation due to price increases of crude oil and polymers. Although in general we can and do pass these costs on in our selling price, there is always a time gap involved in this process.

The Management Board of Wavin.
From left to right:
Pim Oomens (CFO),
Andy Taylor (Executive Vice President),
Henk ten Hove (Executive Vice President) and
Philip Houben, (President & CEO).

Consequently, our margins were strongly affected, which was not yet mitigated by the first declines in raw material prices in the last few months of the year.
At the end of the year, as the financial crisis and its repercussions started to worsen, our distributors and end-users started a massive process of deleveraging and stock reduction. Obviously, this had a negative impact on our sales during the fourth quarter.

## Wavin's response

Early in 2008 we started implementing structural measures to eliminate costs from our production and distribution process. We merged distribution facilities and simplified processes; we did not shy away from the painful but essential step of reducing our workforce. In Western Europe, we reduced the number of agency employees by 350 FTEs and our permanent staff by over 300 FTEs. At year end 2008, our total workforce in Western Europe measured in FTEs was 12.7% lower than at year end 2007. The downsizing of our workforce will result in annualised cost savings of € 23 million against a one-off restructuring cost of € 12.9 million. In 2008, these measures already contributed € 7 million to our results.

At the same time, we took operational measures to maximise cash flow generation. We were very selective in our capital expenditures and sharply reduced our working capital, e.g. by reducing our inventory levels.

## Wavin's business performance

The turmoil in the markets had a strong negative impact on our revenues, especially in the UK, Ireland and Denmark. In Central and Eastern Europe, our revenue growth remained solid, although lower than in previous years and with a clear slow-down towards the end of the year. In North West Europe and France, our 2008 revenues were close to 2007 levels. In South East Europe our acquisition of Pilsa in Turkey, completed in January 2008, had a strong positive impact on revenue. Excluding this acquisition, sales for that region were down slightly.

Sector wise, our business unit Foul Water Systems was particularly badly affected by the downturn, due to our relatively strong position in that segment in the UK, Ireland and Denmark.
Despite our timely reactions to the market decline, we were unable to compensate the lower volumes, higher raw material prices and adverse currency effects. As a result, our Ebitda-margin of 10.2% was notably lower than the 13.1% of the previous year.

**Healthy cash flow generation**

Wavin managed to maintain a healthy cash-flow generation during 2008 and our year end net debt of € 461 million was significantly lower than our net debt of € 542 million at year end 2007, in spite of the additional debt we took on related to our acquisitions in Turkey (Pilsa) and the UK (Warmafloor).

## FINANCIAL PERFORMANCE

The impact of the credit crunch on construction levels, the increased raw material prices and adverse currency fluctuations, led to 2008 revenue and operating result well below comparable figures for the previous year.

### Results

| (€ x million) | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue** | **1,581.1** | **1,618.5** | **(2.3%)** |
| **Gross profit** | **388.5** | **443.7** | **(12.4%)** |
| **Ebitda** | **161.0** | **212.1** | **(24.1%)** |
| Depreciation | (54.2) | (51.6) | 5.0% |
| Amortisation | (13.2) | (7.3) | 180.8% |
| Non-recurring items | (10.3) | (2.7) | 381.4% |
| Discontinued operations | – | (0.7) | (100.0%) |
| **Operating result** | **83.3** | **149.8** | **(44.4%)** |

### Revenue

Revenue declined to € 1.58 billion, a decrease of 2.3% compared to 2007. Adjusted for acquisitions and at constant currencies, like-for-like revenue decline amounted to 6.6%. Our acquisitions in Turkey and the UK contributed 6.5% to revenue whereas variations in exchange rates had a negative impact of € 33.2 million or 2.1% on our revenue.

### Gross profit

Gross profit amounted to € 388.5 million for the full year, a decrease of 12.4% compared to 2007. While revenue declined 2.3%, Wavin's cost of sales increased by 1.8%. Especially in the second half of the year we were confronted with significant price increases – 10 to 15% – for important raw materials such as PVC and PE. Wavin's gross margin was further negatively impacted by high energy and distribution costs and by declining volumes. As a result, our 2008 gross profit margin dropped to 24.6% in comparison with 27.4% in 2007.

### Ebitda

After six consecutive years of improving performance, we recorded a decline in results. Operating result before depreciation and amortisation and non-recurring items (Ebitda) dropped 24.1% from € 212.1 million in 2007 to € 161.0 million in 2008. Our Ebitda margin (Ebitda over revenue) dropped from 13.1% to 10.2%.

## Depreciation

In the last few years, Wavin made major investments, mainly to expand our capacity in emerging markets as well as in the fast growing Hot & Cold and Water Management segments. Depreciation grew from € 51.6 million in 2007 to € 54.2 million in 2008, up 5.0% for the year.

**Capacity expansion in emerging markets**

## Amortisation

Amortisation costs increased from € 7.3 million in 2007 to € 14.7 million in 2008. This included a reclassification of € 87 million within intangible assets that led to € 1.9 million additional amortisation charges. Furthermore, a goodwill adjustment of € 2.7 million was made and a € 1.8 million higher amortisation charge for Group IT systems was incurred.

## Non-recurring items

Total non-recurring items in the operating result were € 10.3 million. Non-recurring costs of € 14.3 million included € 12.9 million for restructuring programmes in the UK, Ireland and Denmark. One-off benefits of € 4.0 million included book profits related to asset sales.

## Operating result

Wavin achieved an operating result of € 83.3 million in 2008, a decrease of 44.4% over the record result of the previous year.

## Results

| (€ x million) | 2008 | 2007 | Change |
|---|---|---|---|
| **Operating result** | **83.3** | **149.8** | **(44.4%)** |
| Net finance costs | (45.8) | (35.0) | 30.9 |
| Result of associates | 5.2 | 4.7 | 10.6% |
| **Profit before tax** | **42.7** | **119.5** | **(64.3%)** |
| Income tax expense | (10.6) | (28.0) | (62.1) |
| Discontinued operations | – | 1.5 | (100.0%) |
| | **32.1** | **93.0** | **(65.5%)** |
| **Profit attributable to:** | | | |
| Shareholders of Wavin N.V. | 32.1 | 91.2 | (64.8) |
| Minority interest | – | 1.8 | (100.0%) |

## Net finance costs

Our main finance costs consist of interest payments on drawings under Wavin's five-year, € 750 million multi-currency debt facility which expires in October 2011. The variable interest rate on € 400 million of outstanding debt is hedged at an average rate of 3.9% and an average remaining duration of over 2 years. This 3.9% excludes the margin payable under the facility agreement.

Included in the financing costs are exchange rate differences related to sales and purchasing transactions in foreign currencies. Although Wavin reduces the risk of short term currency fluctuations through hedging, the extreme volatility in currencies – especially in the fourth quarter – resulted in exchange rate losses of € 10.5 million. Mainly due to this exchange rate impact, net finance costs increased from € 35.1 million in 2007 to € 45.8 million in 2008.

## Associates

Income from associates mainly came from Wavin's 40% stake in a joint venture that specialises in pressure fittings for utility applications. Wavin's share of profits in this joint venture increased by 10.6% to € 5.2 million.

## Income tax expense

Income tax expense declined from € 28.0 million in 2007 to € 10.6 million in 2008, mostly as a consequence of lower results. The 2008 effective tax rate excluding non-recurring items was 26.6% against 26.7% in 2007.

## Key figures per share

| | | 2008 | 2007 | Change |
|---|---|---|---|---|
| Profit attributable to shareholders | (€ x million) | 32.1 | 91.2 | (64.8%) |
| Number of shares issued as per 31 December | (x 1) | 80,796,090 | 78,766,116 | 2.5% |
| Earnings per share (year end) | (€) | 0.40 | 1.16 | (65.5%) |

## Net profit

Wavin's net profit was € 32.1 million, 65.5% lower than in 2007. Adjusted for the effect of one-off charges and benefits, recurring net profit fell 57%, from € 90.0 million in 2007 to € 38.9 million in 2008.

Profit attributable to shareholders declined from € 91.2 million in 2007 to € 32.1 million in 2008. As we issued shares to settle stock dividend requests, the total number of issued shares increased by 2.0 million to 80.8 million at year end. Earnings per share in 2008 amounted to € 0.40 which was 65.5% below the 2007 earnings per share of € 1.16. Recurring earnings per share were € 0.48, which is 57.1% lower than the previous year

**Net profit**
**€ 32 million**

## Cash flow

Wavin's cash from operating activities increased by € 69.7 million to € 262.4 million particularly as a result of our strict working capital management. Depreciation and amortisation for the year increased to € 68.9 million. Tight control of capital expenditure resulted in a net investment reduction of € 17.2 million to € 53.2 million. New investments in 2008 were mainly targeted at the Hot & Cold and Water Management segments, our activities in emerging markets and the development of a uniform corporate IT system. Net cash outflow from financing activities included dividend payments of € 15.2 million in 2008.

## Cash flow

| (€ x million) | 2008 | 2007 | Change |
|---|---|---|---|
| **Profit for the period** | **32.1** | **93.0** | **(65.5%)** |
| Depreciation and amortisation | 68.9 | 58.9 | 17.0% |
| Other non-cash items | 48.7 | 57.8 | (15.7%) |
| Working capital movement | 112.7 | (17.0) | |
| **Cash from operating activities** | **262.4** | **192.7** | **36.2%** |
| Interest paid | (35.4) | (33.8) | 4.7% |
| Tax paid | (24.7) | (14.5) | 70.3% |
| **Net cash from operating activities** | **202.3** | **144.4** | **40.1%** |
| Net investments paid | (53.2) | (70.4) | (24.4%) |
| Acquisitions | (59.0) | (6.1) | |
| Other investing activities | 2.3 | 5.3 | (56.6%) |
| Dividend payment | (15.2) | (27.5) | (44.7%) |
| Other financing | (3.9) | (1.7) | 129.4% |
| **Net cash inflow** | **73.3** | **44.0** | **66.6%** |
| Non cash movements | 8.0 | 11.3 | (29.2%) |
| **Decrease in net debt** | **81.3** | **55.3** | **47.0%** |
| **Net debt this period** | **461.1** | **542.4** | **(15.0%)** |
| **Net debt previous period** | **542.4** | **597.7** | **(9.3%)** |

## Key ratios

| | | |
|---|---|---|
| Leverage ratio | 2.8 | 2.5 |
| Debt to equity | 1.4 | 1.5 |
| Interest coverage ratio | 4.8 | 6.4 |

## Net debt

Solid cash generation enabled further debt reduction. Despite the difficult market conditions, the € 59 million cash and debt free spent on acquisitions and the € 53 million spent on investments, our net debt decreased to € 461.1 million at year end 2008 against € 542.4 million at year end 2007. A reduction in inventory levels, improved payment terms, very tight credit control and reduced capital expenditures were the main drivers behind this debt reduction.

**Net debt decreased by € 81 million**

The company operated well within its bank covenants. At year end 2008, our leverage ratio (net debt / last twelve months Ebitda) was 2.8, well below the 3.5 ratio set by our bank syndicate. Over the year our interest coverage ratio (Ebitda / net interest expenses) was 4.8. Both ratios are measured every six months, at mid-year and at year end. Until the debt facility of € 750 million expires in October 2011, our leverage ratio is allowed to rise to a level of 4.0 twice, albeit not in consecutive periods. Since the start of the debt facility in 2006, the leverage ratio has not exceeded 3.5 at any point in time.


As the Port of Antwerp continues to develop, scarce space is exploited to the maximum. The Waasland Logistics Park is a major contribution to the port's development, connecting it directly to road and rail links across Europe. Van Wellen Project Management were keen to seize the opportunities, and commissioned some 55,000 m² of new warehousing on the site.

Cost-effective rainwater management was essential, and Wavin were involved at the very start of the project to design the solution. The multiple attenuation tanks proposed by Wavin – which can be accessed through customised Wavin chambers – were chosen in preference to more traditional oversized concrete pipes. Not only does the Wavin solution provide greater micro-control across the site, it also saved in construction costs.

## THE BUSINESS UNITS

Wavin's two Strategic Business Units (SBU's) Building & Installation (above ground pipe systems) and Civils & Infrastructure (below ground pipe systems), offer the most extensive range of plastic pipe and fitting systems in Europe. In 2008, both SBU's were affected by worsening market conditions. We maintained market leadership and continued to increase our revenue in the more attractive segments where we concentrate our growth efforts: Hot & Cold, Water Management and Cable Ducting.

### Revenue

| (€ x million) | 2008 | 2007 | Growth | % of total revenue |
|---|---|---|---|---|
| SBU Building & Installation | 622.5 | 597.4 | 4.2% | 39.4% |
| SBU Civils & Infrastructure | 928.3 | 981.3 | (5.4%) | 58.7% |
| Other | 30.4 | 39.8 | (23.6%) | 1.9% |
| **Total Revenue** | **1,581.2** | **1,618.5** | **(2.3%)** | |

### Building & Installation

Revenue in Building & Installation (B&I) grew by 4.2% to € 622.5 million in 2008. In the challenging business environment this SBU's share of Wavin's total revenues was 39.4% in 2008. Over the long-term, B&I will benefit from the continuing substitution of traditional materials by plastic, the rising demand for energy efficient buildings and the trend towards smaller households.

**Building & Installation now almost 40% of Wavin revenue**

#### Revenue

| (€ x million) | 2008 | 2007 | Growth | % of total revenue |
|---|---|---|---|---|
| Hot & Cold | 352.3 | 312.4 | 12.8% | 22.3% |
| Soil & Waste | 197.9 | 207.6 | (4.7%) | 12.5% |
| Other Building Systems | 72.3 | 77.4 | (6.6%) | 4.6% |
| **Total B & I** | **622.5** | **597.4** | **4.2%** | **39.4%** |

#### Hot & Cold

Hot & Cold continued to show healthy revenue growth of 12.8% to € 352.3 million. In 2008, it accounted for 22% of Wavin's total revenue, compared to 7% five years ago, making it our second-largest business segment. The consolidation of Pilsa in Turkey, which generates a large part of its revenue in this segment, made up for lower sales in key markets such as the UK.

Sales growth in the rapidly expanding business of Surface Heating & Cooling (SHC) is one of Wavin's top priorities in this segment. Business drivers are the search for energy efficiency, the EU Directive on the Energy Performance of Buildings, and increasing consumer emphasis on comfort, health and interior design. During 2008, we rolled out SHC systems in Poland and the Baltic states. Our 14,000 $m^2$ of heating and cooling panels installed in the ultramodern Pannon GSM head office in Hungary are an excellent example of the value we are adding in this business. Over the next few years, we will continue to expand both our product range in SHC and the number of countries where we offer these products. With the acquisition of Warmafloor, we strengthened our position in the non-residential surface heating & cooling market in the UK.

In pipes and fittings for tap water, the roll out of the smartFIX push-fit system made steady progress with new market introductions in France, Spain and the Baltic states. In Italy, a new all plastic manifold for underfloor heating and surface cooling made its debut.

### Soil & Waste

The Soil & Waste segment saw revenue decline by 4.7% to € 197.9 million. Reduced consumer confidence and more difficult financing conditions resulted in fewer housing transactions and subsequently in lower activity levels in Repair, Maintenance and Improvement (RMI). Wavin continued to strengthen its presence in the higher added-value market of low-noise systems for soil and waste discharge.

### Other Building Systems

This segment, which mainly consists of roof gutter systems and electrical conduits, was affected by the slump in local building markets and saw its revenue decrease by 6.6% to € 72.3 million.

## Civils & Infrastructure

Our Strategic Business Unit Civils & Infrastructure (C&I) saw revenue decline by 5.4% from € 981.3 million in 2007 to € 928.3 million in 2008. This drop was largely due to the significant contraction of the Foul Water segment. The Water Management and Cable Ducting segments reported growth in sales, despite the challenging market conditions.

### Revenue

| (€ x million ) | 2008 | 2007 | Growth | % of total revenue |
|---|---|---|---|---|
| Foul Water Systems | 471.1 | 544.6 | (13.5%) | 29.8% |
| Water Management | 176.5 | 161.2 | 9.5% | 11.2% |
| Cable Ducting | 78.9 | 73.2 | 7.8% | 5.0% |
| Water & Gas | 201.8 | 202.3 | (0.2%) | 12.7% |
| **Total C & I** | **928.3** | **981.3** | **(5.4%)** | **58.7%** |

### Foul Water Systems

A substantial part of the activities in the Foul Water Systems market are the connections from the in-house soil and waste systems to the main sewer systems. This market is closely related to new residential developments and was particularly hard hit by the contraction of new building activities. Revenue declined by 13.5% from € 554.6 million in 2007 to € 471.1 million in 2008. We did achieve continued revenue growth in the high added-value sub-segment manholes and inspection chambers. With the introduction of the small Tegra 400/425 inspection chamber, we now offer a complete range of systems. In Foul Water Systems, better flexibility, lower installation costs and long durability support the long-term substitution trend of traditional materials by plastics.

### Water Management

Water Management is our most important growth segment in the SBU Civils & Infrastructure. Our concepts manage the water cycle from roof to river, from road to reservoir. Urbanisation, water shortage and climate change are the business drivers behind this segment. Wavin's extensive portfolio of solutions, systems and products, puts us in a good position to profit from the increasing interest in water management solutions. As a result, in 2008 our revenue grew by 9.5% to € 176.5 million from € 161.2 million in 2007.

**Continued growth in Water Management**

### Cable Ducting

Cable Ducting saw revenue rise by 7.8% to € 78.9 million. Although still a relatively small activity within Wavin – 5.0% of total revenue – it is a growing, attractive business, especially in Scandinavia and the Netherlands, where the penetration of fibre-to-the-home and fibre-to-the-office is high. The long-term driver of this growth business is the need for more bandwidth and the resulting replacement of existing, traditional telecom networks with optical fibre networks to homes.

### Water & Gas

With revenues of € 201.8 million, our Water & Gas activities remained stable, mainly because of the acquired business in Turkey. In this segment we focus on technically advanced solutions that require high-quality, sophisticated systems.

## Other

This category includes revenue generated outside our two SBU's, mainly sales of raw materials, machinery and electronics, as well as licensing income. In 2008, revenue amounted to € 30.4 million.


Conditions are at their toughest in Finnmark, Europe's most Northerly inhabited region. In a limited three-month summer window, the Ishavslink consortium needed to lay 450 kilometres of high-bandwidth optical fibre, to bring the latest communication services to the scattered 70,000 local population.

Wavin delivered all ducting for the project, delivering custom packs to the engineering teams as they worked round the clock in remote and challenging locations under the midnight sun. Cables are literally 'blown' through the duct using compressed air, and the longer the blown length, the more efficient the installation. The combination of Wavin's quality ducts and the skills of the engineers achieved a remarkable blown length of up to 4 kilometres.

## THE REGIONS

Wavin has a market presence in 28 countries of Europe with manufacturing facilities in 16 of those. In 2008, we extended our footprint to Turkey, when we acquired Pilsa, one of the leading players in the local plastic pipe market. During 2008 all countries felt the impact of the credit crisis, although severity and timing differed per region.

Wavin's performance in the six European regions varied considerably. In Central & Eastern Europe, North West Europe, South East Europe and South West Europe revenues were in line with or slightly ahead of our performance in 2007. The consequences of sharp market contractions were felt most in the UK/ Ireland and – to a lesser extent – the Nordic region.

**Footprint extended to Turkey**

### Results per region

| (€ x million) | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue** | | | |
| North West Europe | 322.6 | 323.6 | (0.3%) |
| UK/Ireland | 311.6 | 442.0 | (29.5%) |
| South East Europe* | 253.7 | 161.1 | 57.5% |
| Central & Eastern Europe | 242.8 | 223.3 | 8.7% |
| Nordic Europe | 217.0 | 232.2 | (6.5%) |
| South West Europe | 170.5 | 174.7 | (2.4%) |
| Overseas and Other* | 63.0 | 61.6 | 2.3% |
| **Total revenue** | **1,581.2** | **1,618.5** | **(2.3%)** |
| **Ebitda** | | | |
| North West Europe | 26.5 | 26.3 | 0.8% |
| UK/Ireland | 22.2 | 72.7 | (69.5%) |
| South East Europe* | 21.7 | 14.5 | 49.7% |
| Central & Eastern Europe | 39.7 | 43.7 | (9.2%) |
| Nordic Europe | 18.9 | 25.7 | (26.5%) |
| South West Europe | 17.0 | 17.2 | (1.2%) |
| Overseas and Other* | 15.0 | 12.0 | 25.0% |
| **Total Ebitda** | **161.0** | **212.1** | **(24.1%)** |
| **Ebitda margin** | | | |
| North West Europe | 8.2% | 8.1% | |
| UK/Ireland | 7.1% | 16.4% | |
| South East Europe* | 8.6% | 9.0% | |
| Central & Eastern Europe | 16.4% | 19.6% | |
| Nordic Europe | 8.7% | 11.1% | |
| South West Europe | 10.0% | 9.8% | |
| Overseas and Other* | 23.8% | 19.5% | |
| **Total Ebitda margin** | **10.2%** | **13.1%** | |

* Comparative figures have been adjusted, reflecting the transfer of responsibilities for the Balkan countries.

## North West Europe (Netherlands, Germany, Belgium)

| (€ x million) | 2008 | 2007 | Change |
|---|---|---|---|
| Revenue | 322.6 | 323.6 | (0.3%) |
| Ebitda | 26.5 | 26.3 | 0.8% |
| Ebitda margin | 8.2% | 8.1% | |

**Ebitda margin maintained in North West Europe**

Despite a challenging market environment, Wavin managed to maintain revenue, Ebitda margin and market position in the North West Europe region. Water management systems continued their growth path and Hot & Cold is developing favourably after the introduction of flexible plastic push fit systems. In Germany and the Netherlands, Wavin reaped the benefits of the improved manufacturing configuration, implemented in 2007.

Construction markets in the Netherlands were stable although we saw the first signs of weakening during the last months of the year. Wavin introduced the small Tegra inspection chamber on the Dutch market, making these systems even more competitive over alternative materials. Hot & Cold is developing favourably after the introduction of flexible plastic push fit systems. The two Dutch sales companies were integrated, which will enable us to further combine overhead activities in the region.

The German market remained flat at a low activity level. Following the implementation of the Group SAP system in the Netherlands and Belgium we also rolled out this system successfully to Germany in 2008, allowing further integration of activities across the region.

In Belgium, Wavin had to deal with significant pricing pressure during 2008. We integrated two Belgian sales and distribution centres.

## UK / Ireland (United Kingdom, Ireland)

| (€ x million) | 2008 | 2007 | Change |
|---|---|---|---|
| Revenue | 311.6 | 442.0 | (29.5%) |
| Revenue excluding acquisitions | 306.2 | 442.0 | (30.7%) |
| Ebitda | 22.2 | 72.7 | (69.5%) |
| Ebitda margin | 7.1% | 16.4% | |

2008 was a very difficult year for our UK and Irish activities. In both countries the international financial crisis rapidly translated into a severe contraction of the building industry. Although the company responded quickly to the harsh market conditions, we were unable to compensate for the impact. Revenue in the region declined by 29.5% to € 311.6 million. Excluding acquisition effect and at constant currencies, the reduction in revenue in the UK was 18%.

**UK housing starts dropped more than 30%**

In the UK, housing starts dropped more than 30% compared to 2007. Decline in non-residential building and in Repair, Maintenance & Improvement (RMI) was less dramatic. In Ireland, the market contraction that began in 2007, accelerated in 2008 with a further 60% drop to 20,000 housing starts.

We completed two large restructuring programmes in the UK and one in Ireland. Workforce was reduced by 258 permanent and 197 temporary employees. In addition to a major restructuring effort in our manufacturing and logistics operations in the UK, we streamlined the UK dual brand sales teams into a single sales organisation supported by a single marketing team. In Ireland two distribution centres were integrated in the main production facility in Balbriggan.

Wavin held on to its market leadership in this difficult market environment. UK product launches in 2008 included a new range of patented petrol separators and domestic rainwater reuse solutions.

During 2008, Wavin acquired Warmafloor Ltd., a privately owned British ‘design-and-install’ underfloor heating business for the non residential market. The acquisition strengthened our position in the important Surface Heating and Cooling segment.

## South East Europe (Italy, Hungary, Romania, Turkey, Croatia, Bulgaria, Serbia)

| (€ x million) | 2008 | 2007* | Change |
|---|---|---|---|
| Revenue | 253.7 | 161.1 | 57.5% |
| Revenue excluding acquisitions | 155.8 | 161.1 | (3.3%) |
| Ebitda | 21.7 | 14.5 | 49.7% |
| Ebitda margin | 8.6% | 9.0% | |

* Comparative figures have been adjusted, reflecting the transfer of responsibilities for the Balkan countries from Wavin Overseas.

**Performance of Pilsa ahead of expectation**

In South East Europe, our revenues and Ebitda increased strongly in 2008, mainly due to our acquisition of Pilsa in Turkey. This acquisition gives us a solid foothold in Turkey and strengthened our position in various Central and Eastern European countries, where Pilsa has a robust export position.

In Italy, the market was relatively weak in 2008, but the company held its ground. In Hungary, Wavin managed to consolidate its market leadership in a difficult economic climate. In Romania, after a strong start, the building sector began to feel the negative consequences of the credit crunch in the second half of the year.

Despite a slowdown of the building sector in Turkey, Pilsa managed to achieve healthy revenues in its domestic and export market.

The 2008 figures include the Balkan countries. In these countries we have sales organisations and distribution facilities.

## Central and Eastern Europe (Poland, Czechia, Russia, Slovakia, Ukraine)

| (€ x million) | 2008 | 2007 | Change |
|---|---|---|---|
| Revenue | 242.8 | 223.3 | 8.7% |
| Ebitda | 39.7 | 43.7 | (9.2%) |
| Ebitda margin | 16.4% | 19.6% | |

**CEE: signs of market deterioration**

In Central and Eastern Europe, Wavin realised a healthy growth in revenue, albeit at a lower level than in previous years. Compared to the high level of 2007 margins declined, mainly due to pricing pressures caused by dollar-denominated competition and to the one-off charges related to the closure of the small plant in Russia. At the end of the year there were clear signs of market deterioration in this part of Europe. In Poland, we took measures to improve stock management and lower costs.

As a consequence of the global financial turmoil, capital inflow to Central and Eastern Europe fell during 2008, affecting construction investments.

## Nordic Europe (Denmark, Norway, Sweden, Finland, Lithuania, Estonia, Latvia, Belarus)

| (€ x million) | 2008 | 2007 | Change |
|---|---|---|---|
| Revenue | 217.0 | 232.2 | (6.5%) |
| Ebitda | 18.9 | 25.7 | (26.5%) |
| Ebitda margin | 8.7% | 11.1% | |

In Denmark, our most important country in the Nordic region, the residential building market deteriorated considerably during 2008. Headwind in the construction industry was further compounded by increasing local interest rates.

Market conditions in Norway, Sweden and Finland were stable in the first six months of 2008 but became increasingly challenging in the second half of the year. In the Baltics, construction activities in Estonia and Latvia were severely affected by the turning sentiment, whereas Lithuania – our most important Baltic market – proved more resilient.

Our new generation of controls for underfloor heating was introduced in Denmark, while Norway launched X-Stream, a structured wall pipe system for sewer systems.

**Reorganisation measures in Nordic**

The earlier restructuring of our operations in the Nordic proved its value in the down cycle. Reorganisation measures over the year resulted in a workforce reduction in the region of approximately 100 employees.

## South West Europe (France, Portugal)

| (€ x million) | 2008 | 2007 | Change |
|---|---|---|---|
| Revenue | 170.5 | 174.7 | (2.4%) |
| Ebitda | 17.0 | 17.2 | (1.2%) |
| Ebitda margin | 10.0% | 9.8% | |

Wavin performed relatively well in this region, where market conditions became more challenging in the course of the year. The company managed to maintain its revenues and slightly improve its margins in France, due to a better product mix. In the Civils & Infrastructure market, we continued to improve our offering by supplying complete systems and solutions for instance in Surface Heating and Cooling.

**Margin improvement in France**

In Portugal, where we only have a limited presence, our marketing organisation faced depressed market conditions.

## Overseas and other

The Wavin Group also comprises entities such as the Group holding companies, the export organisation Wavin Overseas and Wavin Technology & Innovation.

### Wavin Overseas

| (€ x million) | 2008 | 2007* | Change |
|---|---|---|---|
| Revenue | 63.0 | 61.6 | 2.3% |
| Ebitda | 15.0 | 12.0 | 25.0% |
| Ebitda margin | 23.8% | 19.5% | |

* Comparative figures have been adjusted, reflecting the transfer of responsibilities for the Balkan countries to the South East Europe region.

The 2008 figures for Wavin Overseas exclude small start-up activities in the Balkan region, which for managerial reasons were transferred to the South East region. On a like-for-like basis, revenue was at the same level as last year. Ebita grew due to strong cost containment.

## GROUP ACTIVITIES

The Wavin Group has a network of Operating Companies in 28 countries which are directed from the Head Office in Zwolle, the Netherlands serves. The Head Office serves as the centre for financial and fiscal consolidation but also coordinates a number of other activities at Group level to reach maximum synergies and optimal sharing of best practices.

### Technology and & Innovation

Wavin is committed to innovation. In 2008 15.9% of our revenues came from products that have been on the markets for less than five years. Our research and development organisation, Wavin Technology and Innovation, plays an essential role in our innovation effort. With 55 employees, Wavin T&I engages in the full cycle of product and process development from first idea to initial production. This is where we developed recent innovations such as the Tegra 425 inspection chamber and the all plastic manifold for Surface Heating & Cooling systems. During 2008, Wavin T&I established an advanced water management testing facility.

**Water management testing facility operational**

### Supply Chain and Operational Excellence

Wavin endeavours to continuously improve its processes. We aim to achieve efficiency, cost savings and margin improvements through a number of initiatives such as a strategic sourcing program, improved supply chain management, optimisation of the manufacturing footprint and complexity reduction. In 2008, good progress was made with respect to the further centralisation of our purchasing activities. A special 'global sourcing' initiative selected top quality partners for the supply of non-plastic items such as brass fittings and cast iron manholes covers. After a successful pilot project in the Nordic region in 2007, further steps were made in the area of cross-regional complexity reduction. In selected portfolios, Wavin is harmonising its offering. Where possible, we combine these initiatives with product re-engineering and reduction of the manufacturing footprint.

### Human Resources

Wavin has organised its Human Resources function at local, regional and corporate level to ensure the right balance between consistency and responsiveness. The composition and development of our senior management teams is largely the responsibility of the corporate Human Resources function. Human Resources teams across the Wavin Group are responsible for ensuring that every employee can pursue challenging career options and a rewarding personal development path. We recognise the importance of encouraging individuals to follow their particular areas of interest, as this will benefit both their own career and the Group as a whole. Wavin HR professionals work closely with line managers to identify business needs and align these with appropriate job challenges.

### IT and E-business

Wavin continuously seeks to streamline and rationalise its processes and we systematically invest in IT and E-business applications. During 2008, good progress was made in the Connect*IT* project, a long term program that will result in one single company wide IT platform. Following the successful implementation of Connect*IT* in the Benelux in 2007, Wavin Germany and Wavin Italy went live in 2008. In January, our head office migrated to SAP, improving reporting and administration and setting a standard for the Group.

**Connect*IT* will lead to single IT platform**

E-business is a constantly evolving activity within our company. Originally started in 2000 to develop a product-ordering system for inter-company trade, it now also encompasses an online web shop and the possibility of exchanging data with customers and suppliers (Wavin eXchange). The E-business team also manages more than 30 websites, several Intranets as well as virtual Team Rooms and Expert Centres.


Market research conducted by Wavin in the UK shows that more than a third of people purchasing new-build houses put underfloor heating among their top five preferred features. But underfloor heating does not only prove its worth in new-build.

Sensitive restoration of architecturally listed buildings poses particular challenges when it comes to heating.
In 2008, Youngs Construction chose the Wavin underfloor solution for the demanding restoration of Church House near Bath in the West of England. A single slab floor is fitted with grooved insulation panels designed to carry the heating pipes. This allows the solution to be optimised even for irregular spaces, and delivers well-distributed and cost effective heating without compromising the historical character of the building.

## CORPORATE GOVERNANCE

This Corporate Governance chapter addresses the corporate governance structure of Wavin. This structure is based on the best practices as set out in the Dutch Corporate Governance Code 2003. Wavin has also taken into consideration the new Corporate Governance Code as has been published in December 2008. Although the majority of this new code is only applicable for the financial year 2009 and thereafter, information on several new best practices has already been included in this annual report whenever possible. A full report on compliance with the new Corporate Governance Code will be given in the annual report of 2009. Wavin intends to present this report to the Annual General meeting of shareholders in 2010 for discussion. Any referral to the "Code" in this chapter relates to the Corporate Governance Code 2003 unless specifically stated otherwise.

### Compliance with the Code

Wavin intends to discuss every substantial change in the corporate governance structure and compliance with the Code with the General Meeting of Shareholders. These changes, if any, will be discussed as a separate agenda item at that meeting. In 2008 there were no such substantial changes.

### Main deviations

Wavin underwrites the importance of good corporate governance and follows the vast majority of the rules set by the Code. However, it has been considered in the interest of the company and its stakeholders not to comply with a limited number of best practice provisions. The main deviations are set out below:

**Wavin underwrites importance of good corporate governance**

- The company deviates from best practice provision II.2.7, which provides that the maximum remuneration in the event of a dismissal of a Management Board member is one year's base salary. In the future, the company intends to comply with best practice provision II.2.7 for such appointments. The company is, however, currently bound by the terms of the employment contracts of the present members of the Management Board, which provide severance payment conditions that may exceed the above maximum. Upon unfair dismissal, Mr. Houben will be entitled to 12 months' total salary, Mr. Oomens will be entitled to 2 months' total salary per year of service with a maximum of 12 months and Mr. Ten Hove will be entitled to a severance payment, to be calculated in accordance with common practice in Dutch labour law (*kantonrechtersformule*), except in the situation were aforementioned individuals have reached the age of 62. Mr. Taylor will be entitled to a severance payment in line with common practice for employees in our UK operations.

- The Chairman of the Supervisory Board also chairs the Remuneration, Appointment & Corporate Governance Committee (RACG Committee). The company therefore deviates from best practice provision III.5.11, which states that the chairman of the Supervisory Board shall not be chairman of the remuneration committee. The company considers the involvement of the chairman of the Supervisory Board in matters concerning its nomination policy, the appointment of senior management members and in corporate governance issues of such importance that his chairing of this committee with various tasks, justifies a deviation from the Code.

- Best practice rule IV.3.1 provides that investors can call in on or view meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences held and that these shall be announced in advance on the company's website and by means of press releases. The company will partially comply with this provision. It is the aim of the company to provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. There are many meetings with investors, potential investors and analysts during the year. It is not considered to be practical to announce all of these meetings in advance or to make provisions for all shareholders to follow these meetings and presentations in real time. The information presented in these meetings will be restricted to publicly-available material. Investors may listen in on the press and analyst conference call given at the publication of the annual figures and our half year figures. Recordings of these calls will be available on the Wavin website as are copies of presentations made to investors and analysts.

## Management Board

### Composition and division of responsibilities

The Management Board currently consists of four members who all have four-year contracts pursuant to best practice provision II.1.1.

The Management Board has adopted an internal division of responsibilities, which can be found under the Rules for the Management Board, which is available on the corporate website, www.wavin.com. The Management Board collectively is responsible for the company's strategy.

**Rules for Management Board available at www.wavin.com**

### Appointment and dismissal

The Articles of Association provide that the General Meeting of Shareholders appoints members of the Management Board, subject to the right of the Supervisory Board to make a non-binding nomination to appoint a Management Board member. In such an event, the General Meeting of Shareholders may resolve, by a resolution passed with an absolute majority of the votes cast, to appoint the candidate nominated by the Supervisory Board. A resolution of the General Meeting of Shareholders to appoint members of the Management Board, other than pursuant to the non-binding nomination of the Supervisory Board, requires an absolute majority of the votes cast, representing more than 50% of our issued share capital.

The Articles of Association provide that the number of members of the Management Board is determined by the Supervisory Board, and consists of a minimum of one member. In view of the Corporate Governance Code, the articles of association provide that members of the Management Board are appointed for a maximum term of four years, provided, however, that unless such member of the Management Board has resigned at an earlier date, his term of office shall lapse on the day of the annual General Meeting of Shareholders to be held in the fourth year after the year of his appointment. An appointment can be renewed for a term of no more than four years at a time.

According to the Articles of Association, the General Meeting of Shareholders and the Supervisory Board may suspend Management Board members at any time. The General Meeting of Shareholders may dismiss Management Board members at any time. A resolution of the General Meeting of Shareholders to suspend or dismiss members of the Management Board pursuant to a proposal by the Supervisory Board requires an absolute majority of the votes cast. A resolution of the General Meeting of Shareholders to suspend or dismiss a member of the Management Board, other than pursuant to a proposal of the Supervisory Board, requires an absolute majority of the votes cast representing more than 50% of the issued share capital. The provision regarding the dismissal of the Management Board members and Supervisory Board members deviates slightly from best practice IV.1.1 of the Code as the Company feels that a resolution to dismiss Management

Board and Supervisory Board members requires that the majority of shareholders is in favour of such an important resolution that may change the continuity in the Management Board and Supervisory Board.

### Approval of Objectives and Strategy

As is standard practice within Wavin, the Management Board has submitted to the Supervisory Board for review and approval (a) the operational and financial objectives of the Company, (b) the strategy designed to achieve the objectives and (c) the parameters to be applied for measuring performance. The operational and financial objectives of the company are laid down in the budget. The 2008 budget was presented to and approved by the Supervisory Board at its December 2007 meeting. The 2009 budget was approved at the December 2008 meeting of the Supervisory Board.

The Articles of Association and the Rules for the Management Board contain clear overviews on all issues in which the Management Board is required to seek prior approval of the Supervisory Board.

### Internal Risk Management and Control System

Wavin maintains an adequate administrative organisation that contains internal risk management and control systems as well as a system of monitoring and reporting, and guidelines on internal financial reporting. The company has an accounting manual in place as well as an internal authorisation system. A Code of Conduct has been available since 2002 and is published on the company's website.

Wavin employees have the opportunity to report alleged irregularities without having to fear for their position. A Whistleblowers' procedure is in place and can be viewed on the corporate website.

### Statement of Control

The Statement of Control by the Management Board, including additional information, can be found in the Risk management paragraph starting on page 43 of this report.

### Membership of external Supervisory Boards

No Management Board member is a member of the Supervisory Board of another listed company.

### Conflicts of Interest

All employment contracts of the Management Board members contain non-competition clauses, prohibiting them from performing activities that, directly or indirectly, are in conflict with the company's activities. The Wavin Code of Conduct explicitly forbids accepting payments or gifts which may be interpreted as a bribe. The Rules for the Management Board as well as the Wavin Code of Conduct contain clear regulations on how to deal with possible conflicts of interest.

### Loans or guarantees

As a matter of policy, Wavin does not grant loans or guarantees to members of the Management Board unless in the normal course of business, on terms applicable to the employees as a whole and only after approval of the full Supervisory Board. In 2008 no loans or guarantees were granted or outstanding to members of the Management Board.

### Employment contracts of the Management Board

The Management Board members have employment contracts with Wavin B.V., a direct subsidiary of Wavin N.V. The employment contracts and the main conditions of employment for members of the Management Board are reviewed periodically. All Management Board members have employment contracts for an indefinite period of time, provided however that their contract will be terminated when the respective member has reached the age of 62 (65 in case of Mr. Taylor). It should be noted that their indefinite appointment as a statutory director of the company has been changed into an appointment for a period of 4 years as per October 2006, the listing date of Wavin N.V.

Notice periods for the company have been agreed with each Management Board member, being 3 months for Mr. Oomens, 6 months for Mr. Houben and Mr. ten Hove and 12 months for Mr. Taylor.

The employment contracts of Mr. Houben, Mr. Oomens and Mr. Ten Hove determine that in case employment is terminated as a result of acquisition of the company or when the actual control of the company passes into other hands or in the event of other comparable circumstances (‘change of control’) a fixed severance payment of 12 months salary will be payable.

More information on severance payment arrangements for the individual Management Board members can be found on page 31.

## Remuneration policy regarding the Management Board members

The current remuneration policy of the company was introduced in 1999 and has only been slightly modified in the years thereafter. The policy applies to the management of all operating companies and to corporate managers including the Management Board. In this annual report, the relevant information will exclusively regard the Management Board. The remuneration policy of the Management Board was adopted on the General Meeting of Shareholders in 2007.

Per 2008 a new Long Term Incentive Plan (‘LTIP’) has been implemented for the senior managers of Wavin (target group approximately 160 employees), including the Management Board.
More information on the LTIP can be found on page 36 of this report.

The remuneration for the Management Board members is set by the Supervisory Board on the recommendation of the Remuneration, Appointment & Corporate Governance Committee (RACG Committee). Any material amendments to the policy will be submitted to the General Meeting of Shareholders. In the reporting year, there were no material changes to the remuneration policy compared to the previous year. There are also no plans for material adjustments in 2009.

Determination of the remuneration for each individual Management Board member is a responsibility of the complete Supervisory Board. The Supervisory Board has delegated this authority to the RACG Committee. Pursuant to this delegation of authority, and acting within the principles of the remuneration policy, the RACG Committee determines the remuneration packages for the members of the Management Board, including base salary, pension rights, annual bonus and long-term incentive awards. The Remuneration policy gives the right to the Supervisory Board to make variable remuneration adjustments and recoveries at any time. Adjustments and/or recoveries will be applied in case of business related extraordinary circumstances. The Management Board has the right to do the same for the management of all operating companies and to corporate managers. The LTIP incorporates a similar provision.

### Objective

The primary objective of the remuneration policy is to attract and retain qualified Management Board members. Pay for performance is the driving force of this policy. It encourages commitment to achieving previously defined business objectives and challenging performance goals, balancing short-term operational performance with the longer-term objectives of Wavin.

This performance related pay system, of which variable pay is a significant part, is supported by a performance appraisal system that enables an effective review of the performance of the Management Board. The policy also ensures that competitiveness with the external market is maintained. For 2009, the policy remains unchanged.

The remuneration package of the Management Board members presently consists of:

- A fixed base salary, which is reviewed annually;
- An annual incentive expressed as a percentage of the annual base salary;
- A long term incentive plan;
- Pension contributions;
- Other secondary benefits: a company car, health and travel insurance, telephone and a representation allowance.

Details of the individual remuneration packages of the Management Board members over 2008 are presented on page 130 of this report.

Levels of remuneration are reviewed by the RACG Committee at least once per year taking into account competitive levels of remuneration for comparable functions and companies. The RACG Committee periodically seeks external remuneration expert advice. The Hay methodology for job grading, which Wavin applies, ensures external comparability and internal equality.

### Base salary

The fixed base salaries of the Management Board members are determined on the basis of performance and experience. The salary position is held against surveyed board compensation levels for comparable job levels and company sizes in the Netherlands. Where a Management Board member is not a Dutch resident, remuneration is benchmarked against the relevant home market.

When approving individual salary increases, consideration is given to the actual and expected performance of the Management Board member and the relative position of his salary compared to the relevant external market. Remuneration is paid in Euro with the exception of Mr. Taylor whose remuneration is paid in Pound Sterling (GBP).

Per January 2008 the fixed base salaries were increased between 3.5% to 5.0%. These increases were determined by the Supervisory Board on recommendation of the RACG Committee.

Against the background of the turbulent market conditions and the painful workforce adjustments in a number of countries, the Management Board members' base salaries will be frozen for 2009. It has also been decided to postpone the January 2009 salary adjustment for operating company managers and corporate managers by 6 months. Wavin managers in emerging economies will receive their salary adjustments in two steps, in January and July, because of the higher inflation rates in those countries.

### Variable remuneration

Members of the Management Board are entitled to a short term annual incentive (STI) and a shared based annual long term incentive plan (LTIP). The Supervisory Board determines these incentives after thorough scenario-analyses with due regard for the pay differentials within the Company.

### Short term annual incentive (STI)

The STI is dependent on the achievement of certain financial performance targets determined at the beginning of each calendar year. At its meeting of December 2007, the Supervisory Board approved the 2008 financial performance targets for the total Group being profit (50% weight), cash flow (20% weight) and revenue growth (30% weight). The financial performance targets were based upon the 2008 operational plan objectives, which are not disclosed for reasons of commercial confidentiality. They account for 80% of the incentive. A further 20% depends on the achievement of certain annually defined individual objectives which are set on the recommendation by the RACG Committee. For Mr. Houben, the financial performance targets account for 100% of the incentive.

After the closing of each financial year the RACG Committee approves the calculated outcome of actual achievements versus these preset financial and individual targets. The outcome is reviewed by Wavin's auditors. The exact amount of the annual incentive is then established and made payable after the finalisation of the audited accounts. The RACG Committee has the right to change targets as a result of unforeseen circumstances. This has not been the case in 2008.

In 2008, the annual incentive opportunity for the Dutch Management Board members ranged from 0% to 75% of their annual fixed base salary, with a target of 50%. The UK-based Board member Mr. Taylor had a range of 0% to 81%, with a target of 54%. Target incentives are reached when the financial and individual goals are fully met. Because of the adverse result developments, this year's payout percentage for financial targets amounted to zero because actual scores did not meet the targets set. As certain individual objectives were accomplished, the RACG Committee at their February 2009 meeting determined an annual individual incentive of the Management Board members of between 0% and 10% of their base salary.

### Long term incentive plan (LTIP)

Management Board members can, on a voluntary basis, elect to invest annually up to 50% of their individual annual bonus in Wavin shares. A participant will receive (a) the right to one conditional matching share for each two purchased shares; and (b) a maximum of three conditional performance options for each share purchased. The purchased shares and the matching shares are subject to a mandatory lock-up period of five years. The matching shares will be transferred to the participant after three years provided that the participant is still employed by Wavin. These matching shares however still need to be retained for the full five-year lock-up period as referred to above.

The participant will also be granted a maximum of three conditional performance options for each purchased share. The performance options have a total term of seven years: a vesting period of four years and a subsequent exercise period of three years. The total number of performance options to be granted is dependent on the average annual normalised Ebitda growth realised during the four-year option-vesting period and can only be exercised if the participant is still employed by Wavin at the time of vesting.
More information on the LTIP can be found on the corporate website.

### Pension

The retirement benefits are designed in line with relevant market practice in each country of residence.

As is applicable to all Dutch Wavin employees, the pension arrangements for the three Dutch Management Board members are based on defined benefits and indexed average salary with a pension at age 65. The annual build-up of old age retirement benefits amounts to 2.15% of the annual pensionable salary.

Both Mr. Houben and Mr. Oomens have an additional pension arrangement as of the date they joined Wavin to partly compensate for missed back service in previous careers. Since 2000, Mr. Houben has an indexed arrangement amounting to a 2008 payment of € 31,051 into his pension arrangement with the company. Mr Oomens received an amount of € 10,000 paid to an insurance company.

As is applicable to all former UK Hepworth employees, the pension arrangement for UK resident Mr. Taylor is based on defined benefit. The executive pension arrangement for Mr. Taylor is based on an accrual rate of 1/45th with a retirement possibility at the age of 63. The maximum pension he can accrue will be two thirds of his final earnings capped pensionable salary less any retained benefits. Mr. Taylor has an additional pension arrangement since 1999 leading to a 2008 payment of € 47,604.

## Supervisory Board

The duties of the Supervisory Board are to supervise the policies of the Management Board and the affairs of the company and its affiliated enterprises. Moreover, the Supervisory Board assists the Management Board by providing advice at the request of the Management Board and also on its own initiative. In performing its duties the Supervisory Board will be guided by the interests of the company and its affiliated enterprises and will take into account the relevant interests of the company's stakeholders and will use the fundamental principles of good entrepreneurship as a standard. The Supervisory Board is responsible for the quality of its own performance. In addition, certain material decisions of the Management Board, as specified in the Articles of Association and the Rules for the Management Board, are subject to prior approval by the Supervisory Board. Since 2004, the Supervisory Board operates under its own regulations: the Rules for the Supervisory Board. These regulations are available on the corporate website.

The Supervisory Board of Wavin N.V. consists of five members (minimum: three) who are appointed by the General Meeting of Shareholders for four years, after which he/she can be reappointed for two further periods of four years. The Supervisory Board is of the opinion that diversity in the composition of the Supervisory Board is an important precondition for a well-functioning and independent Board. Therefore, age, nationality, gender, background and social experience are taken into account when nominating new members.

The table below sets the rotation schedule of the Supervisory Board members.

| Name | Date of first appointment | Current term ends |
|---|---|---|
| Mr. P.C. van den Hoek | 11 May 1999 | 2011 |
| Mr. B.G. Hill | 13 September 2005 | 2009 |
| Mr. R.H.P.W. Kottman | 12 October 2006 | 2010 |
| Mr. R.A. Ruijter | 11 December 2007 | 2012 |
| Mrs. B. Stymne Göransson | 11 December 2007 | 2012 |

It will be proposed to the Annual General Meeting of Shareholders on 22 April 2009 to re-appoint Mr. Hill as a member of the Supervisory Board for another term of 4 years.

Mr. P.C. van den Hoek has been the Chairman of the Supervisory Board since 1999.

The chairman of the Supervisory Board and the chairman of the Management Board each year receive an Annual Compliance report, which gives an overview of all developments with regard to compliance matters within the company.

### Appointment and dismissal

Supervisory Board members are appointed by the General Meeting of Shareholders. The Articles of Association provide that the General Meeting of Shareholders may suspend and dismiss Supervisory Board members at any time. A resolution of the General Meeting of Shareholders to suspend or dismiss members of the Supervisory Board pursuant to a proposal by the Supervisory Board requires an absolute majority of the votes cast. A resolution of the General Meeting of Shareholders to suspend or dismiss a member of the Supervisory Board other than pursuant to a proposal of the Supervisory Board requires an absolute majority of the votes cast representing more than 50% of our issued share capital.

### Independence and conflict of interest

Wavin complies with best practice III.2.1 of the Dutch Corporate Governance Code, which states that all but one Supervisory Board members should be independent from the Company. All Supervisory Board members are independent from the Company with the exception of Mr. Van den Hoek who, until 1 March 2009, was a partner of the Stibbe lawfirm, which is one of the main legal advisors of the Company. There are no interlocking directorships, nor are or were any Supervisory Board members employed by the company. The Rules for the Supervisory Board contain provisions regarding potential conflicts of interest. In the year under review, there were no occurrences with a potential conflict of interest.

### Loans and guarantees

As a matter of policy, Wavin does not grant loans or guarantees to members of the Supervisory Board unless in the normal course of business and after approval of the full Supervisory Board. Loans may not be remitted. In 2008 no loans or guarantees were granted and outstanding to members of the Supervisory Board.

### Fixed remuneration

As provided in the Rules for the Supervisory Board, none of its members receives remuneration that is dependent on the financial performance of Wavin. The Wavin Rules on Insider Trading require that individual shareholdings in the company shall only be held for long-term investment purposes.

None of the Supervisory Board members hold any option rights to acquire shares in Wavin.

### Profile

A profile setting out the required experience, expertise and background of individual Supervisory Board members is in place. This profile can be found on the corporate website.

### Company Secretary

The Supervisory Board is being assisted by Mr. S.H.A.J. Beckers, Company Secretary.

## Supervisory Board committees

Given the requirements of the Wavin organisation and the expertise of the individual Supervisory Board members, the committees of the Supervisory Board have been arranged in a different way than recommended by the Dutch Corporate Governance Code. Instead of three separate committees, an Audit & Investment Committee and a Remuneration, Appointment & Corporate Governance Committee have been established.

### Audit & Investment Committee

In 2008 the Audit & Investment Committee consisted of Mr. B. Hill (chairman), Mrs. B. Stymne Göransson and Mr. R.A. Ruijter (who qualifies as the financial expert as dictated by the Dutch Corporate Governance Code).

The Audit & Investment Committee assists the Supervisory Board in monitoring the systems of internal control, the integrity of the financial reporting process and the content of the financial statements and reports and in assessing and mitigating the business and financial risks. Furthermore, it renders advice to the Supervisory Board on large capital projects with a value of more than € 2.5 million and acquisitions with a value of more than € 5 million. The Audit & Investment Committee also approves all medium sized investments with a value between € 1 million and € 2.5 million. The Audit & Investment Committee focuses on the activities of the Management Board with respect to (i) the operation of the internal risk management and control system, including supervision of the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct; (ii) the provision of financial information by the company (choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the annual accounts, forecasts, work of external auditors, etc.), (iii) compliance with recommendations and observations of external auditors, (iv) the policy of the company on tax planning, (v) relations with the external auditor, including, in particular, his independence, remuneration and any non-audit services for the Company, (vi) the financing of the Company, (vii) the applications of information and communication technology (ICT) and (viii) material investments considered by the Company.

### Remuneration, Appointment & Corporate Governance Committee

In 2008 the Remuneration, Appointment & Corporate Governance Committee (RACG Committee) consisted of Mr. P.C. van den Hoek (Chairman) and Mr. R. Kottman.

The RACG Committee advises the Supervisory Board on the remuneration of the members of the Management Board and monitors the remuneration policy. In particular the RACG Committee advises the Supervisory Board on the selection criteria and appointment procedures for members of the Management Board and members of the Supervisory Board as well as the proposals for appointments and reappointments, the policy of the Management Board on selection criteria and appointment procedures for senior management and the assessment of the functioning of individual members of the Supervisory Board and the Management Board. Furthermore, it renders advice to the Supervisory Board on Wavin's corporate governance structure. The duties of the RACG Committee include (i) drafting a proposal to the Supervisory Board for the remuneration policy to be pursued, (ii) drafting a proposal for the remuneration of the individual members of the Management Board, for adoption by the Supervisory Board, (iii) preparing the remuneration report as referred to in best practice provision II.2.9. of the Code, (iv) drawing up selection criteria and appointment procedures for Supervisory Board members and Management Board members, (v) periodically assessing the size and composition of the Supervisory Board and the Management Board, and making a proposal for a composition profile of the Supervisory Board, (vi) periodically assessing the functioning of individual Supervisory Board members and Management Board members, and reporting on this to the Supervisory Board; (vii) making proposals for appointments and reappointments; (viii) supervising the policy of the Management Board on the selection criteria and appointment procedures for senior management; and (ix) monitoring corporate governance developments.

### Remuneration of the Supervisory Board

In 2008, the remuneration of the Supervisory Board amounted to € 50,000 for the Chairman plus a € 2,500 fixed expense allowance and € 35,000 annually for the other members plus a € 2,000 fixed expense allowance.

## Shareholdings

### Shares owned by Supervisory Board and Management Board

Certain members of the Supervisory Board and all members of the Management Board have invested in the company. As per 31 December 2008, together they held 1,792,134 shares (approximately 2.2% of the outstanding share capital) divided as follows:

| | |
|---|---|
| Mr. Van den Hoek | 53,206 shares |
| Mr. Hill | 26,604 shares |
| Mr. Houben | 543,006 shares |
| Mr. Oomens | 406,929 shares |
| Mr. Ten Hove | 406,839 shares |
| Mr. Taylor | 355,550 shares |

## Shareholders and General Meetings of Shareholders

### General Meetings of Shareholders

On 17 April 2008 an Annual General Meeting of Shareholders was held at the Rosarium in Amsterdam. The agenda, the minutes and the voting results can be found on www.wavin.com.

### Issue of ordinary shares

Under the Articles of Association, shares, or grant rights to subscribe for shares, may only be issued pursuant to a resolution of the General Meeting of Shareholders upon proposal of the Management Board, subject to the prior approval of the Supervisory Board. The General Meeting of Shareholders may delegate the authority to issue shares, or grant rights to subscribe for shares, to the Management Board, subject to the approval by the Supervisory Board.

Pursuant to the Dutch Civil Code, the period of delegation may not exceed five years. Such authority may be renewed by a resolution of the General Meeting of Shareholders for a subsequent period of up to five years each time. If not otherwise determined in the resolution, such authority is irrevocable. In the resolution authorising the Management Board, the amount and the class of shares which may be issued must be determined. The General Meeting of Shareholders resolved on 17 April 2008, to grant the Management Board the irrevocable authority to issue ordinary shares, or grant rights to subscribe for ordinary shares, up to a maximum of 10% of the outstanding share capital of ordinary shares, with respect to the raising of capital for general purposes and up to a maximum of 10% of the outstanding share capital of ordinary shares with respect to the raising of capital in relation to the financing of possible acquisitions, each for a period up to 17 October 2009.

No resolution of the General Meeting of Shareholders or the Management Board is required for an issue of shares pursuant to the exercise of a previously granted right to subscribe for shares.

### Acquisition of shares

The Company may acquire its own fully paid shares at any time for no consideration (*om niet*), or, subject to certain provisions of Dutch law and the Articles of Association, if (i) the shareholders' equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any statutory reserves, (ii) the company and its subsidiaries would thereafter not hold shares or hold a pledge over its shares with an aggregate nominal value exceeding 10% of the issued share capital, and (iii) the Management Board has been authorised thereto by the General Meeting of Shareholders. Authorisation from the General Meeting of Shareholders to acquire shares must specify the number and class of shares that may be acquired, the manner in which shares may be acquired and the price range within which shares may be acquired. Such authorisation will be valid for no more than 18 months.

On 26 September 2006, the General Meeting of Shareholders authorised the Management Board to acquire Wavin shares up to the maximum permitted by the Dutch Civil Code and the Articles of Association for a consideration of at least € 0.01 per share and which may not exceed the average closing price of Shares on Eurolist by Euronext during five consecutive days preceding the day of repurchase increased with 10%. Any shares the company holds in its own capital may not be voted or counted for voting quorum purposes.

Most recently the authority has been extended at the Annual General Meeting of Shareholders on 17 April 2008, subject to the prior approval of the Supervisory Board, until 17 October 2009.

In the period 11 March 2008 – 11 April 2008 the company has purchased a total of 500,000 Wavin shares of which 124,860 were purchased on behalf of employees participating in the Long Term Incentive Plan 2008. The remaining 375,140 shares are being held by the company in order to cover future obligations under this plan.

## Special rights provided for by the Articles of Association

### Protective measures

Wavin's principle defence against (any action which might lead to) a threat to its continuity is the company's ability to issue preference shares to the Stichting Preferente Aandelen Wavin (the 'Foundation'). Such preference shares will be issued, should the Foundation exercise its call option right. On 11 October 2006, the General Meeting of Shareholders of Wavin resolved to grant this option right to the Foundation. The Call Option Agreement does not contain any conditions to be met before exercising the option right. According to aforementioned agreement, the number of preference shares to be issued can amount to 100% of the total number of ordinary shares outstanding at the time of placing. If preference shares are issued, a General Meeting of Shareholders will be convened no later than twelve months thereafter. At that meeting, purchase and withdrawal of the preference shares will be considered.

The Foundation was formed under the laws of the Netherlands and its statutory purpose is to enhance the continuity and identity of the company. In short, the Foundation will look after the interests of the company, the enterprise connected therewith and the interests of all other stakeholders, such as shareholders and employees. The Foundation is independent in the meaning of the Dutch Financial Markets Supervision Act *(Wet Financieel Toezicht)* and is neither owned nor controlled by another legal entity. The Foundation has the right to file an application for an inquiry into the policy and conduct of business of the Company with the Entreprise Chamber of the Amsterdam Court of Appeal *(Ondernemingskamer)*.

The Board of the Stichting Preferente Aandelen Wavin consists of Mr. W. Stevens (chairman), Mr. D. Kalff and Mr. A. Westerlaken.

### Appointment of the external auditor

At the Annual General Meeting of Shareholders held on 17 April 2008, KPMG Accountants N.V. was appointed as the Company's external auditor for a period of one year, expiring at the next Annual General Meeting of Shareholders.

## RISK MANAGEMENT

Wavin is exposed to internal and external risks and uncertainties that may affect its business, its financial results and operational performance. For Wavin, continuity and sustainability of the business is as important as growing and operating it. Managing risks in order to protect the business from disasters, failures or reputation damage is therefore essential and has continuous management attention.

### Risk appetite

Wavin aims to be recognised within the industry for quality, innovation and logistical performance. Within the organisation entrepreneurial spirit is encouraged. The company seeks continuous growth opportunities through innovation and business development, whilst taking controlled risks.

### Risk profile

Wavin sells and manufactures a wide range of plastic pipe systems and solutions with a high level of common materials and standard processes in operations that are spread over many mature and emerging European markets. These markets are exposed to varying degrees of risk and uncertainty, some of which, if not identified and managed, may result in a material impact on an individual operating company, but may not materially affect the Group as a whole.

### Risk management

Risk is inherent in doing business and to the business environment in which we operate. By managing these risks we aim to be a sustainable and performance driven company in which continuous growth opportunities are explored whilst taking controlled risks. The risk management and control systems are considered to be in balance with our risk profile, although such systems can never provide absolute assurance. We regularly review our control systems on adequacy and effectiveness. Our risk management control systems contribute to a more effective and transparent organisation.

The Management Board regularly assesses Wavin's risk profile and risk control framework including the system improvements and its implementations. The Audit & Investment Committee of the Supervisory Board addresses the adequacy of Wavin's risk and control framework. There were no significant changes in the company's risk management and control systems during 2008 and no major failures have been reported. Presently no significant changes in the risk management and control system have been planned for 2009 and beyond.

### Responsibilities

The Management Board, under the supervision of the Supervisory Board, has overall responsibility for the risk management and control systems within the company. Regional and operating company management are responsible for managing their performance as well as the underlying risks and effectiveness of their operations, within the guidelines set by the Management Board, supported and supervised by corporate departments.

### Risk management and control system

To assure that risks are identified and managed and that objectives are met in compliance with applicable law and regulations, internal risk management and control systems are in place. These include amongst others:

## Management and control cycle

Strategic plans, budgets and forecasts are prepared at fixed times during the year for all entities of the Wavin organisation. Financial results and other key performance indicators are reviewed monthly. The performance is compared to the previous year and tested against the budgeted results. Regular forecasts are submitted and assessed on their impact.

This management and control cycle, which is based on financial and non-financial reports, enables local management and the Management Board to direct and control the operational activities in an efficient manner.

## A well-defined system of internal authorisation levels

Within the Wavin Group a uniform internal authorisation system is implemented, consisting of individual authorisation schedules, which provide clear insight in the limits of spend allowed per authorised individual employee. Compliance with this system is being checked by periodical local reviews.

## Internal control measures

The Wavin control framework is based on policy documents, manuals and procedures, such as the Accounting Manual, the Treasury Manual and the Capital Expenditure Procedure. Management of the operating companies is responsible for the quality of the control processes. The Group Finance department, supported by the external auditor, handles verification of this: it assesses the developments and tests the efficiency of the implemented processes. Material inadequacies are recorded, followed up and corrected.

## Quality assurance standards (ISO certification)

Wavin aims to minimise quality defects and losses by applying quality assurance standards like ISO 9000 and 9001. In accordance with these standards, periodical reviews and assessments are being undertaken by external certifying companies. As of 2000 Wavin has rolled out a Total Productive Management (TPM) program, with the objective to structurally minimise production losses, including quality defects. Progress is constantly being monitored by internal reviews.

## Management of Health, Safety and Environment

Wavin has a clearly defined HSE policy, which is applicable to all Wavin companies. The company has an HSE working group with representatives of the regions. This group is responsible for deploying the policy to the regions and monitoring progress. The standards implemented by Wavin are often stricter than national and international standards and are well in excess of the statutory minimum requirements. In accordance with the HSE policy all Wavin companies have HSE management structures in accordance with ISO 14001 or similar. These structures are monitored by way of frequent internal audits. For further information on the HSE policy, please refer to the Corporate Social Responsibility chapter on page 53.

## Information management and security measures

Wavin recognises information as a valuable asset and is committed to effective information management in order to improve business performance, control costs, reduce risks and to facilitate effective communication both within the company and with its stakeholders. The company has a set of mandatory technical, infrastructural IT standards to enable information systems to communicate internally and with our trading partners. Standards for selecting information systems have been implemented. Systems, standards and IT performance are monitored and reviewed quarterly by the IT Steering Group under supervision of the Chief Financial Officer. The results are shared with the Audit & Investment Committee of the Supervisory Board annually. Operating companies have implemented local information management and security policies. These will be replaced by a central information management and security policy in the course of 2009 which will further enhance the security of information and continuity of our business activities. In cooperation with external consultants the company is reviewing and extending the automatic process controls in the shared ERP system.

### Management of corporate finance and M&A risks

The Company has a Legal Affairs department, which is involved, either directly or through its network, in mergers and acquisitions, recapitalisations and major business transactions and/or legal conflicts. Acquisitions necessitate a project-like approach which, at Wavin, is taking an increasingly multidisciplinary approach, with internal and external specialists working together under the supervision of the Corporate Director Corporate Strategy & Legal Affairs.

### Insurance

As well as taking risk control measures, Wavin has underwritten a general insurance programme. Wavin has an in-house insurance company for this purpose, Wavin Assurantie B.V., which insures major operating risks with independent insurance companies. Wavin Assurantie works together with independent insurance brokers and providers of insurance-related services. The policies cover risks resulting from property damage, business interruption or third-party liability including product liability and a number of other specific risks.

### Tax

In January 2008 Wavin concluded an enforcement covenant with the Dutch tax authorities as part of the ‘horizontal supervision’ project initiated by the Dutch Ministry of Finance on the basis of which existing cooperation was further enhanced. The starting points of the covenant are openness and transparency, based on mutual respect and trust, resulting in an intensive exchange of information and preliminary consultations on matters with potentially material tax consequences. During 2008, under the covenant, agreement was reached on the Dutch tax position up to and including the fiscal year 2006 and the final tax assessments up to and including 2006 were imposed accordingly. With regard to 2007 and 2008, all relevant tax matters were raised – and agreement was reached – at pre-consultation sessions. As a result, any uncertainties concerning the Dutch tax position have been reduced to a minimum. This form of collaboration fits within Wavin’s policy on risk management in respect of taxation. In the other jurisdictions where Wavin is operating, the Company is, where possible, pursuing a proactive policy in order to minimise any uncertainties regarding the tax positions.

### Management of credit risks

Management of credit risks arising from deliveries to customers is the primary responsibility of the operating companies. The control of credit risks arising from financial counterparties is the responsibility of the Corporate Treasury department. Management keeps within the bounds of local policies and must act in conformity with the internal control measures. Material credit risks are a specific area of attention of local and Group senior management.

## Measures to guarantee corporate governance

Wavin's corporate governance policy, which is based on the guidelines laid down in the Dutch Corporate Governance Code (page 31 of this annual report), sets out to what extent the guidelines are followed. In addition to general corporate governance requirements, Wavin's governance framework also contains a number of specific components:

**Wavin Code of Conduct**

The Wavin Code of Conduct sets out a number of moral values to which Wavin subscribes. It is not all-encompassing but instead formulates minimum ethical standards which are to be interpreted within the framework of local laws and customs. The Company Secretary is in charge of supervising compliance with the Code of Conduct. The text of the Code of Conduct is available on the Company's website.

**Whistle-blower's procedure**

In 2004 Wavin implemented a whistle-blower's procedure as part of its Code of Conduct. The procedure serves to ensure that any alleged infringement of the existing policy and procedures may be reported without the person making the report suffering any negative consequences of his action. The text of the whistle-blower's procedure is available on the Company's website.

**Disclosure of price sensitive information**

All public financial disclosures made by Wavin should be accurate, complete and timely, fairly present, in all material aspects, the Company's financial condition, results of operations and cash flows, and meet any other legal, regulatory or stock exchange requirements. The Chief Executive Officer and the Chief Financial Officer are supported by the Company Secretary, the Director Corporate Communication and the Corporate Director Investor Relations and Treasury in fulfilling the Company's and their responsibilities regarding the identification and disclosure of material information about the Company and the accuracy, completeness and timeliness of the Company's financial statements.

**Letter of Representation**

All managing directors and financial directors / controllers of the operating companies annually sign a detailed statement with respect to financial reporting, internal controls and ethical principles. Any observations made in this statement are reported to and discussed with the Management Board and the Audit Committee.

**Role of the external auditor**

The external auditor carries out the requisite activities for the issuance of an auditor's report accompanying the annual accounts. The external auditor focuses on the financial reporting but also assesses the accounting principles that have been applied and the adequacy of the internal controls to ensure that the annual report is free of material misstatement.

## Main risks

Under the explicit understanding that this is not an exhaustive inventory, major factors such as market, operational and financial risks are summarised below.

### Market risks

**Geographical exposure**

Our business is concentrated in Europe where exposure to political, economic and legal risks is relatively low. The emerging economies in Europe, where we realise over 25% of revenue, are subject to greater risks and volatility than more mature markets. Wavin is dependent on the development of the construction sector in the countries where we operate. New housing starts, commercial/public construction, as well as the level of repair, maintenance and improvement (RMI) activities are important indicators in this respect. All countries have their own economic cycle influenced by, amongst others, mortgage rates, house prices, urbanisation, the number of transactions and changing legislation. Our presence in 28 countries mitigates our exposure to the construction cycle in any single country.

**Construction market exposure**

Wavin's results are dependent on the levels of activity in the construction markets. The level of activity varies by market depending on many factors including general economic conditions, the availability of credit to finance customer investment, development of housing prices, mortgage and other interest rates, unemployment, demographic trends, weather and consumer confidence.

Wavin is active in the new-build and in the repair, maintenance and improvement (RMI) market for residential and non-residential developments. We are also a leading player in the infrastructural construction activities. The RMI segment and infrastructure activities tend to be less sensitive to economic cycles than new-build activities. Approximately 60% of revenue is derived from residential construction (new-build and RMI) and 40% of non-residential and infrastructural construction.

**Customer concentration**

The consolidation trend among the large building product distributors in Europe continues. This is reflected in Wavin's client base. The ten largest customers together represents 26% of revenue in 2008 (2007: 29%). The other 74% of revenue is divided over a wide customer base. Wavin is well positioned to support customers in their international expansion, because it offers a complete range of systems and solutions throughout Europe.

It is company policy to limit inordinate dependence on individual clients. Relationships with key customers are regularly monitored at local and corporate levels.

### Operational risks

**Raw material prices**

In manufacturing its products, Wavin uses large quantities of polymers such as polyvinyl chloride, polyethylene, polypropylene and polybutylene. Polymers are subject to cyclical price fluctuations. In 2008, Wavin spent approximately € 550 million on raw materials, which represents some 35% of revenue. The price of raw materials typically changes on a monthly or quarterly basis. Contracts do not protect Wavin from price fluctuations.

As one of the largest purchasers of polymers, Wavin follows developments closely and uses its European market leadership to pass on structural raw material price fluctuations. Historically, the company has passed on a significant portion of the fluctuation in polymer prices to its customers with a delay, causing short-term impacts to the financial performance.

**Product defect and warranty risks**

Wavin develops complex piping, gas and water control products which could contain defects in design or manufacturing or other errors or failures. This is particularly a risk with new or upgraded products or services, such as hot and cold applications, where Wavin's strict quality control procedures or those of a component supplier could fail to test for all possible conditions of use, or to identify all defects in the design, engineering or specifications of these products.

As an innovative company, more than 15% of our revenue is realised from products no older than five years. Wavin has stringent development and testing criteria and procedures for both manufactured and bought-in materials and products. In 2008, our warranty costs did not increase materially compared to previous years. Furthermore, extensive insurance coverage mitigates the financial risks of product liability and dismantling and refitting of defective products.

**Manufacturing and operations risk**

Wavin has production plants in 16 countries and sales offices in an additional 12 countries throughout Europe and one in China. As a result, the company needs to manage a number of risks, such as differing labour regulations, environmental and other regulatory requirements and intellectual property protections. The success of Wavin's business depends, in part, upon our ability to succeed in these differing and sometimes fast changing economic, regulatory, social and political environments. The company has well established local organisations and consistent internal policies to manage these operational risks in the various constituencies.

Wavin is implementing optimisation and plant rationalisation projects and pursues various initiatives intended to improve its operating and financial performance. For example, the company is currently undertaking a number of optimisation and rationalisation projects in the UK, the Netherlands and Germany, which are focused on integrating complementary sites and facilities, streamlining operations and reducing working capital needs. As a result, Wavin has incurred personnel redundancies and relocation costs at some operating sites. Tight planning and control and past experience limit the inherent risk of these transition processes.

A major proportion of revenue is generated with products manufactured in one of our plants. To minimise the risks of property damage and business interruption due to fire, machinery breakdown etc. high prevention levels are maintained. Due to these high standards the majority of our plants have a HPR status. Furthermore extensive insurance coverage is mitigating the financial risks of property damage and business interruption.

**Risks relating to information management**

Wavin's ability to continuously provide customers with products and services and manage operations depends on the continuing operation of legacy IT systems. The Wavin operations increasingly operate across borders and across business functions. This requires uniform and consistent exchange of information. To enable and accelerate these initiatives, Wavin developed ConnectIT, a long-term programme that will result in a controlled transition to one uniform data platform in the Wavin Group. As a result, existing internal IT governance and risk management systems will be adapted. The Group IT systems have been successfully implemented in Germany, Italy and at Head Office in 2008, after the roll out in the Benelux in 2007.

## Financial risks

In this paragraph the headlines of the identified financial risks are described. Detailed descriptions and sensitivity analyses of these identified risks are disclosed in note 4 of the Group financial statements.

### Currency risks

Wavin operates internationally and uses the Euro as reporting currency. In 2008, approximately 58% of revenue was denominated in currencies other than the Euro. Consequently the translation risk of non-Euro results to the Euro is the most significant currency risk. In particular, currency fluctuations of the Pound Sterling, the Polish Zloty, the Hungarian Forint, the Turkish Lira, the Czech Koruna and the Danish, Norwegian and Swedish Krone could materially affect the Company results.

Wavin has defined clear policies regarding foreign exchange exposures. To limit the short term impact of currency fluctuations on our operations we hedge to a large extent our transactional exchange risks on a rolling annual basis. For the first three months of the forecasting period we hedge between 60% to 80% of our exposures. For the remaining nine months of the forecasting period, lower hedged exposures are applicable. In 2008 we hedged foreign currency exposures with a total value of close to € 100 million. Despite the foreign exchange hedges, the strong volatility against the Euro of all currencies resulted in a partly unutilised transactional working capital exchange loss of € 6.9 million (2007: € 1.0 million) in addition to foreign exchange losses on loans and borrowings of € 3.6 million (2007: nil). Translation risks are not hedged but are minimised to the extent possible by using natural hedges.

### Interest rate risks

Interest exposure is mainly related to the multi currency € 750 million committed finance facility. Wavin has to pay variable interest rates under this facility based on Euribor or Libor increased with a margin which is maximised at 90 basis points. Wavin is only to a limited extent exposed to interest rate fluctuations as a minimum of fifty percent of the exposure to changes in interest rates on borrowings is hedged on a fixed rate basis. This is realised by multi-currency interest rate swaps. Currently the variable interest exposure on € 400 million of outstanding debt is hedged at an average interest rate of 3.9% and with an average duration of close to two years. This 3.9% excludes the margin payable under the facility agreement.

### Financing and liquidity

Financing strategies are under continuous evaluation to ensure sufficient access to capital for financing long term growth as well as seasonal working capital requirements. Since October 2006, Wavin's main source of financing is an € 750 million syndicated bank facility which expires in October 2011. Compliance to the financial covenants of the facility is very important. The rapidly deteriorating market circumstances and deepening financial crisis in 2008 have lead to an increasing attention to liquidity development throughout the company.

Strong cost and cash management and strong controls over capital investments and working capital were therefore put in place. At year end, the company was well within the financial ratios agreed with its lenders, thanks to a reduction in net debt from € 542.4 million to € 461.1 million.

**Credit risks**

Wavin operating companies have strict procedures regarding credit and payment terms. These are closely monitored at local and corporate level. During 2008, the company maintained an excellent collection record reducing trade receivables from € 304.6 million in 2007 to € 252.5 million in 2008. The company realises over 25% of its sales in emerging economies where payment terms are generally longer than in Western Europe and availability of information on the financial history of customers is often limited. Impairment charges for doubtful debts amounted to € 3.4 million against minus € 0.4 million last year. Most of the additional charges were related to outstanding receivables in emerging economies

**Pension risks**

Wavin operates (limited) defined benefit schemes in four countries and defined contribution plans in several jurisdictions. The Netherlands has a limited defined benefit plan, in that it concerns a multi employer scheme that has a maximised agreed contribution. The wholly owned subsidiaries in Norway, the UK and Ireland operate defined benefit plans and retain a responsibility towards payment to the members of the pension fund including the indexation of the pension rights of pensioners after retirement. The wholly owned subsidiary in Germany has a lump sum arrangement which will be paid to the member upon retirement. In the event of an insolvency of the insurance or reinsurance company connected to the pension arrangement in Germany, Wavin would be liable for paying any outstanding lump-sum amount to qualified employees.
For more information on the current financial position of Wavin's pension funds, please refer to Note 28 of the Group Financial Statements.

## Statement of control

The risk management and control system in Wavin is designed to safeguard effective and controlled realisation of the company's objectives.

With observance of the restrictions below, the Management Board declares that to the best of its knowledge Wavin's risk management and control systems during the year under review have provided reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems have worked properly over the year under review. We continuously strive to improve these systems.

The Management Board intends to give as faithful a picture of Wavin's risk profile as possible. However, there may be circumstances in which risks occur that had not been identified yet or of which the impact is greater than expected. The Management Board emphasises that the nature of the company's activities explicitly involves exposure to risks that may be beyond its control. Where a reduction of risk exposure, intentional or unintentional, is not possible, the systems aim to limit the impact such risks can potentially have on the company and its stakeholders. Risk management and control systems however can never give an absolute guarantee that all risks are adequately managed or that a company's objectives will be realised.

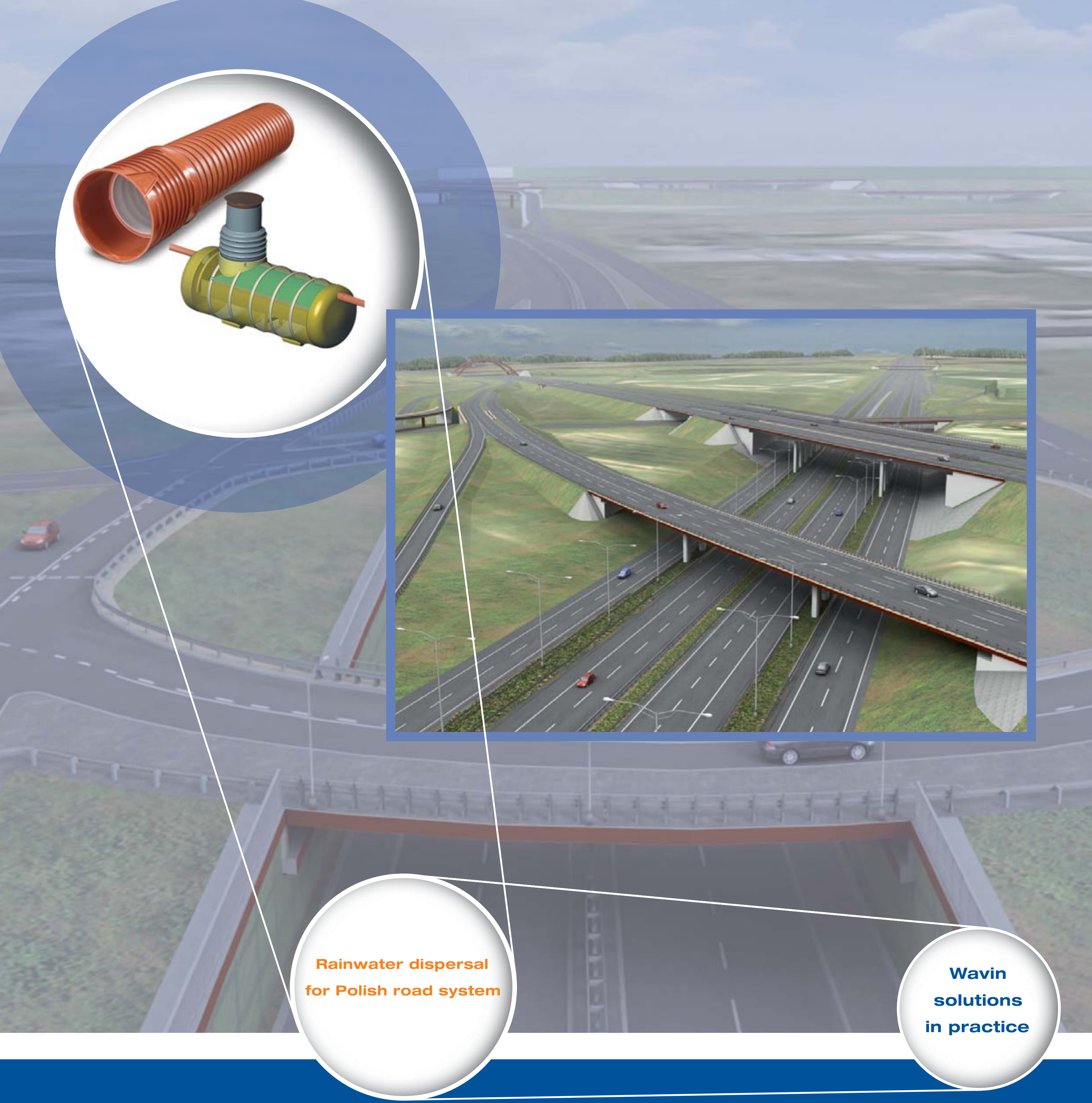
Wavin aims to comply with corporate governance requirements in respect of these responsibilities. As noted above, the presence and effectiveness of the implemented systems can, however, never be a guarantee that the company's objectives will be achieved, nor can these systems ensure that human error, unforeseen circumstances, materially incorrect statements, loss, fraud and violation of acts and regulations are wholly prevented.

### Statement pursuant to the Financial Markets Supervision Act

The members of the Management Board confirm that, to the best of their knowledge, (i) the financial statements provide a true and fair view *(getrouw beeld)* of the assets, liabilities, financial position and profit or loss of the company and its consolidated participations, and (ii) the management report provides (a) a true and fair view *(getrouw beeld)* of the company and its related participations as per the balance sheet date and the state of affairs during the financial year to which the report relates and (b) describes the material risks the company is facing.

Zwolle, 26 February 2009

**The Management Board**
Ph.P.F.C. Houben, President & CEO
W.H.J.C.M. Oomens, CFO
H. ten Hove, Executive Vice President
A.R. Taylor, Executive Vice President




With 21 different bridges connecting three road systems, the Sośnica interchange in Silesia is the most complex component in Poland's extensive road building and renewal programme. With the heavy rainfall in this part of the country, keeping the road safe and dry is a top priority. The designers needed to ensure that surface water would be dispersed no matter how heavy the downpour. They also wanted to meet strict environmental standards and ensure that no road spillage could contaminate the surrounding countryside.

The Wavin solution is applied across the site to catch, transport and clean all surface water before it is released safely into water reservoirs and other sustainable drainage. Simplicity of installation was essential too, and the Wavin solution allows the workforce to complete the job efficiently and on time.

# CORPORATE SOCIAL RESPONSIBILITY AND HUMAN RESOURCES

## CORPORATE SOCIAL RESPONSIBILITY

Wavin has been committed to corporate social responsibility since its foundation in 1955. In recent years, corporate social responsibility has rightly become more formalised and more heavily legislated, but for Wavin the principles and obligations remain largely unchanged. The company aims to:

- Develop solutions and products which benefit the people who rely on them and have minimum negative impact on the environment in which they are used
- Ensure that its products are manufactured and distributed as safely and as efficiently as possible
- Remain mindful at all times of the wellbeing of its employees, and of the people who install and use Wavin products and solutions

### Sustainability

Wavin is present in 28 European countries and employs approximately 7,000 people. It operates manufacturing plants in 16 European countries and beyond Europe, in Foshan, China. Right across its operations, Wavin continually pursues sustainable improvements in behaviour, in processes and in its products and solutions.

Wavin's product portfolio contains a strong environmental focus. Its water management solutions, for example, help to reuse rainwater responsibly while its surface heating and cooling systems provide a better controllable indoor climate with higher energy efficiency of buildings.

Wavin seeks to minimise negative environmental impact at each stage of operation, from material selection and sourcing through the manufacturing process and on through distribution to the end destination, use and recycling. The company is committed to establishing sustainability standards which meet or exceed those set in the countries in which it operates. Wavin has an active workgroup dedicated to improving sustainability. The remit of the group is company-wide, and involves employees at every level in the company in identifying areas for environmental and process improvement.

The company's principal sustainability objectives are:

- Limit overall material usage in production processes
- Increase usage of recyclables
- Reduce overall waste in proportion to production at every site, year over year
- Reduce energy consumption in proportion to production at every site, year over year
- Phase out heavy metal stabilisers in the production of pipes and fittings

### Measuring and Monitoring

Wavin strives to improve its sustainability performance on the basis of continuous measurement, analysis and monitoring of consumption and emissions. In the reporting year the company established measuring and monitoring systems.

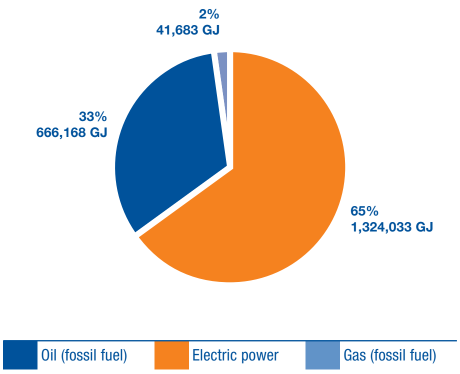
**$Co_2$ footprint established**

To measure its carbon footprint, Wavin uses the Greenhouse Gas Protocol accounting and reporting tools, which are widely regarded as the de facto industry standard. The company defines its emissions according to the protocol's three scopes:

- Scope 1: direct emissions occurring on-site or from company-owned assets;
- Scope 2: indirect emissions, including those created directly in the generation of electricity;
- Scope 3: emissions that result from other company activities such as product and material transport (business travel is not included).

External consultants have concluded that the reporting criteria have been applied consistently and that the reported information has, in all material aspects, been presented completely, accurately and adequately. (For more details, see www.wavin.com.)
Consumption, emission and recycling profiles for these three $CO_2$ emission sources are outlined below.

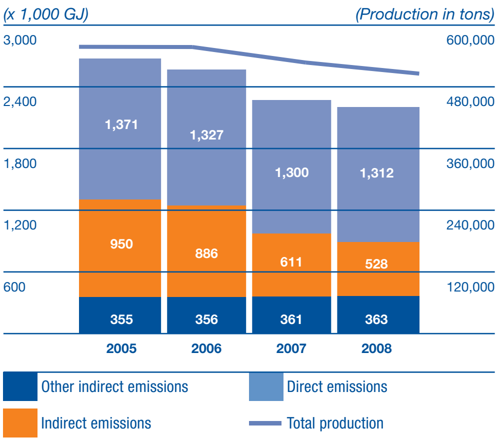
### Energy sources used for production in 2008



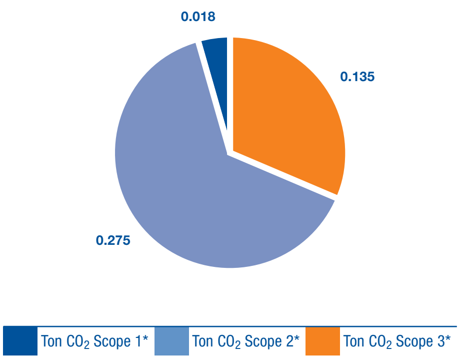

All energy usage across the Wavin Group is monitored. The primary Wavin production processes of extrusion and injection-moulding of plastics use electricity. Gas-fired kilns are used in the production of ceramic products, predominantly at sites in the UK. Overall usage of oil is negligible and is limited mainly to some heating of facilities. A number of Wavin production sites are located in relatively remote, rural locations and during 2008 the company began preliminary feasibility studies into the use of wind power at these locations.

## Energy consumption and $CO_2$ emissions

### Energy consumption




### $CO_2$ emissions




* Divided by total ton production.

Wavin measures its energy consumption per ton. In the company's product mix, there is a clear trend towards lighter and easier-to-handle plastic components such as those used in hot and cold water systems and cable ducts. Heavy products, such as utility pipes for gas and water (including clay pipes), constitute a declining percentage of the total production. As a result, total production measured in tons has slightly decreased in recent years. Energy usage is not, however, reduced in direct proportion to product tonnage. This is due to the changed product mix and the more complex production processes involved in new applications such as multi-layer systems.

**Energy management projects at all sites**

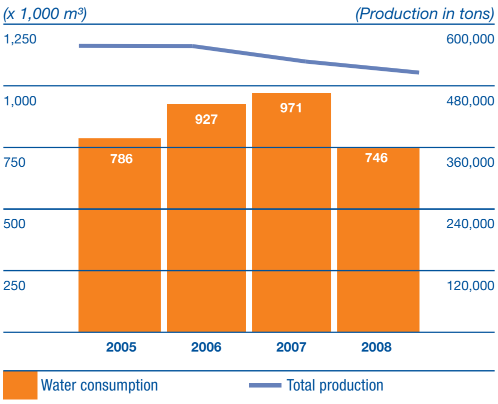
Wavin has established energy management projects at all sites. Knowledge and ideas are being shared across the company to reduce both the carbon footprint and cost of energy consumption. Examples of improved practice already arising from this initiative include:

- Reduction of energy consumption and cooling water requirements of production plants;
- Isolation of extruders and inverters on moulding machines to cut energy consumption;
- Installation of a 'flexible mould' extrusion system in Hardenberg (the Netherlands) that enables in line changing of pipe diameter and/or wall thickness without stopping and restarting the line. This reduces material usage and saves on energy consuming rework of scrap;
- Adoption of energy-saving lighting such as LED at several sites to reduce power consumption and extend component life;
- Installation of Wavin ceiling-cooling systems in offices in the Netherlands, improving the working environment and reducing energy consumption.

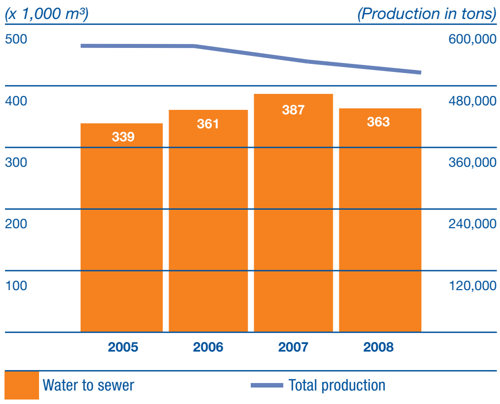
During 2008, Wavin also made notable progress in the control of energy usage and emissions in its logistics operations. A growing number of our operating companies have implemented intelligent route planning and shipping applications. These enable them to maximise distribution efficiency, reducing journey times and fuel usage. For long haul shipments Wavin also optimises load management using 'nesting' techniques where smaller pipe systems are packed inside larger ones.

## Water consumption and waste water volume

### Water consumption




### Waste water (water to sewer) volume

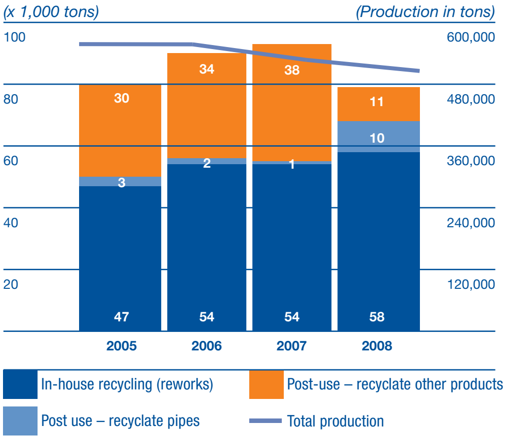



As with energy consumption, Wavin is keen to limit and control water usage and waste water, especially in those locations where water is relatively scarcer. A good example of this can be found at the Dutch production facility in Hardenberg. The closed water cooling systems used in production are fed by local groundwater.

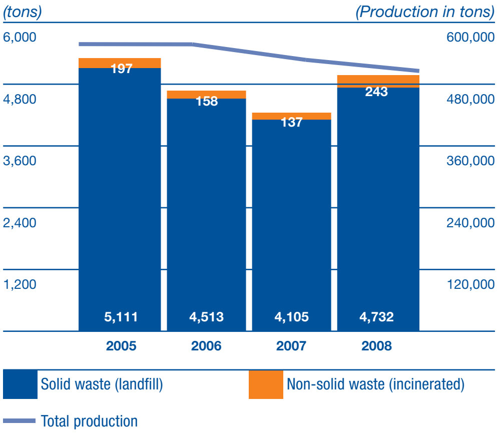
This can either be recycled using specially constructed storage reservoirs or can be infiltrated back into the surrounding ground. This not only reduces reliance on mains water in industrial processes, but helps further limit energy use and its associated emissions. Wavin shares such examples of industrial best practice across the Group.

## Recycling and waste disposal

### Total recycling




### Waste disposal




**Good progress in recycling**

Wavin seeks to maximise recycling and minimise waste in all its production processes. Recycling industrial plastics helps to reduce the need for virgin material and limits waste disposal. The volume of obsolete pipe available for recycling is, however, limited by its durability: plastic pipe systems have projected life times of between 50 and 100 years and have only been on the market for half a century. Wavin minimises raw material usage by developing light weight systems and reusing production waste. This too limits the volume of material available for recycling. Overall, Wavin achieves wastage of less than 1% of total production and this is reduced more as Wavin implements further improvements in its production processes.

As a member of The European Plastic Pipes and Fittings Association (TEPPFA), Wavin has been active in industry initiatives to promote recycling, such as the Vinyl 2010 Voluntary Commitment for Sustainable Development. This initiative is now well on its way to reaching its target of recycling of 200,000 tons of PVC per year in 2010.

Plastic piping has significantly lighter environmental burdens than alternative piping material. Industrial plastics can be recycled as often as seven times without any degradation in performance. By manufacturing on the basis of recycled materials, energy is saved compared to the use of virgin materials.

With the rising monetary and environmental cost of raw materials, the incentive to recycle is strong. Despite limited availability, plastic recycling is relatively well-advanced in Europe, and Wavin is pleased to use a significant proportion of recycled materials in many of its product lines. Wavin's multi-layer sewer pipes, such as the Wavin Ultra 3 pipe range, use recyclables in a core with an inner and outer skin of virgin material.

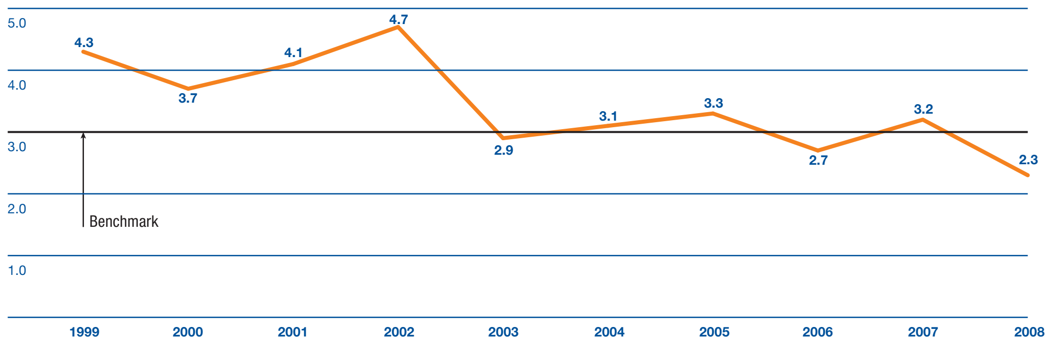
## Health and safety

Wavin promotes the highest standards of health and safety for its workforce. Wavin meets all local legislative health and safety requirements of the countries in which it operates. Where Wavin's internal rules exceed the national regulations, the Wavin rules prevail. An active Health & Safety working Group shares best practice across its operations and actively encourages all employees to contribute to a culture of wellbeing and improvement.

### Safety

The safety of the workforce at Wavin is of vital importance, and there is full commitment to minimising risk and maximising safety education in the workplace.

**Safety performance** (number of lost time incidents per million hours worked)




**All-time low in lost time incidents**

By persistently promoting its internal Health & Safety focus points and continuously monitoring implementation progress, Wavin managed to further reduce the number of lost time incidents per million hours worked to 2.3 in 2008 (2007: 3.2). This is well below the already exacting industry benchmark of 3.0, and demonstrates a continuing downward trend at Wavin.

Wavin actively encourages high safety standards across the Group and the annual Group Safety Award is awarded to the Wavin operating company that delivers the best safety performance. The 2008 regional Safety Award was won by South West Europe and the best site Safety Award went to Westeregeln in Germany. Both winners had an excellent actual safety performance and the best outcome of the 'Safety Gap Analysis', an internal benchmark measuring progress in the area of safety.

In December 2008, Wavin UK received independent recognition at a national ceremony, winning two industry awards for major contributions to health and safety. The Pledge Awards are bestowed by the British Ceramics Confederation to raise the profile of Health and Safety across the industry. Wavin UK won one award for raising the profile of health and safety within the company and another for improvement in the reduction of manual handling accidents.

## Health

Wavin supports good health across the workforce. The company has set up guidelines for occupational health improvement. The progress on implementing these guidelines is benchmarked internally.

Much time and effort is spent on prevention of health issues. Some initiatives are closely linked to a specific business activity. The company ensures, for example, that any members of the workforce needing to manage volatile or heavy materials know how to do so safely and without risk to themselves or others.

Wavin has made significant progress in meeting its obligations under REACH, a European Community Regulation on chemicals and their safe use. REACH deals with the registration, evaluation, authorisation and restriction of chemicals.

For those members of the Wavin workforce whose job styles are more deskbound, the company takes care to ensure that their working environment is comfortable and fit for purpose.

Healthy living is endorsed across the workforce. This is reflected in the choice of food in staff canteens, for example. Smoking is banned by law across most Wavin working environments. Wavin monitors absenteeism appropriately, and provides full support to any employee re-entering the workplace after extended absence.

**Providing Essentials for Children**

Triggered by Article 24 of the Convention on the Rights of the Child: 'Every child has a right to safe drinking water', Wavin became a partner of children's right organisation UNICEF and the Aqua for All foundation in 2006. Under the slogan 'Providing Essentials for children' these partners fund water and sanitation projects in the developing countries. The partnership has already led to good results in the Gao region of Mali (Africa). Here 32,000 children at 75 schools now have access to sanitation and clean drinking water. In 2008, a new water and sanitation programme has begun in three remote provinces of Papua New Guinea: the Eastern Highlands, Western Highlands and Chimbu. Under the project water supply systems and sanitary facilities at 30 health centres and 30 schools in 20 villages will be repaired or created. Wavin donates cash, materials and expertise.
More information on this partnership can be found on-line at
www.providingessentialsforchildren.com

unicef

## HUMAN RESOURCES

In 2008, the Wavin Group employed an average workforce of 7,094 people, compared to 6,931 in the previous year. The acquisition of Pilsa in Turkey and Warmafloor in the UK added around 850 employees to the workforce.

In the course of the year, local restructuring processes resulted in substantial staffing reductions, mainly in Western Europe. Upon the first signs of a market slowdown, the number of agency workers was limited. In a number of countries more structural redundancy programmes became necessary. Whenever permanent reductions became unavoidable, employee representative bodies were consulted.

These developments lead to the following workforce adjustments per ultimo 2008 in comparison to the year before:

### Workforce per region

| At 31 December | 2008 | 2007 |
|---|---|---|
| North West Europe | 1,177 | 1,254 |
| UK/Ireland | 1,754 | 2,209 |
| South East Europe | 1,270 | 491 |
| Central & Eastern Europe | 1,349 | 1,356 |
| Nordic Europe | 796 | 878 |
| South West Europe | 497 | 509 |
| Overseas and other | 251 | 234 |
| **Total** | **7,094** | **6,931** |

Total workforce in the Western European operations of Wavin at year end was 650 lower than in 2007, around 12% of the employees in those countries. The increase in South East Europe is mainly attributable to the Pilsa acquisition in Turkey.

**Headcount reduction in Western Europe**

### Working for Wavin

The basis for productive and rewarding relationships with Wavin employees remained unchanged under the difficult economic climate in 2008. The company is committed to maintaining an open, honest and straightforward working environment based on mutual trust and respect for diversity. Wavin recognises the importance of individual talent, skills and experience and these characteristics are the basis for promotion and reward. The company highly values innovation and ideas and therefore understands the importance of retaining, nurturing and attracting talent.

### Leadership

Over the year, Wavin increased its focus on management and leadership excellence development. The main objective of the Management Development programmes is to ensure that existing members of the company are ready to step up to increased levels of responsibility when required. The programme helps to provide a source of in-house replacements for key positions, prepares individuals for future challenges, aligns managers to new organisational directions and retains and motivates talent.

Two specific leadership programmes ran during 2008:
- The Young Potential programme, in cooperation with European Management Centre, Brussels;
- The Senior Management programme, in cooperation with IMD Business School, Lausanne.

The programmes placed considerable emphasis on the practical development of new business opportunities in areas such as water management and surface heating and cooling. They also encourage a commitment to international collaboration and sharing best practice.

Both leadership programmes contributed to strengthening the business acumen of the Wavin managers and finding new ways to further cultivate customer relationships:
- Creating involvement and cross functional and cross border collaboration;
- Creating new ways of working and sharing best practices;
- Developing individual leadership capabilities through self-insight;
- Creating an innovation mindset and entrepreneurship.

## Personal Development and Human Resource Planning

Annual Career Dialogues are the cornerstone of personal development, and these are conducted by managers regularly and formally with their direct reports.

Employees are actively encouraged to further develop their knowledge, experience and skills, through new job challenges, special assignments, in house training courses, external training and formal education. Where possible individual development plans are developed. In a mid-year staff planning process the regional Managing Director and Regional and Corporate HR discuss organisational and people developments. This meeting is focused on the top three senior management levels (in 2008 approximately 160 managers) and high potentials as their possible successors. In addition Corporate and Regional HR jointly meet with selected high potential and internationally mobile managers to discuss career opportunities.

## Internal succession and international assignments

When filling senior management positions, Wavin aims to achieve an effective balance between making internal appointments and recruiting managers of appropriate experience and calibre externally. The company realised an average internal succession rate of 73% over the three-year period 2006-2008. Wavin actively promotes job rotation for senior managers.

**Internal succession rate 73%**

In order to realise Wavin's growth ambitions, the recruitment and development of Young Management Potentials and middle managers remains important. Local hiring of management potentials is based on a Wavin Group profile combined with job specific requirements.

During 2008, Wavin experienced a higher number of departures at senior management level, than in previous years. This was largely due to a number of retirements and redundancies later in the year. Departure at senior management level was 18% compared to 5% in the period 2005-2007.
These changes have not affected the continuity and strength of the core management team, and the company's promotion and recruitment processes have effectively filled key positions with excellent candidates.

## Diversity

Wavin consciously embraces diversity in the workforce. We believe that different people from different personal and professional backgrounds bring new perspectives and ideas to the business. As the company seeks to develop new areas of our business, diversity brings value.
Wavin has set specific targets for gender in what has traditionally been a male-oriented business. By 2010, 8% of senior managers at corporate level should be women: this figure is currently 6%.
A corporate charter outlaws all discrimination on the grounds of gender, religion, ethnicity, sexual orientation, handicaps and age. The Group fully complies with all relevant local legislation regarding employment and discrimination.

### Women in senior management positions

| Year end | Headcount | Women | % |
|---|---|---|---|
| 2005 | 132 | 5 | 3.7 |
| 2006 | 158 | 6 | 3.8 |
| 2007 | 157 | 8 | 5.1 |
| 2008 | 159 | 10 | 6.2 |

## Communication and consultation

Wavin understands the importance of good communication and consultation. The company seeks to keep all employees informed about developments within the company.

Communication is a two-way process, and effective mechanisms are in place to make both structured and informal dialogue between management and staff easy and effective. Wavin has invested in a culture of open communication, and in recent years has significantly developed online channels to keep all members of the company informed and involved. In 2008, new Intranet sites were launched at several operating companies.

Local Wavin companies maintain formal processes to inform consult and involve employees and their representatives on relevant issues. A European Consultative Council has been in existence for several years and provides a forum for discussing issues with the Management Board that extend across national boundaries.


Intelligent analysis and practical, hands-on experience are both essential in meeting challenges. At Wavin's Technopôle training and experience centre in France, we welcome our customers' most demanding questions. By sharing intelligence in classroom and practical training sessions, Wavin and its clients create solutions which are backed up with design, engineering and training services.

Our software modelling tools are particularly valued, allowing us to gauge precisely the effect of variable flows and stresses, and to optimise solution layout and configuration.
For the Commune of Izenore in Eastern France, for example, we recently worked together to design an innovative combined fire reservoir and rainwater management solution.

# SUPERVISORY BOARD REPORT

The Supervisory Board is responsible for supervising the policies of the Management Board and the affairs of the Company and its affiliated enterprises, as well as assisting the Management Board by providing advice.

## Meetings

In 2008 six Supervisory Board meetings were held in accordance with a preset schedule. At these meetings both boards reviewed the ordinary course of business and discussed a number of important projects. The Management Board and the Company Secretary attended all meetings with the exception of a meeting of the Supervisory Board in executive session. At that meeting, the Supervisory Board verbally evaluated its functioning, that of its committees and its individual members as well as the possible need for further training and/or education. At this meeting the functioning of the Management Board as a body of the company and also the performance of its individual members has been evaluated. Attendance at the Supervisory Board meetings was 100%.

The Supervisory Board meetings always included a review of the financial and operational performance of the Company. Other subjects on the agenda covered topics such as acquisition prospects, divestment opportunities, Wavin's IT programme, major investment proposals, investor relations and innovation. The Supervisory Board also discussed the corporate strategy, the risk exposure of the business and the internal risk management and control systems. In 2008 substantial attention was given to the financial crisis and the subsequent consequences for the Company as well as possible actions. Liquidity issues, bank covenants and cash management received increasing attention.

One meeting was largely devoted to the 2007 annual accounts, critical accounting policies and highlights of the auditor's report. This meeting took place in the presence of the company's external auditor.
It is the policy of the Supervisory Board to have at least one meeting per year in one of Wavin's six regions. This year, the June meeting took place in France and included a visit to the plant in Varennes-sur-Allier and the local training centre.

## Composition of the Supervisory Board

The composition of the Supervisory Board did not change during the year under review. The dates of appointment and reappointment and the remaining terms of the Supervisory Board members are highlighted in the table on page 38.

Wavin underwrites the importance of a diverse composition of the Supervisory Board with regard to expertise, gender, age, background, nationality. The profile of the Supervisory Board is available at www.wavin.com. The Supervisory Board periodically assesses its composition. We are of the opinion that the current composition of the Supervisory Board meets the criteria as have been set in the profile.

## Independence of the Supervisory Board

More information about the independence of the individual Supervisory Board members can be found on page 38.

## Information regarding the Supervisory Board members

**Mr. P.C. (Paul) van den Hoek – Chairman (Dutch, 1939)**

**Remuneration, Appointment & Corporate Governance Committee (Chairman)**

Current position: senior partner at international law firm Stibbe

Appointed in 1999, current term ends in 2011

Other Supervisory Board memberships: Chairman of the Supervisory Board of AON Groep Nederland B.V., ASM International N.V., (until 1 May 2008), Robeco Groep N.V., including Robeco N.V., Rolinco N.V. and Rorento N.V.

**Mr. B.G. (Brian) Hill – Vice-Chairman (Irish, 1944)**

**Audit & Investment Committee (Chairman)**

Previous Position: Group Managing Director, Products & Distribution CRH Plc.

Appointed in 2005, current term ends in 2009

Other Supervisory Board memberships: non-executive Director at Kingspan Plc.

**Mr. R.H.P.W. (René) Kottman (Dutch, 1945)**

**Remuneration, Appointment & Corporate Governance Committee**

Previous position: Chief Executive Officer, Ballast Nedam N.V.

Appointed in 2006, current term ends in 2010

Other Supervisory Board memberships: Delta Lloyd N.V. (Chairman), Keyrail B.V. (Chairman), Delta Lloyd Bank N.V., Warmtebedrijf Rotterdam N.V. and NMC-Nijsse International B.V.

Other Board memberships: MCA-Gemini Group Hospital (Chairman), De Baak Management Centrum

**Mrs. B. (Birgitta) Stymne Göransson (Swedish, 1957)**

**Audit & Investment Committee**

Current position: CEO of Semantix Group

Appointed in 2007, current term ends in 2012

Other Board memberships: Arcus ASA, Elekta AB, Lernia AB, Apoteket Farmaci AB

**Mr. R.A. (Rob) Ruijter (Dutch, 1951)**

**Audit & Investment Committee**

Previous position: Chief Financial Officer of the Nielsen Company B.V. (formerly VNU N.V.)

Appointed in 2007, current term ends in 2012

Former Supervisory Board memberships: Transavia.com, Kenya Airways

## Supervisory Board committees

In accordance with the Corporate Governance code Wavin has an Audit, Remuneration and Selection & Appointment Committee. Given the size and organisation of the Supervisory Board it has been decided to combine the last two committees, resulting in the existence of an Audit & Investment Committee and a Remuneration, Appointment & Corporate Governance Committee. The main role of the committees is to provide a focused analysis and preparation of subjects within their respective areas of expertise and to report and make recommendations to the full Supervisory Board. A summary of the duties of the two committees is set out on pages 39 and 40.

Investment proposals with a value of over € 2.5 million and acquisitions with a value of over € 5 million are reviewed and approved by the full Supervisory Board, taking into account the advice of the Audit & Investment Committee.

The Audit & Investment Committee consists of Mr. B. Hill (chairman), Mr. R.A. Ruijter as financial specialist and Mrs. B. Stymne Göransson. Members of the Remuneration, Appointment & Corporate Governance Committee are Mr. P.C. van den Hoek (chairman) and Mr. R. Kottman.

### Report of the Audit & Investment Committee

During the year under review the Audit & Investment Committee met four times. During the February 2008 meeting, the annual accounts and financial statements were reviewed and discussed with the external auditor. In the June 2008 meeting the investment application procedure was reviewed. In August the first half year results were reviewed. In the December meeting the operational plan and capital investment budget for 2009 were discussed.

The Audit & Investment Committee felt assured that the company used audit, internal control and risk management systems which would enable the company to deliver a statement of 'being in control' in accordance with the best practices of the new Dutch Corporate Governance Code providing reasonable assurance that the financial reporting does not contain any material inaccuracies. However risk management and control systems can never be an absolute guarantee that all risks are managed adequately or that the company's objectives will be realised under all circumstances. In that connection, the Audit & Investment Committee refers to the Risk Management paragraph on page 43 of this annual report. The Audit & Investment Committee felt satisfied with the quantity and quality of information provided by the Management Board, and the manner in which recommendations made have been followed up.

The Audit & Investment Committee has evaluated the need for an internal auditor. The current financial organisation and existing control systems already include a number of internal audit activities. The Supervisory Board therefore feels that there is no immediate need for a separate internal audit function. The Supervisory Board will however periodically assess the necessity of such an internal audit function.

### Report of the Remuneration, Appointment & Corporate Governance Committee

During the year under review the Remuneration, Appointment & Corporate Governance Committee met three times. The main topics were the monitoring of the Corporate Governance practices and the remuneration practices for the Management Board and its members as well as internal succession planning in the top of the organisation. Other topics included incentive targets for the year under review, the incentive pay-out for Management Board members over the year 2007 and the salary adjustments for 2009.
The remuneration of the Management Board and Supervisory Board for 2009 was also discussed. For details of the outcome, please refer to page 36 of this annual report.

### Remuneration report regarding the Management Board members

The remuneration report regarding the Management Board members can be found on page 130.

## Financial statements and dividend

The Financial Statements for the year 2008 have been audited by KPMG Accountants N.V., who issued an unqualified opinion which is printed on page 137 of this annual report. The Management Board has drawn up and the Audit & Investment Committee has reviewed the Financial Statements and the Supervisory Board recommends that the Financial Statements as well as the proposed dividend for the year 2008 will be adopted by the General Meeting of Shareholders in accordance with Article 21 sub 5 of the Company's Articles of Association. The Supervisory Board also proposes that the General Meeting of Shareholders discharges the Management Board and the Supervisory Board for their respective management and supervision during the year and that the other resolutions be approved.

The members of the Supervisory Board have signed the Financial Statements pursuant to their statutory obligations under clause 2:101 sub 2 Dutch Civil Code.

## Appreciation

The financial crisis and its impact on the construction markets in a number of European countries have clearly influenced Wavin's performance. Substantial effort has been put in managing the risks and consequences. The Supervisory Board is satisfied that the company reacted quickly to the new developments and would like to express its appreciation to the Management Board and all employees for their dedication and efforts to maintain the company's position in these turbulent circumstances.

Zwolle, 26 February 2009

**The Supervisory Board**
P.C. van den Hoek, Chairman
B.G. Hill, Vice-Chairman
R.H.P.W. Kottman
R.A. Ruijter
B. Stymne Göransson

# FINANCIAL STATEMENTS
## Contents

# GROUP FINANCIAL STATEMENTS
## Consolidated balance sheet

As at 31 December

| (€ x 1,000) | Note | 2008 | 2007 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 17 | 366,988 | 378,465 |
| Intangible assets | 18 | 480,740 | 505,122 |
| Investments in associates | 19 | 21,116 | 17,375 |
| Other financial non-current assets | 20 | 1,088 | 8,504 |
| Deferred tax assets | 21 | 9,796 | 8,800 |
| **Total non-current assets** | | **879,728** | **918,266** |
| Inventories | 22 | 172,101 | 214,129 |
| Other current investments | 20 | 24 | 91 |
| Trade and other receivables | 23 | 270,385 | 333,242 |
| Income tax receivable | 24 | 2,159 | 381 |
| Assets classified as held-for-sale | 6 | 2,517 | 5,946 |
| Cash and cash equivalents | 25 | 48,847 | 19,454 |
| **Total current assets** | | **496,033** | **573,243** |
| **Total assets** | | **1,375,761** | **1,491,509** |
| **Equity** | | | |
| Issued capital | | 100,961 | 98,457 |
| Share premium | | 126,029 | 128,577 |
| Reserves | | (31,015) | 10,208 |
| Retained earnings | | 133,040 | 125,954 |
| **Total equity attributable to equity holders of the company** | 26 | **329,015** | **363,196** |
| **Minority interest** | | **5,151** | **6,578** |
| **Total equity** | | **334,166** | **369,774** |
| **Liabilities** | | | |
| Interest-bearing loans and borrowings | 27 | 501,241 | 515,759 |
| Employee benefits | 28 | 15,632 | 21,904 |
| Deferred government grants | | 63 | 75 |
| Provisions | 30 | 13,216 | 16,240 |
| Deferred tax liabilities | 21 | 108,339 | 122,184 |
| Other non-current liabilities | 31 | 13,105 | 1,700 |
| **Total non-current liabilities** | | **651,596** | **677,862** |
| Interest-bearing loans and borrowings | 27 | 2 | 23,019 |
| Bank overdrafts | 27 | 8,679 | 23,085 |
| Provisions | 30 | 7,576 | 5,730 |
| Employee benefits | 28 | 3,171 | 2,429 |
| Income tax payable | 24 | 11,469 | 18,517 |
| Trade and other payables | 32 | 359,102 | 371,093 |
| **Total current liabilities** | | **389,999** | **443,873** |
| **Total liabilities** | | **1,041,595** | **1,121,735** |
| **Total equity and liabilities** | | **1,375,761** | **1,491,509** |

# Consolidated income statement

For the year ended 31 December

| (€ x 1,000) | Note | 2008** | | | 2007 | | |
|---|---|---|---|---|---|---|---|
| | | Recurring | Non-recurring* | Total | Recurring | Non-recurring* | Total |
| **Continuing operations** | | | | | | | |
| Total revenue | 5, 8 | 1,581,225 | – | 1,581,225 | 1,618,495 | – | 1,618,495 |
| Revenue discontinued operations | | – | – | – | (3,761) | – | (3,761) |
| Revenue continuing operations | | 1,581,225 | – | 1,581,225 | 1,614,734 | – | 1,614,734 |
| Cost of sales | | (1,192,690) | (5,025) | (1,197,715) | (1,171,004) | (5,024) | (1,176,028) |
| **Gross profit** | | **388,535** | **(5,025)** | **383,510** | **443,730** | **(5,024)** | **438,706** |
| Other operating income | 9 | 4,790 | 3,909 | 8,699 | 2,973 | 1,399 | 4,372 |
| Selling and distribution expenses | | (170,888) | (5,668) | (176,556) | (171,001) | (167) | (171,168) |
| Administrative expenses | | (107,786) | (1,359) | (109,145) | (104,651) | 1,527 | (103,124) |
| Research and development expenses | | (8,753) | – | (8,753) | (8,945) | – | (8,945) |
| Other operating expenses | 10 | (12,286) | (2,186) | (14,472) | (9,589) | (446) | (10,035) |
| **Result from operating activities** | | **93,612** | **(10,329)** | **83,283** | **152,517** | **(2,711)** | **149,806** |
| Finance income | | 1,202 | – | 1,202 | 543 | – | 543 |
| Finance expenses | | (47,023) | – | (47,023) | (35,393) | – | (35,393) |
| **Net finance costs** | 13 | **(45,821)** | **–** | **(45,821)** | **(35,050)** | **–** | **(35,050)** |
| Share of profit of associates | | 5,201 | – | 5,201 | 4,711 | – | 4,711 |
| Profit on sale of associates | 14 | – | 16 | 16 | – | 5 | 5 |
| **Profit before income tax** | | **52,992** | **(10,313)** | **42,679** | **122,178** | **(2,706)** | **119,472** |
| Income tax expense | 15 | (14,096) | 3,499 | (10,597) | (32,679) | 4,670 | (28,009) |
| **Profit from continuing operations** | | **38,896** | **(6,814)** | **32,082** | **89,499** | **1,964** | **91,463** |
| **Discontinued operations** | | | | | | | |
| Profit (loss) from discontinued operations (net of income tax) | | – | – | – | 518 | 1,008 | 1,526 |
| **Profit for the period** | | **38,896** | **(6,814)** | **32,082** | **90,017** | **2,972** | **92,989** |
| **Attributable to:** | | | | | | | |
| Equity holders of the company | | 38,913 | (6,814) | 32,099 | 88,236 | 2,972 | 91,208 |
| Minority interest | | (17) | – | (17) | 1,781 | – | 1,781 |
| **Profit for the period** | | **38,896** | **(6,814)** | **32,082** | **90,017** | **2,972** | **92,989** |

| **Earnings per share** (€ x 1) | Note | 2008 Continuing operations | 2008 Total | 2007 Continuing operations | 2007 Total |
|---|---|---|---|---|---|
| Earnings per share (year end) | 16 | 0.40 | 0.40 | 1.14 | 1.16 |
| Diluted earnings per share (weighted averaged)*** | 16 | 0.40 | 0.40 | 1.11 | 1.13 |
| Recurring earnings per share (year end) | 16 | 0.48 | 0.48 | 1.11 | 1.12 |
| Earnings per share (weighted average)*** | 16 | 0.40 | 0.40 | 1.11 | 1.13 |

* For the definition of non-recurring items reference is made to note 3aa. For details on the non-recurring items reference is made to note 14.
** Presentation of currency differences on working capital is adjusted. For further details reference is made to note 3b.
*** In line with IAS 33.28 issued shares due to paid stock dividend in 2008 affected the (weighted average) number of shares in 2007.

# Consolidated statement of changes in equity

For the year ended 31 December

| (€ x 1,000) | Issued capital | Share premium | Legal & statutory reserve | Translation reserve | Hedging reserve | Retained earnings | Total | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2007** | **97,063** | **131,949** | **2,928** | **(2,427)** | **1,528** | **64,423** | **295,464** | **4,477** | **299,941** |
| Profit for the period | – | – | 4,711 | – | – | 86,497 | 91,208 | 1,781 | 92,989 |
| Reclassification reserves | – | – | 584 | – | – | (584) | – | – | – |
| Stock dividend | 1,394 | (1,394) | – | – | – | – | – | – | – |
| Cost of shares issued | – | (59) | – | – | – | – | (59) | – | (59) |
| Share-based payment plans | – | (1,919) | – | – | – | 392 | (1,527) | – | (1,527) |
| Dividends paid to shareholders | – | – | – | – | – | (27,465) | (27,465) | – | (27,465) |
| Dividends paid to minority shareholders | – | – | – | – | – | – | – | (83) | (83) |
| Dividends received from associates | – | – | (2,482) | – | – | 2,482 | – | – | – |
| Realisation currency differences | – | – | – | – | (569) | 209 | (360) | – | (360) |
| Currency differences | – | – | – | 1,622 | (9) | – | 1,613 | 403 | 2,016 |
| Fair value changes financial instruments | – | – | – | – | 4,322 | – | 4,322 | – | 4,322 |
| **Balance at 31 December 2007** | **98,457** | **128,577** | **5,741** | **(805)** | **5,272** | **125,954** | **363,196** | **6,578** | **369,774** |
| **Balance at 1 January 2008** | **98,457** | **128,577** | **5,741** | **(805)** | **5,272** | **125,954** | **363,196** | **6,578** | **369,774** |
| Profit for the period | – | – | 5,201 | – | – | 26,898 | 32,099 | (17) | 32,082 |
| Reclassification reserves | – | – | 4,381 | – | – | (4,381) | – | – | – |
| Stock dividend | 2,504 | (2,504) | – | – | – | – | – | – | – |
| Cost of shares issued | – | (44) | – | – | – | – | (44) | – | (44) |
| Share-based payment plans | – | – | – | – | – | (475) | (475) | – | (475) |
| Long Term Incentive Plan, shares issued | – | – | – | – | – | 906 | 906 | – | 906 |
| Purchase own shares | – | – | – | – | – | (3,643) | (3,643) | – | (3,643) |
| Dividends paid to shareholders | – | – | – | – | – | (15,210) | (15,210) | – | (15,210) |
| Dividends paid to minority shareholders | – | – | – | – | – | – | – | (627) | (627) |
| Dividends received from associates | – | – | (2,991) | – | – | 2,991 | – | – | – |
| Currency differences | – | – | – | (33,306) | 139 | – | (33,167) | (783) | (33,950) |
| Fair value changes financial instruments | – | – | – | – | (14,647) | – | (14,647) | – | (14,647) |
| **Balance at 31 December 2008** | **100,961** | **126,029** | **12,332** | **(34,111)** | **(9,236)** | **133,040** | **329,015** | **5,151** | **334,166** |

# Consolidated statement of cash flows

For the year ended 31 December

| (€ x 1,000) | Note | 2008 | 2007 |
|---|---|---|---|
| **Profit for the period** | | **32,082** | **92,989** |
| *Adjustments to reconcile to cash flow from operating activities* | | | |
| Depreciation and amortisation including adjustment to goodwill | 17, 18 | 68,871 | 58,881 |
| Impairment losses | 17, 18 | – | 38 |
| Net finance costs | 13 | 45,821 | 35,050 |
| Profit on sale of property, plant and equipment and intangible fixed assets | | (2,427) | 286 |
| Share in profit of associates | | (5,201) | (4,711) |
| Profit on sale of associates | 14 | (16) | (5) |
| Profit on sale of discontinued operations | | – | (2,063) |
| Income tax expense | 15 | 10,597 | 29,246 |
| **Operating profit before changes in working capital and provisions** | | **149,727** | **209,711** |
| Changes in other receivables and other payables | | 15,045 | 13,057 |
| Changes in working capital | | 102,061 | (22,207) |
| Changes in provisions and employee benefits | | (4,437) | (7,854) |
| **Cash generated from operating activities** | | **262,396** | **192,707** |
| Interest paid | | (35,372) | (33,734) |
| Income taxes paid | | (24,711) | (14,532) |
| **Net cash from operating activities** | | **202,313** | **144,441** |
| Investments in property, plant and equipment paid | | (49,241) | (60,963) |
| Investments in intangible assets paid | | (6,773) | (10,605) |
| Proceeds from sale of discontinued operations | | – | 5,006 |
| Proceeds from sold property, plant and equipment and intangible assets | | 2,825 | 1,205 |
| Dividends received from associates | | 2,991 | 2,482 |
| Proceeds from sale of associates | | 75 | 80 |
| Proceeds from sale of other non-current investments | | – | (371) |
| Paid other non-current liabilities | | (845) | (1,923) |
| Acquisitions of consolidated companies, net of cash acquired | | (58,972) | (6,133) |
| **Net cash from (used in) investing activities** | | **(109,940)** | **(71,222)** |
| Purchase of own shares | | (2,735) | – |
| New long term borrowings | | 62,800 | 122,840 |
| Repayment of bank loans | | (79,625) | (195,636) |
| Use of credit facility | | (24,512) | 31,918 |
| Costs share-based payments | | (475) | (1,527) |
| Costs of shares issued | | (44) | (59) |
| Dividends paid to the company's shareholders | | (15,210) | (27,465) |
| Dividends paid to minority shareholders | | (627) | (83) |
| **Net cash used in financing activities** | | **(60,428)** | **(70,012)** |
| **Net increase of cash and cash equivalents** | | **31,945** | **3,207** |
| Cash and cash equivalents at 1 January | | 19,454 | 17,041 |
| Effect of exchange rate fluctuations on cash held | | (2,552) | (794) |
| **Cash and cash equivalents at 31 December** | 25 | **48,847** | **19,454** |

# Notes to the Group Financial Statements

## 1. General information

Wavin N.V. (the 'Company') is domiciled in Zwolle, the Netherlands. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates covering the period 1 January 2008 up to and including 31 December 2008. There have not been any significant changes in the Group except for the acquisition of Pilsa Plastic in Turkey and two smaller companies (see note 7). For details of the Group we refer to the list of participations on page 135 of the annual report. The Group is primarily involved in the production and sales of plastic pipe systems and solutions.

## 2. Basis of preparation

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and also comply with the financial reporting requirements included in section 9 of Book 2 of the Dutch Civil Code, as far as applicable.
The company presents a condensed income statement in the Company Financial Statements, using the facility of Article 402, Book 2, of the Dutch Civil Code.
The financial statements were authorised for issue by the Management Board on 26 February 2009 and are subject to approval by the General Meeting of Shareholders on 22 April 2009.

**(b) Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Derivative financial instruments;
- Investments held for sale;
- Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged;
- Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

The methods used to measure fair values are discussed further in note 4.

**(c) Functional and presentation currency**

The consolidated and company financial statements are presented in Euro, which is the Company's functional currency. The amounts are rounded to the nearest thousand, unless otherwise stated.

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect amounts reported in the financial statements.

The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, or in the revision period and future periods if the changed estimates affect both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements, are described in the following notes:

| | |
|---|---|
| Note 4 | Valuation of financial instruments |
| Note 7 | Business combinations/acquisition of subsidiaries |
| Note 15 | Utilisation of tax losses |
| Note 18 | Measurement of the recoverable amounts of cash generating units containing intangible assets and PP&E |
| Note 28 | Measurement of defined benefit obligations |
| Note 29 | Share-based payments – Long Term Incentive Plan |
| Note 30 and 35 | Provisions and contingencies |

## 3. Significant accounting policies

### (a) Basis of consolidation

*Subsidiaries*

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. The share of third parties in the result and equity of the consolidated subsidiaries are reported separately. See page 135 for the outline of the Company's principal direct and indirect participations.

*Associates*

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. This negative value is then accounted for as a provision for associates.

*Transactions eliminated on consolidation*

Intragroup balances and transactions, and any unrealised gains arising from intra group transactions, are eliminated in preparing the consolidated financial statements. Unrealised net gains after tax arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the associate. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate.

### (b) Changes in accounting policies, presentation and estimation

*Changes in accounting policies*

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ending 31 December 2007, except for the presentation of foreign exchange differences. In order to report in conformity to a broader industry practice Wavin has changed the presentation of the foreign exchange differences on working capital in the income statement from other operating income and expense to finance income and expense. The effects of this reclassification on the reported 2007, respectively 2008 result from operating activities and net finance costs amount to € 1.0 million, respectively € 6.9 million. As the financial impact for 2007 is not material, we have not adjusted the comparative figures.

*Changes in accounting policies and presentation*

To meet best practices in the Netherlands, Wavin has decided to replace the consolidated statement of recognised income and expense by a consolidated statement of changes in equity. All details which would be included in the consolidated statement of recognised income and expense are included in this statement.

*Changes in estimation*

After an evaluation of the brand names, Wavin has come to the conclusion that the brand names in its widest sense, as reported in prior years, also include customer relations and distribution networks. These have been separated as of 1 July 2008. Wavin has also concluded that the intangible assets customer relations and distribution network have a definite lifetime. Amortisation rates are set at 4-10%. In line with IAS 8, Wavin commenced the amortisation of these assets as of the second half of 2008.

### (c) Foreign currency

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. The functional currency of foreign entities is generally the local currency. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**(ii) Foreign operations**

The assets and liabilities of foreign operations are translated to Euro at foreign exchange rates prevailing at the balance sheet date. The differences due to the conversion at beginning and final rates as related to the equity of the foreign participations are processed directly in the reserves as a separate component of equity. The revenues and expenses of foreign operations are translated to Euro at established average exchange rates, which approximate the rates at the date of the transactions. The difference between the conversion of proceeds and costs at the established average exchange rates and the exchange rates prevailing at the end of the year is also processed directly in the reserves as a separate component of equity. Upon disposal of foreign operations, these cumulative translation adjustments are recognised in the income statement.

The following exchange rates, for the most important countries in which the Group operates, were used in preparing these financial statements:

| | 2008 | 2007 | 2008 | 2007 |
|---|---|---|---|---|
| | 31 December | 31 December | Average | Average |
| Pound Sterling | 0.9525 | 0.7334 | 0.7955 | 0.6835 |
| US Dollar | 1.3917 | 1.4721 | 1.4696 | 1.3694 |
| Polish Zloty | 4.1535 | 3.5935 | 3.5122 | 3.7807 |
| Danish Krone | 7.4506 | 7.4583 | 7.4560 | 7.4505 |
| Norwegian Krone | 9.7500 | 7.9580 | 8.2172 | 8.0095 |
| Czech Koruna | 26.8750 | 26.6280 | 24.9381 | 27.7475 |
| Hungarian Forint | 266.7000 | 253.7300 | 251.5017 | 251.2349 |
| Turkish Lira | 2.1488 | N/A | 1.9049 | N/A |

**(iii) Net investment in foreign operations**

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are recognised in the translation reserve to the extent that net investment hedge accounting is being adopted and the hedge is effective. Upon disposal, the exchange differences in the translation reserve are released in the income statement. Otherwise the difference is recognised in the income statement.

In respect of all foreign operations, translation differences that arose before 1 January 2004, the date of the transition to IFRS, are presented as a separate component of equity.

### (d) Financial instruments

**(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other liabilities.

Non-derivative financial instruments are recognised initially at amortised costs unless held for sale. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Wavin is using a notional cash pool system for financing of group companies. To give a proper insight in the actual debt position of the Group, the positive and negative positions under the cash pool system are netted. As a consequence, the finance income and finance expenses related to this system are also presented on a net basis.

Accounting for financial income and expense is disclosed in note 3ab.

*Held-to-maturity investments*

If the Group has the positive intent to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment loss.

*Available-for-sale financial assets*

The Group's investment in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3l) and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

*Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such upon recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in the income statement when incurred.

*Other*

Other non-derivate financial instruments are measured at amortised costs using the effective interest method, less impairment losses.

**(ii) Derivate financial instruments**

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Generally the Group seeks to apply hedge accounting in order to minimise the effects of foreign currency fluctuations in the income statement.

Derivatives that can be used are interest rate swaps, forward rate agreements, caps and floors and forward exchange contracts. Transactions are entered into with a limited number of counterparties with strong credit ratings. Foreign currency and interest rate hedging operations are governed by an internal policy and rules ('treasury policy') approved and monitored by the Management Board. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and changes therein are accounted as described below. The fair value of forward exchange contracts and interest rate swaps are their quoted market price at the balance sheet date, being the present value of the quoted forward price.

*Cash flow hedges*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

When the hedging instrument no longer meets the criteria for hedge accounting or the instrument is sold or expired, terminated or exercised, the hedge accounting is discontinued and the cumulative unrealised gain or loss recognised in equity is immediately recognised in the income statement.
When a hedging instrument or hedge relationship is terminated but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

*Hedge of monetary assets and liabilities*

When we apply net investment hedge accounting, a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability. When hedge accounting is not applied any gain or loss on the hedging instrument is recognised in the income statement.

*Hedge of net investment in foreign operation*

Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognised net of tax directly in equity. The ineffective portion is recognised immediately in the income statement.

**(iii) Share capital**

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction of equity, net of tax.

*Repurchase of share capital*

When share capital recognised is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction of equity net of tax. Repurchased shares are classified as treasury shares unless decided otherwise. When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting difference on the transaction is transferred to retained earnings.

**(e) Property, plant and equipment**

**(i) Owned assets**

All items of property, plant and equipment are stated at cost less cost reducing subsidies received from the government, accumulated depreciation (see below) and impairment losses (see note 3l). Costs include expenditures that are directly attributable to the acquisition of the asset, including financing expenses of capital investment projects under construction.

Property that is being constructed or developed for future use as investment property is classified under property, plant and equipment in progress and stated at cost until construction or development is completed, at which time it is reclassified as investment property. Assets which have been ordered but for which no invoices have been received yet, are disclosed under capital commitments.

Where an item of property, plant and equipment comprises major components that have different useful lives, they are accounted for as separate items of property, plant and equipment.

Cost of major maintenance activities is capitalised as a separate component of property, plant and equipment and depreciated over the estimated useful life. Maintenance costs which cannot be separately defined as a component of property, plant and equipment are expensed in the period in which they occur.

Gains and losses on the sale of property, plant and equipment are included in the income statement as other income. If there is an indication that an asset may be impaired, the recoverable amount of the asset is estimated. If the carrying value exceeds the recoverable amount, an impairment charge is recognised in the income statement.

**(ii) Leased assets**

Leases in terms of which the Group substantially assumes all the risks and rewards of ownership, are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses. Lease payments under operational lease contracts are accounted for as costs in the income statement.

**(iii) Subsequent expenditure**

The cost of replacing part of an item of property, plant and equipment is capitalised as a separate asset when it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

**(iv) Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated as it is deemed to have an indefinite life. Assets under construction are not depreciated. The rates for depreciation are:

| | |
|---|---|
| Surfacing | 10% |
| Buildings | 2.5% |
| Installations and production machinery | 5 – 15% |
| Heads, cones, moulds | 10 – 12.5% |
| Transport equipment | 20% |
| Computer hardware | 20 – 33.33% |
| Office equipment/furniture | 10% |

The residual value, useful lives and depreciation methods are reassessed annually.

### (f) Intangible assets

**(i) Goodwill**

All business combinations are accounted for by applying the purchase method in accordance with IFRS 3. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired, calculated according to the Wavin accounting principles. Costs directly related to an acquisition such as legal advice, fiscal advice, due diligence, etc. are added to the acquisition price.

Goodwill is stated at cost less accumulated impairment charges (see note 3l). Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Internally generated goodwill is not capitalised. Negative goodwill ('badwill') is recognised immediately as income.

**(ii) Brand names**

The Group carries assets in the balance sheet for the major brands such as 'Wavin', 'Hep$_2$O', 'Chemidro' and 'Pilsa'. Internally generated brands are not capitalised. Acquired brand values are calculated based on the Group's valuation methodology, which is based on royalty fee assumptions and cash flow projections. Brand names have an indefinitive live as there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. Furthermore:

- The Group has the ability to transfer the brand name to new product groups;
- The Group supports the main brands through spending on marketing across the business and through investments in promotional support. The brands are expected to be in longstanding and profitable market sectors;
- The likelihood that market based factors could truncate a brand's life is relatively remote because of the size, diversification and market share of the brands in question;
- The Group owns the trademark for all brands valued on the balance sheet and renews these for nominal cost at regular intervals. The Group has never experienced problems with such renewals.

**(iii) Customer relations**

Acquired customer relations and distribution networks are calculated based on the Group's valuation methodology, which is based on royalty fee assumptions and cash flow projections of value-added products taking into account an attrition rate for the acquired customers. We have excluded the revenue generated by the sale of commoditised products, since for these products the competition is based on price and having excellent customer relationships hardly has any impact.

**(iv) Other assets from business combinations**

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale. The previously unrecognised assets in the acquired company such as order portfolios are valued at the fair value on acquisition date. The fair values of assets and (contingent) liabilities are provisional estimates based on best information available at the time of determining those values. If within a timeframe of 12 months after acquisition it can be demonstrated that new information does provide better evidence about the fair value of any asset or (contingent) liability the provisional estimates are adjusted. Intangible assets acquired through business combinations are amortised over their individual lifetime of which the range is two to five years.

**(v) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes, are capitalised only if development costs can be measured reliably and the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overhead costs. Other development expenditure is recognised in the income statement when incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see note 3l).

**(vi) Other intangible assets**

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see note 3l). Expenditure on internally generated goodwill, patents, brands, etc. is recognised in the income statement as an expense when incurred.

**(vii) Subsequent expenditure**

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

**(viii)Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of intangible assets. Intangible assets other than goodwill and brand names are amortised from the date they are available for use. The annual amortisation rates are:

| | |
|---|---|
| Customer relations | 4 – 10% |
| Other assets from business combinations | 20 – 50% |
| Know how/licenses | 20% |
| Capitalised development costs | 20% |
| Software | 20 – 33.33% |

Brand names are an indissoluble part of the company on a going concern principle. The company is continuously investing in its brand names to maintain its competitive position and therefore the value of the brand names. Due to this infinite character the brand names are not amortised but tested for impairment annually.

**(g) Other non-current investments**

The other non-current investments mainly comprise long term credit facilities extended to customers and associates, other investments and guarantees deposited, after providing for doubtful debts.

**(h) Deferred tax assets**

Long term tax assets or liabilities resulting from temporary differences between financial statements and fiscal valuations are capitalised as deferred tax assets as long as they are probable to result in a future cash inflow. If a Group company is not expecting to pay profit taxes for the coming years due to negative results, the deferred tax asset is not recognised. Tax losses carried forward for compensation with future profits that are probable to materialise in the foreseeable future are also included under deferred tax assets.

**(i) Other current investments**

Investments in debt and equity securities held by the Group are classified as being held for trading and are stated at fair value, with any resultant gain or loss being recognised in the income statement.

The fair value of investments held as available-for-sale is their quoted price on the relevant stock exchange at the balance sheet date. Investments held as available-for-sale are recognised/derecognised by the Group on the date it commits to purchase/sell the investments.

**(j) Inventories**

Inventories are stated at the lower of cost (see note 3x) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred to acquire the inventories and transport them to their existing location and their condition. Costs for self-manufactured inventories and work in progress include an appropriate share of overhead costs based on normal operating capacity.

**(k) Trade and other receivables**

Trade receivables, receivables from associates, prepaid expenses and accrued income are stated at their amortised cost less impairment losses related to doubtful debts. Discounted drafts with recourse are accounted for as debtors with the corresponding liability in interest bearing loans and borrowings.

**(l) Impairment**

The carrying amounts of the Group's assets other than other current investments (see note 3i), inventories (see note 3j) and deferred tax assets (see note 3h and 3ac) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

**(i) Calculation of recoverable amount**

The recoverable amount of other non-current investments is calculated as the net present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Assets with a short duration are not discounted.

The recoverable amount of other assets is the greater of the net selling price and value in use. In assessing the value in use, the estimated cash flows are discounted to their net present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. For the purpose of impairment testing, goodwill is allocated to the regions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

**(ii) Reversals of impairment**

An impairment loss of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the impairment loss has decreased or no longer exists. An impairment loss in respect of a non-current asset is reversed if the subsequent increase in recoverable amount can be related to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (m) Assets classified as held-for-sale

If a business activity will be discontinued, assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale the assets are remeasured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount or fair value less cost to sell and are no longer depreciated. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

### (n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in bank accounts and call deposits. All amounts are readily available.

### (o) Equity

*Retained earnings/appropriation of profit*

The net profit for the year under review is added to the retained earnings taking into account the required movements in legal reserves. Dividends are discretionary at the option of the shareholders. Dividends are recognised as a liability in the period in which they are declared.

The Group can only declare dividends in so far as the equity exceeds the amount of the paid-up capital increased by the reserves that must be legally maintained.

### (p) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

**(q) Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available to the Group.

**(ii) Defined benefit plans**

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine the present value after which the fair value of the plan assets is deducted. The discount rate is the yield at balance sheet date on first class credit rated bonds that have maturity dates approximating the terms of the obligations. The calculations are made by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to the past service by employees is recognised as an expense in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised actuarial losses and past service costs and the present value of the economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

**(iii) Other non-current employee benefits**

This relates to non-current legal or constructive obligations as incorporated in (collective) labour agreements, company regulations, and others, such as jubilee/non-current service allowances, medical allowances, sickness allowances, disability allowances, long term incentives, etc. These obligations are provided for on an actuarial basis. The method is equal to the actuarial calculation for defined benefit plans with the exception that actuarial results are charged as costs without using a corridor and all past service costs are recognised immediately in the income statement without any transitional option.

**(iv) Current benefits**

Current employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(r) Share-based payment transactions**

In 2008 a new long term incentive plan for senior management (including the Management Board) was introduced (see note 29). The share plan is partly based on internal and partly on external performance conditions.

The grant date fair value is recognised as personnel expenses with a corresponding increase in equity over the period that the employees become unconditionally entitled to the share rights. The costs of the share plan for senior management are recognised evenly over the vesting period.

At each balance sheet date, the Group revises its estimates of the number of share and option rights that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The grant date fair value of share appreciation rights respectively shares granted to employees after the IPO in 2006 are recognised as a non-recurring employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the shares. The amount recognised as an expense reflects the actual number of shares granted at the moment of listing of the Wavin shares at the NYSE Euronext.

The fair value of the amount payable to employees in respect of share appreciation rights granted after the IPO in 2006, which are settled in cash, is recognised as a non-recurring expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in the income statement.

### (s) Government grants

An unconditional government grant is recognised in the income statement when receipt of the grant is virtually certain. Other government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the costs of an asset are recognised in the income statement on a systematic basis in relation to the depreciation period of the assets concerned.

### (t) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

#### (i) Warranties

For products or services sold, a provision is recognised based on actual claims received and on historical data regarding warranty costs, which were not provided for on an individual claims basis. The product liability insurance cover is taken into account when determining the provision. Claims honoured are charged against the provision.

#### (ii) Restructuring

A provision for restructuring is recognised when a formal restructuring plan is approved and the restructuring has either commenced or has been announced publicly.

#### (iii) Tax

The tax provision is recognised for identified tax exposures in the Group.

#### (iv) Other provisions

The other provisions mainly consist of provisions for the obligation to take back returnable packaging, quarry restorations and for environmental commitments. A provision for site restoration is recognised when there is a legal or constructive obligation to reduce or solve pollution of land, air, water etc. All environmental provisions are based on expert reports.

### (u) Deferred tax liabilities

Long term tax liabilities resulting from temporary differences between financial statements and fiscal valuations per fiscal entity are capitalised as deferred tax liabilities as long as they are expected to result in a cash outflow. If it is not probable that a group company will pay profit taxes in the coming years due to negative results, the deferred tax liability is not recognised.

Tax losses carried forward for compensation of losses with future profits that may reasonably be expected to materialise in the foreseeable future are presented as deferred tax assets (see note 3h).

### (v) Trade and other payables

Trade and other payables are stated at (amortised) cost.

### (w) Revenue

Revenue is derived from the products and services sold and delivered during the year net of rebates and discounts and net of sales tax. Revenue from the sales of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to a third party. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion.

**(x) Cost of sales**

Cost of sales comprises the manufacturing costs of the goods sold and delivered, and any inventory write downs to lower net realisable value. Manufacturing costs include such items as:

- the costs of raw materials and supplies, energy, packaging and other materials;
- depreciation and the costs of maintenance of the assets used in production;
- salaries, wages and social charges for the personnel involved in manufacturing.

**(y) Research and development expenses**

Research and other not capitalised development expenses are charged to income as incurred. Amortisation of capitalised development costs is charged on a straight-line basis over the estimated useful life.

**(z) Expenses**

Operating expenses (sales, distribution and administrative) are charged to income as incurred. Payments made under operational lease contracts are recognised in the income statement on a straight-line basis over the term of the lease.

**(aa) Non-recurring income and expenses**

Non-recurring income and non-recurring expenses are significant one-off income and expenses out of the ordinary course of business which result from e.g. restructuring of activities, sale of assets, sale of associates, impairment charges and costs related to acquisition of activities which cannot be capitalised. Non-recurring income and non-recurring expenses are reported separately to give a better reflection of the operating performance of the Group for the periods concerned.

**(ab) Finance income and expenses**

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains as well as gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, fees relating to the arrangement of new borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method. As the actual positive and negative positions under the notional cash pool system are netted, the related finance income and expense are netted as well.

Foreign currency gains and losses arising from a group of similar transactions are reported on a net basis. Such gains and losses are, however, reported separately if they are material.

**(ac) Income tax expense**

Income tax is accounted for in accordance with the tax regulations in the country of domicile concerned.

Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the income statement unless it relates to items recognised directly to equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates valid at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit nor differences relating to investments in subsidiaries, to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected realisation or settlement of the carrying amount of assets and liabilities using tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates that have been enacted on the balance sheet date. The tax rates are based on the laws that have been enacted or substantially enacted at the reporting date. No provision for deferred tax liabilities is made when it is not probable that profit taxes will be paid due to available losses carried forward.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (ad) Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group business that is abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographic area of operations.

### (ae) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares.

### (af) Cash flow statement

The cash flow statement is prepared using the indirect method. Changes in the balance sheet items that have not resulted in cash flows such as translation differences, fair value changes, equity-settled share-based payments and other non-cash items, have been eliminated for the purpose of preparing this statement. Assets and liabilities acquired as part of a business combination are included in investing activities (net of cash acquired). Dividends paid to ordinary shareholders are included in financing activities. Dividends received are classified as investing activities. Interest paid is included in operating activities.

### (ag) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products within a particular economic environment (geographic segments), or providing related products (business segment), which is subject to risk and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments. The secondary format, which is based on business segments is limited to the segmentation of revenue only. Due to the integration of the business segments in the operating facilities it is not possible to allocate assets and capital expenditures to individual product segments.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

### (ah) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(i) Business combinations**

In business combinations, identifiable assets and liabilities, and contingent liabilities are recognised at their fair values at acquisition date. Determining the fair values requires significant judgements on future cash flows to be generated.

The fair value of brand names, distribution network and customer relations, patents, trademarks and customer lists acquired in a business combination is estimated using generally accepted valuation methods, using the discounted royalty payments that have been avoided as a result of the patent or trademark being owned (relief-from-royalty-method).

The fair value of property, plant and equipment recognised as a result of a business combination is based on estimated market values.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of the business less the estimated costs of completion and costs to sell and a reasonable profit margin based on the effort required to complete and sell the inventories.

**(ii) Financial instruments**

The fair value of forward exchange contracts and interest rate swaps is based on their quoted market price, if available.

The fair value of interest rate swaps is estimated by discounting the difference between cash flows resulting from the contractual interest rates of both legs of the transaction, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of non-derivative financial instruments, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date.

**(iii) Share based payment transactions**

The fair value of employee stock options is measured using a binominal tree valuation methodology. The fair value of share appreciation rights is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends and the risk free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account when determining the fair value.

**(iv) Pensions and other post-retirement benefits**

Retirement benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations and fair values of plan assets. Retirement benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on terms of the plans and the investment and funding decisions made by the company. The accounting requires management to make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets, mortality rates and future healthcare costs. Periodically, management consults with external actuaries regarding these assumptions. Changes in these key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic costs incurred. For details on key assumptions and policies we refer to note 28.

**(ai) New standards and interpretations not yet implemented**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 *Operating Segments (endorsed by the EU)* introduces the management approach segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Management Board in order to assess each segment's performance and to allocate resources to them. Under the management approach, the Group will present segment information in line with the current primary segmentation, being geographic segments.
- Revised IAS 1 *Presentation of Financial Statements* (2007) *(endorsed by the EU)* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in two statements for its 2009 consolidated financial statements.
- Revised IFRS 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - the definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations;
  - contingent consideration will be measured at fair value, with subsequent changes therein recognised in the income statement;
  - transaction costs, other than share and debt issue costs, will be expensed as incurred;
  - any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in the income statement;
  - any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's consolidated financial statements.

- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control in a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the income statement. The amendments to IAS 27, which becomes mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.
- Amendments to IFRS 2 *Share Based Payments – Vesting Conditions and Cancellations (endorsed by the EU)* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* discusses a number of issues in relation to hedging currency risks on foreign operations (net investment hedges). IFRIC 16 specifically confirms only the risk from differences between the functional currencies of the parent and the subsidiary can be hedged. Additionally, currency risks can only be hedged by every (direct or indirect) parent company, as long as the risk is only hedged once in the consolidated financial statements. IFRIC 16 also determines the hedge instrument of a net investment hedge can be held by every group company, except for foreign operation itself. IFRIC 16, will become mandatory for the Group's 2009 consolidated financial statements, with prospective application. The Group has not yet determined the the potential impact of this interpretation.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* addresses the treatment of distributions in kind to shareholders. Outside the scope of IFRIC 17 are distributions in which the assets being distributed are ultimately controlled by the same party or parties before and after the distribution (common control transactions). A liability has to be recognised when the dividend has been appropriately authorised and is no longer at the discretion of the entity, to be measured at the fair value of the non-cash assets to be distributed. IFRIC 17, will become mandatory for the Group's 2010 consolidated financial statements, with prospective application. The Group has not yet determined the potential impact of this interpretation.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* provides additional guidance concerning specific positions that qualify for hedging ('eligible hedged items'). The amendment to IAS 39, will become mandatory for the Group's 2010 consolidated financial statements, with retrospective application. The Group has not yet determined the potential impact of this interpretation.

The following new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2008 are expected not to be applicable for the Group:

- IFRIC 13 *Customer Loyalty Programmes;*
- Amendments to IAS 32 *Financial instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation;*
- IFRIC 15 *Agreements for the Construction of Real Estate;*
- IFRIC 18 T*ransfers of Assets from Customers;*
- Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate.*

## 4. Financial risk management

### Overview

Wavin is exposed to internal and external risks and uncertainties that may affect its business, financial results or operational performance. To mitigate these risks, the Company has defined policies and guidelines that are followed throughout the organisation. These policies and guidelines are translated in internal risk management and control systems aimed at the adequate and effective control of these identified exposures. We regularly review our control systems to assess their adequacy. The Company feels that these policies and systems contribute to a more effective and transparent organisation.

The Management Board has the overall responsibility for the Group's risk management framework. The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Please refer to page 43 of the annual report for a description of major risk factors as market, operational, information and financial risks.

This note covers the Group's policies and procedures for controlling credit risk, liquidity risk and currency risk. First, the impact of the credit crisis on our market and financial risk is highlighted, followed by a description of our general financial risks and interest rate risks.

### The credit crisis and its impact on Wavin

**Market impact**

Wavin's results are dependent on the levels of activity in the construction markets. The level of activity varies by market depending on many factors including general economic conditions, the availability of credit to finance customer investments, development of housing prices, mortgage and other interest rates, unemployment, demographic trends, weather conditions and consumer confidence. Due to the credit crisis, the availability of credit for consumers and developers to finance new houses reduced sharply, mortgage rates increased and housing prices declined. These developments seriously affected consumer confidence, which resulted in a strong decline in new housing starts and also affected residential repair and maintenance activities in the first half year in some of our key markets like the UK and Ireland and – to a lesser extent – Denmark. In the second half year, the credit crisis also started to affect our other regions. The lower volumes as a result of the market contraction, but also the increasing raw material prices (following the strong increase in oil prices), destocking by our customers and the weakening of for Wavin relevant currencies as the Pound Sterling, the Polish Zloty, the Hungarian Forint, the Turkish Lira, the Norwegian and Swedish Krone and the Czech Koruna all impacted our results.

Wavin responded quickly and decisively to the turmoil in our markets. We merged distribution facilities, simplified processes and we did not shy away from the painful but absolutely essential step of reducing our workforce. In the UK, Ireland and Denmark, we brought down our workforce by 300 permanent FTEs in total. We also reduced our flexible workforce across Western Europe, which resulted in an additional decrease of 350 FTEs. This downsizing of our workforce will result in annualised cost savings of € 23 million. We also took operational measures to maximize cash flow generation and cost containment. We were very selective in our capital expenditures and sharply reduced our working capital, e.g. by tight cash management and reducing inventories.

**Financial risk impact**

The impact of the credit crisis on financial risk factors such as credit, liquidity and interest rate risks was limited but we did incur higher foreign exchange losses.

Wavin operating companies have strict procedures regarding credit and payment terms. These are closely monitored at local and corporate level. During 2008, the Company maintained an excellent collection record reducing trade receivables from € 304.7 million in 2007 to € 252.5 million in 2008. The Company realises over 25% of its sales in emerging economies where payment terms are generally longer than in Western Europe and availability of information on the financial history of customers is often limited. Impairment charges for doubtful debts amounted to € 3.4 million against – € 0.4 million last year. Most of the additional charges were related to emerging economies.

The scarcity of new credit did not affect Wavin due to our committed finance facility of € 750 million, which expires in October 2011. At year end Wavin had an outstanding net debt of € 461 million consequently there was no need to raise any new funds. We were in compliance with the covenant ratios.

The interest exposure is mainly related to the € 750 million committed finance facility. Wavin has to pay variable interest rates under this facility based on Euribor or Libor increased with a margin which is maximised at 90 basis points. The variable interest exposure on € 400 million of outstanding debt is hedged at an average interest rate of 3.9% and with an average duration of close to two years. This 3.9% excludes the margin payable under the facility agreement. Interest rate fluctuations during the year had no material impact. The fair value of the financial instrument reduced due to the declining interest rates to € 12.6 million negative.

In spite of our hedging policy, the extreme weakening of currencies like the Pound Sterling, the Polish Zloty, the Hungarian Forint, the Turkish Lira, the Norwegian and Swedish Krone and the Czech Koruna during 2008 had a substantial impact on our non-hedged trading exposures. This resulted in transactional foreign exchange losses of € 6.9 million (2007: € 1.0 million) in addition to foreign exchange losses on loans and borrowings of € 3.6 million (2007: nil).

## Financial risks

**Credit risks**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables.

*Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and the country in which customers operate, has an influence on credit risk. Approximately 26% (2007: 29%) of the Group's revenue is attributable to sales transactions with the ten largest customers. At balance sheet date there were no significant concentrations of credit risk on customer level nor geographically.

The Group is expanding its activities in emerging economies, with the relating customers having a relatively short operating history, making it more difficult for us to accurately assess the associated credit risk.

Any credit losses we may suffer as a result of these risks or as a result of credit losses from any significant customer could adversely affect our business, results of operations and financial conditions. Sales could be affected by fast changing economic, regulatory, social and political environments. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. At year end, the maximum credit risk exposure amounted to € 319.4 million (2007: € 360.8 million).

The Group has strict policies around credit and payment terms which are closely monitored at local and corporate level. Purchase limits are established for most of the customers and are periodically reviewed. Customers that fail to meet the Group's credit policy may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures. In specific cases a collective loss component is established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on the historical data of payment statistics for similar financial assets.

*Allowance for impairment*

The credit risk from trade receivables is measured and analysed on a local level, mainly by aging analyses. Credit insurance covers are taken into account when establishing the allowance for impairments. Credit insurance companies did not withdraw limits on for Wavin relevant customers. The aging of the trade receivables and (the allocation of the) allowance for impairment at the reporting date was:

| (€ x 1,000) | 2008 | | 2007 | |
|---|---|---|---|---|
| | **Gross** | **Impairment** | **Gross** | **Impairment** |
| Not past due | 187,009 | – | 214,752 | – |
| Past due 0-30 days | 32,843 | 171 | 64,151 | 192 |
| Past due 31-90 days | 16,061 | 740 | 12,995 | 234 |
| Past due 91-180 days | 5,836 | 1,021 | 4,593 | 358 |
| Past due 180-360 days | 4,367 | 1,351 | 2,811 | 730 |
| More than one year | 6,346 | 6,322 | 5,361 | 4,967 |
| **Total trade receivables** | **252,462** | **9,605** | **304,663** | **6,481** |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Balance at 1 January | 6,481 | 7,343 |
| Acquisitions/divestments | 696 | – |
| Charged to income statement | 4,653 | 1,698 |
| Released to income statement | (1,264) | (2,059) |
| Withdrawal used for purposes | (373) | (548) |
| Effect of movements in exchange rates | (588) | 47 |
| **Balance at 31 December** | **9,605** | **6,481** |

Net impairment charges for doubtful debts amounted to € 3.4 million against – € 0.4 million last year. Most of the additional charges were related to emerging economies. In addition the consolidation of Pilsa, Turkey, resulted in an increase of the allowance for impairment by € 0.7 million.

*Investments*

The Group limits its exposure to credit risk by only investing in liquid securities. Transactions involving derivative financial instruments are with counterparties that have high credit ratings and with whom we have a signed netting agreement. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

**Liquidity risks**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Cash flow generation and sufficient access to capital markets is assured to finance long term growth, seasonal working capital requirements, expected operational expenses and to service financial obligations. Since October 2006, Wavin's main source of financing is a five-year, € 750 million committed syndicated bank facility with a remaining duration of almost three years. The facility consists of a term loan and revolving facilities. In addition Wavin has uncommitted facilities available.

Financing strategies are regularly reviewed to secure sufficient access to capital markets and optimise costs of borrowings. The Group uses a system of cash flow forecasting per operating company in assessing cash flow requirements. A notional cash pool system for financing and netting daily operational activities of local companies is in place to secure effective and efficient allocation of financial resources.

The table below analyses Wavin's cash outflow per maturity group based on the remaining period at balance sheet date to the contractual maturity date including estimated interest payments and excluding the impact of netting agreements:

| (€ x 1,000) | 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| **Non-derivative financial liabilities** | | | | | | | |
| Unsecured bank loans | 501,241 | (503,289) | (82) | (82) | (68) | (503,057) | – |
| Finance lease liabilities | 2 | (2) | (2) | – | – | – | – |
| Unsecured bank facility | 8,478 | (8,478) | (8,478) | – | – | – | – |
| Trade and other payables* | 359,102 | (359,102) | (359,102) | – | – | – | – |
| Bank overdrafts | 201 | (201) | (201) | – | – | – | – |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swaps used for hedging: | | | | | | | |
| • Outflow | 12,600 | (12,600) | (1,978) | (1,978) | (3,870) | (3,333) | (1,441) |
| Forward exchange contracts: | | | | | | | |
| • Inflow | (154) | 154 | 154 | – | – | – | – |
| **Total** | **881,470** | **(883,518)** | **(369,689)** | **(2,060)** | **(3,938)** | **(506,390)** | **(1,441)** |

* Excluding derivatives (shown separately).

| (€ x 1,000) | 2007 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| **Non-derivative financial liabilities** | | | | | | | |
| Secured bank loans | 9 | (9) | – | (1) | (1) | (2) | (5) |
| Unsecured bank loans | 538,786 | (541,877) | (23,100) | (82) | (165) | (518,530) | – |
| Finance lease liabilities | 1 | (1) | – | (1) | – | – | – |
| Unsecured bank facility | 20,701 | (20,701) | (20,701) | – | – | – | – |
| Trade and other payables* | 371,092 | (371,092) | (371,092) | – | – | – | – |
| Bank overdrafts | 2,383 | (2,383) | (2,383) | – | – | – | – |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swaps used for hedging: | | | | | | | |
| • Outflow | 735 | (735) | (92) | (92) | (184) | (367) | – |
| • Inflow | (7,724) | 7,724 | 1,090 | 1,090 | 1,941 | 3,603 | – |
| Forward exchange contracts: | | | | | | | |
| • Outflow | 38 | (38) | (38) | – | – | – | – |
| • Inflow | (282) | 282 | 282 | – | – | – | – |
| **Total** | **925,721** | **(928,830)** | **(416,034)** | **914** | **1,591** | **(515,296)** | **(5)** |

* 2007 figures have been adjusted for comparison reasons and are excluding derivatives (shown separately).

The exposure of the financial liabilities is limited by the availability of the financial assets of the Group for an amount of € 48.8 million (2007: € 19.5 million) in cash and cash equivalent.

**Currency risks**

Wavin operates in different countries and uses the Euro as its reporting currency. Revenue and expenses are translated to Euro at the average exchange rate for the applicable period for inclusion in the consolidated financial statements. The business generates substantial revenues, expenses and liabilities in jurisdictions outside the Euro zone. In 2008, approximately 58% of revenue was denominated in currencies other than the Euro. Consequently the translation risk of non-Euro results to the Euro is the most significant currency risk. Currency fluctuations of especially the Pound Sterling, the Polish Zloty, the Hungarian Forint, the Turkish Lira, the Norwegian and Swedish Krone and the Czech Koruna could materially affect the consolidated Group results. Translation risks of non-Euro equity positions in the Group are not hedged but the translation risk is minimised to the extent possible by using natural hedges. The translation risk of strategically held minority participations is not hedged. In respect of other minority participations and other monetary assets and liabilities held in currencies other than the Euro, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at forward or spot rates where necessary to address short term imbalances.

Wavin companies are exposed to foreign currency transactional risks on revenues, expenses and borrowings that are denominated in a currency other than the respective functional currencies of Wavin entities. The purpose of Wavin's foreign currency hedging activities is to protect the Company from the short term risk that net cash flows resulting from trading transactions are adversely affected by changes in exchange rates. Wavin has defined clear treasury policies regarding foreign exchange exposures. The policy is that material imbalances are identified and may be hedged in order to minimise potential volatility in results which could arise as a result of currency fluctuations. The Group uses forward exchange contracts and currency swaps to hedge forecast cash flow transactions. In 2008, forward exchange contracts and currency swaps were used to hedge a.o. cash flows in Pound Sterling, Polish Zloty, Czech Koruna, Norwegian Krone, Swedish Krone, Hungarian Forint and US Dollars. Over the longer term permanent changes in foreign exchange rates might have an impact on profit.

*Exposure to currency risk*

The Group's exposure to foreign currency transaction risk was as follows based on the notional amounts:

| (€ x 1,000) | 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | EUR | USD | GBP | PLN | DKK | NOK | CZK | TRY |
| Other non-current investments | 1,037 | – | – | – | – | – | – | – |
| Trade and other receivables | 28,161 | 4,761 | 3,440 | 22 | 185 | 187 | 195 | – |
| Cash and cash equivalents | 5,335 | 5,612 | 869 | (20) | 148 | (28) | – | – |
| Unsecured bank loans | (14,620) | – | – | – | – | – | – | – |
| Trade and other payables | (62,210) | (8,075) | (1,370) | (4) | (186) | (31) | – | – |
| Bank overdrafts | (1,886) | – | 82 | 29 | 39,727 | 106 | (230) | – |
| **Balance sheet exposure** | **(44,183)** | **2,298** | **3,021** | **27** | **39,874** | **234** | **(35)** | **–** |

| (€ x 1,000) | 2007 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | EUR | USD | GBP | PLN | DKK | NOK | CZK | TRY |
| Other non-current investments | 842 | – | – | – | – | – | – | – |
| Trade and other receivables | 45,668 | 187 | 4,766 | 455 | 265 | 93 | 232 | – |
| Cash and cash equivalents* | 6,746 | 955 | 1,155 | (32) | (20,031) | 1 | – | – |
| Unsecured bank loans | (7,382) | – | – | – | – | – | – | – |
| Trade and other payables | (71,989) | (449) | (4,188) | (497) | (108) | (123) | (10) | – |
| Bank overdrafts | 555 | – | 133 | (174) | 899 | 145 | 335 | – |
| **Balance sheet exposure** | **(25,560)** | **693** | **1,866** | **(248)** | **(18,975)** | **116** | **557** | **–** |

* 2007 figures have been adjusted for comparison reasons.

The principal exchange rates against the Euro used in preparing the balance sheet and the income statement are set out in note 3c.

*Sensitivity analysis*

A strengthening of the Euro against the principal currencies at 31 December would have increased (decreased) equity and profit or loss. The impact of 5% strengthening of the local functional currencies against EUR, USD, GBP, PLN, DKK, NOK, CZK and TRY would result in the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain unchanged. The analysis is performed on the same basis for 2007.

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| | Profit or loss/equity | Profit or loss/equity |
| **31 December** | | |
| Euro | 2,209 | 1,278 |
| US Dollar | (115) | 87 |
| Pound Sterling | (151) | (93) |
| Polish Zloty | (1) | 12 |
| Danish Krone | (1,994) | 949 |
| Norwegian Krone | (12) | (6) |
| Czech Koruna | 2 | (28) |
| Turkish Lira | – | – |

A 5% weakening of the local functional currencies against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged. The sensitivity analysis excludes loans in foreign currencies which are transferred in full to group companies for which the related foreign currency of the loan is the functional currency of the group company concerned.

**Interest rate risk**

It is Wavin's policy to limit exposure to interest rate risks, to ensure financing costs are limited and to maintain interest coverage and debt service ratio in line with covenants. The Group's Treasury Committee is responsible for managing interest rate risks within the framework specified by the corporate financing policy. The Group adopts a policy of ensuring that a minimum of 50% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps denominated in EUR, GBP, DKK, PLN and CZK. The instruments mature over the next three years following the maturity of the related loans. As a result the Group is only sensitive to interest rate movements to a limited extent.

*Profile*

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| (€ x 1,000) | Carrying amount | |
|---|---|---|
| | 2008 | 2007 |
| **Fixed rate instruments** | | |
| Financial liabilities | (402,319) | (447,105) |
| **Total** | **(402,319)** | **(447,105)** |
| **Variable rate instruments** | | |
| Financial assets | 48,847 | 19,454 |
| Financial liabilities | (107,602) | (114,757) |
| **Total** | **(58,755)** | **(95,303)** |

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The Group's credit facility has, in principle, an interest rate based on local inter-bank offered rate. To limit the exposure to interest rate risks, the Group enters into interest rate swaps, which convert the variable exposure into mainly a fixed position. At 31 December 2008 multi currency fixed interest rate agreements were concluded for € 402.1 million (2007: € 446.7 million) by means of interest rate swaps with an average remaining duration of 2.4 years and an average interest rate of 3.9% (2007: 3.3 years respectively 4.1%). In 2008 all interest rate swaps were effective. In addition, the Group entered into forward started interest rate swaps denominated in EUR for an amount of € 50.0 million to limit exposure to interest rate developments when the current financing facility expires in 2011.

A change of 100 basis points in interest rates would have increased or decreased equity by € 11.4 million (2007: € 13.9 million), due to changes in the fair value of interest rate swaps.

*Cash flow sensitivity analysis for variable rate instruments*

As 87.2% of the Group's net debt has been hedged (2007: 82.4%) it is estimated that a general increase in interest rates of 1.0% would result in a decrease of the Group's profit before tax by approximately € 0.6 million (2007: decrease of € 1.0 million). Interest rate swaps have been included in this calculation.

This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged. The analysis is performed on the same basis for 2007.

**Capital structure**

The policy of Wavin is to deploy an efficient capital structure that maintains investor, creditor and market confidence and supports future development of the business.

Wavin has set clear targets for its level of borrowings in relation to results (leverage) and interest cost (interest coverage). Its borrowings are secured through a € 750 million committed bank facility that expires in October 2011. Wavin monitors debt to equity ratio and return on capital employed closely.

For quantitative details regarding debt covenants we refer to note 27.

**Fair values**

Fair value has been determined either by reference to the market value at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments. For interest rate swaps the market to market value is based on the last applicable floating rate of 2008. Receivables and payables with a remaining life of less than one year are valued at the notional amount, which is deemed to reflect the fair value. All non-current interest bearing loans have variable interest rates. All non-current interest bearing loans are therefore valued at their notional amount.

The fair value of financial assets and liabilities per 31 December 2008 are equal to the carrying amounts shown in the balance sheet except for bank loans of which the carrying amount is below the fair value as set out earlier.

## 5. Segment reporting

Segment information is presented in respect of the Group's geographic and business segments. The primary format, geographic segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined at an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill. As per January 2008, Wavin Overseas transfered responsibility for the business in the Balkan area to the South East Europe region. As a consequence the comparative figures have been adjusted resulting in a reclassification of revenues and result from operating activities for an amount of € 3.9 million respectively € 0.1 million.

## Geographic segments

Geographic segments are based on the location of the customers. The Group acknowledges the following regions:

- North West Europe (The Netherlands, Germany, Belgium);
- UK/Ireland (UK (including clay activities of Euroceramics), Ireland);
- South East Europe (Italy, Turkey, Hungary, Romania, Croatia, Bulgaria, Serbia);
- Central & Eastern Europe (Poland, Czechia, Russia, Slovakia, Ukraine);
- Nordic Europe (Denmark, Norway, Sweden, Finland, Lithuania, Estonia, Latvia, Belarus);
- South West Europe (France, Portugal);
- Other (Wavin Overseas, Wavin T&I, Wavin Head Office and several small companies).

## Geographic segmentation

| (€ x 1,000) | North West Europe | UK/ Ireland | South East Europe | Central & Eastern Europe | Nordic Europe | South West Europe | Other and elimination* | Consolidated | Less discontinued operations | Continuing operations |
|---|---|---|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | | | | |
| Total external revenue | 322,593 | 311,599 | 253,656 | 242,777 | 217,028 | 170,495 | 63,077 | 1,581,225 | - | 1,581,225 |
| Intersegment revenue | 46,059 | 19,111 | 8,876 | 35,037 | 9,495 | 7,358 | (125,936) | - | - | - |
| **Total segment revenue** | **368,652** | **330,710** | **262,532** | **277,814** | **226,523** | **177,853** | **(62,859)** | **1,581,225** | **-** | **1,581,225** |
| **Recurring result from operating activities** | **14,201** | **6,078** | **16,267** | **27,957** | **11,354** | **11,744** | **6,011** | **93,612** | **-** | **93,612** |
| Non-recurring operational results | (135) | (9,399) | - | (9) | (961) | 59 | 116 | (10,329) | - | (10,329) |
| **Result from operating activities** | **14,066** | **(3,321)** | **16,267** | **27,948** | **10,393** | **11,803** | **6,127** | **83,283** | **-** | **83,283** |
| **2007** | | | | | | | | | | |
| Total external revenue | 323,631 | 442,009 | 161,042 | 223,311 | 232,208 | 174,662 | 61,632 | 1,618,495 | (3,761) | 1,614,734 |
| Intersegment revenue | 41,131 | 26,358 | 7,566 | 31,910 | 10,054 | 5,286 | (122,305) | - | - | - |
| **Total segment revenue** | **364,762** | **468,367** | **168,608** | **255,221** | **242,262** | **179,948** | **(60,673)** | **1,618,495** | **(3,761)** | **1,614,734** |
| **Recurring result from operating activities** | **14,289** | **57,915** | **11,944** | **33,229** | **17,678** | **11,682** | **6,480** | **153,217** | **(700)** | **152,517** |
| Non-recurring operational results | (167) | (3,467) | - | (452) | (183) | - | 1,558 | (2,711) | - | (2,711) |
| **Result from operating activities** | **14,122** | **54,448** | **11,944** | **32,777** | **17,495** | **11,682** | **8,038** | **150,506** | **(700)** | **149,806** |

* This segment includes the figures of the other geographic segments as well as the elimination of the intercompany positions.

| (€ x 1,000) | North West Europe | UK/ Ireland | South East Europe | Central & Eastern Europe | Nordic Europe | South West Europe | Other and elimination* | Consolidated | Less discontinued operations | Continuing operations |
|---|---|---|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | | | | |
| Segment assets | 183,529 | 422,609 | 161,523 | 194,324 | 240,126 | 108,168 | 44,366 | 1,354,645 | – | 1,354,645 |
| Investment in associates | – | – | – | – | – | – | 21,116 | 21,116 | – | 21,116 |
| **Total assets** | **183,529** | **422,609** | **161,523** | **194,324** | **240,126** | **108,168** | **65,482** | **1,375,761** | **–** | **1,375,761** |
| **Total liabilities** | **138,664** | **301,555** | **95,773** | **164,989** | **133,517** | **84,485** | **122,612** | **1,041,595** | **–** | **1,041,595** |
| Acquired through business combinations | – | 12,409 | 31,480 | – | 310 | – | – | 44,199 | – | 44,199 |
| Capital expenditure | 8,725 | 8,801 | 6,299 | 19,614 | 9,691 | 6,273 | 8,820 | 68,223 | – | 68,223 |
| Depreciation | 11,262 | 13,210 | 5,097 | 11,095 | 6,877 | 4,952 | 1,703 | 54,196 | – | 54,196 |
| Amortisation of intangible assets | 652 | 2,909 | 360 | 627 | 705 | 267 | 6,472 | 11,992 | – | 11,992 |
| Adjustment goodwill | 455 | (500) | – | – | – | – | 2,225 | 2,180 | – | 2,180 |
| Number of employees per year end | 1,272 | 1,715 | 887 | 1,355 | 834 | 635 | 265 | 6,963 | – | 6,963 |
| **2007** | | | | | | | | | | |
| Segment assets | 190,052 | 562,585 | 101,268 | 211,800 | 291,177 | 111,772 | 5,480 | 1,474,134 | (5,946) | 1,468,188 |
| Investment in associates | – | – | – | – | – | – | 17,375 | 17,375 | – | 17,375 |
| **Total assets** | **190,052** | **562,585** | **101,268** | **211,800** | **291,177** | **111,772** | **22,855** | **1,491,509** | **(5,946)** | **1,485,563** |
| **Total liabilities** | **148,958** | **493,957** | **80,206** | **184,123** | **113,069** | **86,699** | **14,723** | **1,121,735** | **–** | **1,121,735** |
| Acquired through business combinations | – | 2,919 | – | – | 2,912 | – | – | 5,831 | – | 5,831 |
| Capital expenditure | 15,701 | 12,413 | 3,565 | 22,910 | 7,385 | 4,677 | 7,888 | 74,539 | – | 74,539 |
| Depreciation | 10,695 | 13,807 | 2,361 | 9,811 | 6,938 | 5,217 | 2,705 | 51,534 | (101) | 51,433 |
| Amortisation of intangible assets | 904 | 926 | 175 | 606 | 1,033 | 318 | 3,385 | 7,347 | – | 7,347 |
| Impairment losses on non-current assets | – | – | – | 38 | – | – | – | 38 | – | 38 |
| Number of employees per year end | 1,333 | 1,897 | 495 | 1,306 | 903 | 620 | 240 | 6,794 | – | 6,794 |

* This segment includes the figures of the other geographic segments as well as the elimination of the intercompany positions. The goodwill related to the acquisition of the shares Beheermaatschappij Wavin B.V.in 2005 is included in this segment. For the allocation of this goodwill to each region we refer to note 18.

## Business segmentation

The secondary segmentation, which is based on business segments, is limited to the segmentation of revenue only. The Group comprises two Strategic Business Units, which in turn are divided in different business units:

**Building & Installation**

This segment includes above ground plastic pipe and fitting systems for hot and cold tap water, surface heating and cooling, soil and waste discharge and electrical conduit applications.

| | |
|---|---|
| Hot & Cold | Systems (pipes, fittings, manifolds) used in residential and non-residential buildings to supply hot and cold tap water, radiator connections and surface heating and cooling. |
| Soil & Waste | Systems (pipes, fittings, siphons, and accessories) designed to transport waste water from kitchens and bathrooms to sewer collection systems. |
| Other Building Systems | Complete roof gutter systems and a full range of PVC pipes and fittings for in-house electrical conduits. |

**Civils & Infrastructure**

This segment includes below ground plastic pipe and fitting systems for foul water and water management applications, cable ducting as well as water and gas distribution systems.

| | |
|---|---|
| Foul Water Systems | Systems used to discharge foul water from buildings and hard surfaces to water purification plants. |
| Water Management | Systems used to catch, convey, infiltrate, attenuate and clean rainwater. |
| Cable Ducting Systems | Systems to guide and protect cables for power lines as well as fibre-optic cables for data, voice and video transmission. |
| Water & Gas | Systems comprising pressure pipes and fittings for the supply and distribution of gas and potable water, including pipeline rehabilitation solutions. |

**Unallocated**

These revenues include amongst other the sale of raw material and services rendered.

| (€ x 1,000) | Revenue | |
|---|---|---|
| | **2008** | **2007** |
| Hot & Cold | 352,327 | 312,429 |
| Soil & Waste | 197,891 | 207,570 |
| Other Building Systems | 72,290 | 77,423 |
| **Building & Installation** | **622,508** | **597,422** |
| Foul Water Systems | 471,136 | 544,630 |
| Water Management | 176,470 | 161,154 |
| Cable Ducting | 78,889 | 73,187 |
| Water & Gas | 201,850 | 202,349 |
| **Civils & Infrastructure** | **928,345** | **981,320** |
| Unallocated | 30,372 | 39,753 |
| **Total revenue** | **1,581,225** | **1,618,495** |
| Discontinued operations | – | (3,761) |
| **Revenue continuing operations** | **1,581,225** | **1,614,734** |

## 6. Assets held-for-sale

In Belgium, Poland and Sweden certain buildings and installations are classified as held for sale following the intention and ability of Wavin to sell those properties within one year. These assets are classified as held-for-sale per 31 December 2008. It is expected that the sales price will exceed the current bookvalue. The assets per 31 December 2008 classified as held for sale can be specified as follows:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| **Property, plant and equipment** | **2,517** | **5,946** |

## 7. Acquisitions of subsidiaries

### Acquisitions

On 10 January 2008, 100% of the shares of Pilsa Plastic in Turkey were acquired. The purchase price of € 47.0 million (cash and debt free) was satisfied in cash. Pilsa Plastic is a supplier of pipe systems in the segments Building & Installation as well as Civils & Infrastructure. The acquisition was accounted for using the purchase method. In 2008 the company contributed € 97.9 million to the consolidated revenue and € 6.3 million to the consolidated net profit. If the acquisition had occurred on 1 January 2008, revenue and net profit would not have deviated significantly.

In the second half of 2008, Wavin acquired 100% of the shares of Warmafloor, a leading provider of underfloor heating systems in the UK. Wavin also acquired the remaining 20% of the shares in the Finnish company Lasa Muovi. These acquisitions were not individually significant to the consolidated financial statements and are therefore presented below on a combined basis.

The acquisitions in 2008 had the following effect on the Group's assets and liabilities:

| (€ x 1,000) | 2008 | | | | |
|---|---|---|---|---|---|
| | Pre-acquisition carrying amount Pilsa | Fair value adjustment Pilsa | Recognised values Pilsa | Recognised values other | Recognised values total |
| Property, plant and equipment | 18,821 | 6,351 | 25,172 | 582 | 25,754 |
| Intangible assets | 105 | 6,203 | 6,308 | 4,998 | 11,306 |
| Financial assets | 71 | – | 71 | – | 71 |
| Inventories | 11,982 | 670 | 12,652 | 156 | 12,808 |
| Trade and other receivables | 24,739 | 390 | 25,129 | 2,529 | 27,658 |
| Cash and cash equivalents | 14,166 | – | 14,166 | 528 | 14,694 |
| Employee benefits | (1,888) | – | (1,888) | – | (1,888) |
| Deferred tax liabilities | (576) | (2,858) | (3,434) | (1,417) | (4,851) |
| Trade and other payables | (17,414) | 356 | (17,058) | (1,964) | (19,022) |
| **Net identifiable assets and liabilities** | **50,006** | **11,112** | **61,118** | **5,412** | **66,530** |
| Goodwill on acquisition | | | – | 7,138 | 7,138 |
| **Consideration paid, satisfied in cash** | | | **61,118** | **12,550** | **73,668** |
| Cash (acquired) | | | (14,166) | (528) | (14,694) |
| **Net cash outflow** | | | **46,952** | **12,022** | **58,974** |

The goodwill of € 7.1 million mainly relates to the acquisition of Warmafloor. The purchase price for Warmafloor includes a contingent consideration related to future results. The consideration paid includes approximately € 1.7 million acquisition costs.

### Fair value adjustments according to IFRS 3

Certain of the fair values of assets and (contingent) liabilities are provisional estimates based on best information available at the time of determining those values. IFRS 3 allows adjustments to this provisional accounting within a timeframe of 12 months after acquisition, if it can be demonstrated that new information does provide better evidence about the fair value of any asset or (contingent) liability related to the aforementioned acquisitions at the date of acquisition. In 2008 no adjustments to the provisional accounting in 2007 were made. In 2008 the earn out liability related to the acquisition of O'Brien Marketing Ltd. was released against goodwill (see note 18).

### Goodwill

Goodwill on acquisition is related to the management capabilities, organisation strength and the synergies expected to be achieved from integrating the above mentioned acquired companies, which does not meet the criteria for recognition as a separate intangible asset at the date of acquisition.

## 8. Revenue

| (€ x 1,000) | Continuing operations | | Discontinued operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Sales of goods | 1,568,196 | 1,605,357 | – | 3,595 | 1,568,196 | 1,608,952 |
| Other revenues | 13,029 | 9,377 | – | 166 | 13,029 | 9,543 |
| **Total** | **1,581,225** | **1,614,734** | **–** | **3,761** | **1,581,225** | **1,618,495** |

Other revenues are mainly related to services rendered, the rental of properties and royalties for our products and technologies.

## 9. Other operating income

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Gain on disposal of equipment | 585 | 441 |
| Gain on sale of land and buildings | 2,202 | 1,399 |
| Various commissions | 985 | 774 |
| Other rental income | 636 | 553 |
| Other income | 4,291 | 1,205 |
| **Total** | **8,699** | **4,372** |

In 2008 the Group realised a profit of € 2.2 million on the sale of land and buildings in the UK and Belgium.

Other income in 2008 relates a.o. to the first tranche of an earn out agreement related to the sale of our former associate Iplex Plastic in 2005, this resulted in an income of € 1.2 million. It is expected that final settlement will be reached in the first half of 2009. At the end of 2008, the Dutch companies are in a corporate income tax paying position. As a consequence, Wavin N.V. can claim € 0.8 million of the foreign withholding taxes withheld on invoiced amounts in previous years. The mentioned amounts are included as other income.

## 10. Other operating expenses

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Loss on disposal of non-current assets | (513) | (728) |
| Amortisation of assets acquired through business combinations | (6,130) | (3,167) |
| Foreign exchange differences* | – | (984) |
| Taxes, other than income tax | (4,046) | (3,788) |
| Amortisation of goodwill | (2,680) | (41) |
| Other expenses | (1,103) | (1,327) |
| **Total** | **(14,472)** | **(10,035)** |

* Presentation of currency differences on working capital is adjusted. For further details reference is made to note 3b.

Expenses related to the amortisation of assets acquired through business combinations represent the amortisation of acquired intangible assets such as order portfolios and customer contracts. The increase of these amortisation charges relates to the acquisition of Pilsa and Warmafloor. In addition this amount includes the amortisation of the intangible assets customer relations and distribution network of Wavin and Hepworth as a result of a change in estimates of useful life. For further details see note 18 of the Group financial statements.

## 11. Personnel expenses

| (€ x 1,000) | Note | 2008 | 2007 |
|---|---|---|---|
| Salaries and wages | | (244,980) | (256,015) |
| Social security contributions | | (39,841) | (38,934) |
| Contributions to defined contribution plans | | (4,250) | (4,624) |
| Expenses related to defined benefit plans | 28 | (10,600) | (11,046) |
| Other personnel expenses | | (11,159) | (9,494) |
| **Total recurring personnel expenses** | | **(310,830)** | **(320,113)** |
| Expenses share appreciation rights/LTIP | 29 | 377 | 1,527 |
| **Total** | | **(310,453)** | **(318,586)** |

The decrease of personnel expenses relates to the workforce reduction in ongoing operations due to the difficult market conditions in especially the UK/Ireland and Nordic regions. This decrease is partly offset by the personnel expenses of the newly acquired subsidiaries Pilsa and Warmafloor.

The income related to the cash settled share-based payment plan is the result of the decreased share price compared to 2007 and resignation of employees in 2008 who were entitled to the share-based payment plan which was partly offset by the costs related to the Long Term Incentive Plan (see note 29).

## 12. Personnel employed

The total average full time equivalent of employees is:

| | 2008 | 2007 |
|---|---|---|
| **Average full time equivalents** | **7,867** | **7,308** |
| **Number of employees at 31 December** | **6,963** | **6,794** |

Of the average number, 955 FTEs are based in the Netherlands and 6,912 FTEs are based outside the Netherlands (2007: 974 FTEs and 6,334 FTEs respectively).

The increase of the average number of FTEs, despite the reduction of workforce, mainly relates to the acquisition of Pilsa and Warmafloor. Excluding the before mentioned acquisitions, Wavin's workforce was reduced by 679 FTEs (9.8% of total workforce) compared to last year, of which 365 FTEs or 5.6% were own personnel. In light of the changed market circumstances, labour employment has been scaled back substantially mainly through the announced restructuring programmes in the UK/Ireland and Nordic regions.

## 13. Finance income and expense

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| **Finance income** | | |
| Interest income on bank deposits | 1,202 | 535 |
| Currency differences on loans | – | 9 |
| | **1,202** | **544** |
| **Finance expense** | | |
| Interest expense | (36,430) | (35,593) |
| Exchange rate differences* | (10,544) | – |
| Gain (loss) on sale of financial instruments | (49) | (1) |
| | **(47,023)** | **(35,594)** |
| **Total net finance costs** | **(45,821)** | **(35,050)** |

* Presentation of currency differences on working capital is adjusted. For further details reference is made to note 3b.

In spite of our hedging policy the extreme weakening of currencies like the Pound Sterling, the Polish Zloty, the Hungarian Forint, the Turkish Lira and the Norwegian and Swedish Krone during 2008 had a substantial impact on our non-hedged trading exposures. This resulted in transactional foreign exchange losses of € 10.5 million (2007: € 1.0 million (see note 10)) of which € 6.9 million relates to foreign exchange losses on working capital (see note 3b). Net interest costs remained stable compared to last year.

## 14. Non-recurring income and expense

| (€ x 1,000) | Note | 2008 | 2007 |
|---|---|---|---|
| **Continuing operations** | | | |
| Restructuring costs | 30 | (12,916) | (5,679) |
| Adjustment of goodwill | 18 | (1,425) | – |
| Profit on sale of land and buildings | 9 | 2,202 | 1,399 |
| Earn out settlement | 9 | 1,234 | – |
| Share-based payments | 29 | 476 | 1,527 |
| Other | | 100 | 42 |
| **Total non-recurring results from operating activities** | | **(10,329)** | **(2,711)** |
| **Profit on sale of associates** | | **16** | **5** |
| Tax rate adjustments | 15 | (41) | 1,566 |
| Utilisation of not capitalised compensable losses | 15 | 1,425 | – |
| Non-recurring tax benefits | | 2,115 | 3,104 |
| **Total non-recurring income tax** | | **3,499** | **4,670** |
| **Total non-recurring income and expense from continuing operations** | | **(6,814)** | **1,964** |
| Profit on sale of discontinued operations | | – | 2,063 |
| Tax on sale of discontinued operations | | – | (1,055) |
| **Total non-recurring income and expense from discontinued operations** | | **–** | **1,008** |
| **Total non-recurring income and expense** | | **(6,814)** | **2,972** |

Restructuring costs in 2008 relate to restructuring programmes in the UK, Ireland and in Denmark. Within the Dutch fiscal unity we are able to compensate pre-fiscal unity losses resulting in a one-off tax profit of € 1.4 million. In line with IFRS 3.65 on goodwill an adjustment of € 1.4 million has been taken into account relating to the utilisation of not capitalised compensable losses in the Netherlands. The profit on sale of property, plant and equipment relates to the divestments of redundant buildings and installations following restructuring projects in the UK and Belgium. In 2008 we settled the first tranche of an earn out agreement related to the sale of our former associate Iplex Plastic in 2005, which resulted in an income of € 1.2 million. Share-based payment expenses relate to a one-off allocation of shares granted to Wavin employees following the IPO of the Group. In 2008 these rights were revalued to the final settlement value respectively the fair value per 31 December 2008 for the not yet vested plans. The revaluation resulted in a decrease of the liability.

## 15. Income tax expense

### Recognised in the income statement

| (€ x 1,000) | Note | 2008 | 2007 |
|---|---|---|---|
| **Current tax expense** | | | |
| Current year | | (18,804) | (36,102) |
| Utilisation of previously unrecognised losses | | 1,497 | – |
| Adjustments for prior years | | (4) | 881 |
| | | **(17,311)** | **(35,221)** |
| **Tax provisions** | 30 | **–** | **2,425** |
| **Deferred tax income (expense)** | | | |
| Origination and reversal of temporary differences | | 5,863 | 1,612 |
| Changes in tax rates | | (41) | 1,566 |
| Capitalisation of previously unrecognised tax losses | | 892 | 372 |
| | | **6,714** | **3,550** |
| **Total income tax expense** | | **(10,597)** | **(29,246)** |
| Of which income tax expense from discontinued operations | | – | (1,237) |

The decrease of the current tax expense compared to 2007 fully relates to the decreased operating result. The effective income tax rate increased from 24.9% to 28.3%. The reduction of the profit before tax in Ireland compared to last year had an increasing effect on the 2008 effective tax rate. Income tax expense was positively affected by a one-off tax profit of € 1.4 million due to the ability to utilise pre-fiscal unity losses in the Netherlands and the capitalisation of compensable losses in Germany. Due to losses incurred in some emerging markets for which no tax recovery was taken into account, the effective income tax rate increased compared to last year. The effective income tax rate in 2007 of 24.9% was positively affected for an amount of € 2.4 million by the release of a tax provision for identified tax exposures in the Group. Excluding this effect effective income tax rate in 2007 would have been 26.9%. The effective income tax rate excluding non-recurring items was 26.6% in 2008 which was in line with 2007.

### Reconciliation of effective tax rate

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | % | € x 1,000 | % | € x 1,000 |
| Profit before tax | | 42,679 | | 119,472 |
| Gain on sale of associates | | (16) | | (5) |
| Profit (loss) from discontinued operations (before tax) | | – | | 2,763 |
| Share of profit of associates | | (5,201) | | (4,711) |
| **Adjusted profit before tax** | | **37,462** | | **117,519** |
| Income tax using the Dutch tax rate | 25.5% | (9,553) | 25.5% | (29,967) |
| Effect of taxes in foreign jurisdictions | (0.7%) | 247 | 1.3% | (1,523) |
| Non-deductible expenses | 4.5% | (1,670) | 2.3% | (2,654) |
| Other movements in goodwill included in income statement | 1.8% | (683) | – | – |
| Tax rate adjustments | 0.1% | (41) | (1.3%) | 1,566 |
| Recognition of previously not recognised tax losses | (5.2%) | 1,956 | (0.3%) | 372 |
| Other effects | 2.3% | (853) | (2.5%) | 2,960 |
| **Total effective tax rate/tax** | **28.3%** | **(10,597)** | **24.9%** | **(29,246)** |

Other effects in 2008 comprise amongst others the effect of not recognising a deferred tax asset on certain compensable losses.

### Deferred income tax recognised directly in equity

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Derivatives | 4,912 | (1,390) |
| **Total** | **4,912** | **(1,390)** |

The deferred income tax asset relates to the revaluation of the interest rate swaps which are recognised directly in equity.

## 16. Earnings per share

### Basic earnings per share

The basic earnings per share are based on the profit attributable to ordinary shareholders of € 32.1 million (2007: € 91.2 million) and a number of ordinary shares outstanding per 31 December 2008 of 80,393,950 (2007: 78,769,088) and an average number of outstanding shares in 2008 of 80,495,833 (2007: 80,769,090).

### Profit attributable to ordinary shareholders

The earnings per share are calculated as follows:

| (€ x 1,000) | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| Net profit attributable to ordinary shareholders | 32,099 | – | 32,099 | 89,682 | 1,526 | 91,208 |
| Recurring net profit attributable to ordinary shareholders | 38,913 | – | 38,913 | 87,718 | 518 | 88,236 |
| Earnings per share (year end) | 0.40 | – | 0.40 | 1.14 | 0.02 | 1.16 |
| Recurring earnings per share (year end) | 0.48 | – | 0.48 | 1.11 | 0.01 | 1.12 |
| Earnings per share (weighted average) | 0.40 | – | 0.40 | 1.11 | 0.02 | 1.13 |

### Weighted average number of shares

| (x 1) | Note | 2008 | 2007* |
|---|---|---|---|
| Issued ordinary shares at 1 January | | 78,766,116 | 77,650,764 |
| Effect of paid stock dividend | 26 | 2,002,974 | 3,118,326 |
| Issued ordinary shares at 31 December | | 80,769,090 | 80,769,090 |
| Effect of share buyback | | (294,075) | – |
| **Weighted average number of ordinary shares** | | **80,475,015** | **80,769,090** |
| Effect of dilutive shares: | | | |
| Granted matching shares | | 20,818 | – |
| **Weighted average number of ordinary shares (diluted)** | | **80,495,833** | **80,769,090** |

* According to IAS 33.28 issued shares due to paid stock dividend in 2008 also affects the weighted average number of ordinary shares in 2007.

The dilution of ordinary shares relates to the granted matching shares as part of the Long Term Incentive Plan (see note 29). The granted option rights do not result in a dilution of shares as the conditions are expected not to be met.

The granted share appreciation rights following the IPO do not have an impact on the dilution of shares as these shares have already been issued. Issued stock dividend also does not have an impact on the dilution of shares as these shares are also assumed to be issued as per 31 December 2007 in the calculation above.

## 17. Property, plant and equipment

| (€ x 1,000) | Land and buildings | Machinery and equipment | Other assets | Under construction | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance at 1 January 2007** | **279,563** | **751,208** | **82,060** | **16,384** | **1,129,215** |
| Acquisitions through business combinations | – | 805 | 129 | – | 934 |
| Investments | 7,435 | 38,529 | 6,039 | 12,215 | 64,218 |
| Transfer to assets classified as held-for-sale | (7,381) | (547) | 232 | – | (7,696) |
| Disposals | (1,165) | (33,789) | (3,907) | – | (38,861) |
| Effect of movements in exchange rates | (3,282) | (18,002) | (691) | (65) | (22,040) |
| **Balance at 31 December 2007** | **275,170** | **738,204** | **83,862** | **28,534** | **1,125,770** |
| **Balance at 1 January 2008** | **275,170** | **738,204** | **83,862** | **28,534** | **1,125,770** |
| Acquisitions through business combinations | 12,108 | 12,810 | 837 | – | 25,755 |
| Investments | 13,369 | 39,706 | 4,747 | (3,010) | 54,812 |
| Transfer to assets classified as held-for-sale | (1,389) | (76) | – | – | (1,465) |
| Disposals and divestments | (1,304) | (40,619) | (10,234) | – | (52,157) |
| Effect of movements in exchange rates | (22,326) | (68,450) | (3,791) | (2,273) | (96,840) |
| **Balance at 31 December 2008** | **275,628** | **681,575** | **75,421** | **23,251** | **1,055,875** |
| **Depreciation** | | | | | |
| **Balance at 1 January 2007** | **(115,896)** | **(570,779)** | **(67,435)** | **–** | **(754,110)** |
| Depreciation charge for the year | (7,571) | (36,705) | (7,258) | – | (51,534) |
| Transfer to assets classified as held-for-sale | 1,652 | 655 | (171) | – | 2,136 |
| Impairment losses | – | – | (38) | – | (38) |
| Disposals | 880 | 33,053 | 3,743 | – | 37,676 |
| Effect of movements in exchange rates | 1,895 | 16,114 | 556 | – | 18,565 |
| **Balance at 31 December 2007** | **(119,040)** | **(557,662)** | **(70,603)** | **–** | **(747,305)** |
| **Balance at 1 January 2008** | **(119,040)** | **(557,662)** | **(70,603)** | **–** | **(747,305)** |
| Depreciation charge for the year | (9,586) | (38,619) | (5,991) | – | (54,196) |
| Transfer to assets classified as held-for-sale | 596 | 74 | – | – | 670 |
| Disposals and divestments | 946 | 40,237 | 9,946 | – | 51,129 |
| Effect of movements in exchange rates | 8,130 | 49,794 | 2,891 | – | 60,815 |
| **Balance at 31 December 2008** | **(118,954)** | **(506,176)** | **(63,757)** | **–** | **(688,887)** |
| **Carrying amounts** | | | | | |
| **At 1 January 2007** | **163,667** | **180,429** | **14,625** | **16,384** | **375,105** |
| **At 31 December 2007** | **156,130** | **180,542** | **13,259** | **28,534** | **378,465** |
| **At 1 January 2008** | **156,130** | **180,542** | **13,259** | **28,534** | **378,465** |
| **At 31 December 2008** | **156,674** | **175,399** | **11,664** | **23,251** | **366,988** |

### Depreciation charge

The depreciation charge is recognised in the following line items in the income statement:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Cost of sales | (44,657) | (41,786) |
| Research & development expenses | (320) | (339) |
| Administrative expenses | (9,219) | (9,447) |
| **Total** | **(54,196)** | **(51,572)** |

### Impairment testing

In assessing whether property, plant and equipment have to be impaired, the carrying amount of the cash generating unit is compared with the recoverable amount of the cash generating unit. Because the recoverable amount of non-current assets was determined to be higher than the carrying amount, no impairment loss was recognised. For details regarding the impairment tests performed reference is made to note 18.

### Acquisitions through business combinations

Acquisitions through business combinations in 2008 mainly reflect the acquisition of Pilsa in Turkey. The 2007 figure reflects the acquisition of Polyfemos in Norway and O'Brien in Ireland.

### Leased plant and machinery

The Group has no material financial lease agreements.

### Security

At 31 December 2008 no properties are pledged. Within the current syndicated loan facility, the Group is committed not to encumber or alienate its property, plant and equipment unless approval is obtained from the lenders.

### Assets under construction

Assets under construction of € 23.3 million (2007: € 28.5 million) are mainly related to investments in production equipment and installations.

## 18. Intangible assets

| (€ x 1,000) | Note | Goodwill | Brand names | Customer relations and other IFRS 3 assets | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2007** | | **154,686** | **331,071** | **32,991** | **48,046** | **566,794** |
| Acquisitions through business combinations | | 4,853 | – | 12 | 32 | 4,897 |
| Additions | | 258 | – | – | 8,037 | 8,295 |
| Internally developed assets | | – | – | – | 2,026 | 2,026 |
| Disposals | | (2,009) | – | – | (529) | (2,538) |
| Effect of movements in exchange rates | | (1,006) | (9,712) | (419) | (708) | (11,845) |
| **Balance at 31 December 2007** | | **156,782** | **321,359** | **32,584** | **56,904** | **567,629** |
| **Balance at 1 January 2008** | | **156,782** | **321,359** | **32,584** | **56,904** | **567,629** |
| Acquisitions through business combinations | 7 | 7,138 | 3,874 | 7,317 | 115 | 18,444 |
| Additions | | – | – | – | 10,448 | 10,448 |
| Internally developed assets | | – | – | – | 2,963 | 2,963 |
| Disposals and divestments | | – | – | – | (1,269) | (1,269) |
| Adjustment goodwill | | (500) | – | – | – | (500) |
| Other moves | | – | (87,056) | 87,056 | – | – |
| Effect of movements in exchange rates | | (9,396) | (23,101) | (8,823) | (2,105) | (43,425) |
| **Balance at 31 December 2008** | | **154,024** | **215,076** | **118,134** | **67,056** | **554,290** |
| **Amortisation** | | | | | | |
| **Balance at 1 January 2007** | | **(2,023)** | **–** | **(20,556)** | **(33,361)** | **(55,940)** |
| Amortisation charge for the year | | – | – | (3,167) | (4,180) | (7,347) |
| Disposals and divestments | | – | – | – | 208 | 208 |
| Effect of movements in exchange rates | | 271 | – | 103 | 198 | 572 |
| **Balance at 31 December 2007** | | **(1,752)** | **–** | **(23,620)** | **(37,135)** | **(62,507)** |
| **Balance at 1 January 2008** | | **(1,752)** | **–** | **(23,620)** | **(37,135)** | **(62,507)** |
| Amortisation charge for the year | | – | – | (6,130) | (5,862) | (11,992) |
| Adjustment goodwill | | (2,680) | – | – | – | (2,680) |
| Disposals and divestments | | – | – | – | 1,269 | 1,269 |
| Effect of movements in exchange rates | | 134 | – | 811 | 1,415 | 2,360 |
| **Balance at 31 December 2008** | | **(4,298)** | **–** | **(28,939)** | **(40,313)** | **(73,550)** |
| **Carrying amounts** | | | | | | |
| **At 1 January 2007** | | **152,663** | **331,071** | **12,435** | **14,685** | **510,854** |
| **At 31 December 2007** | | **155,030** | **321,359** | **8,964** | **19,769** | **505,122** |
| **At 1 January 2008** | | **155,030** | **321,359** | **8,964** | **19,769** | **505,122** |
| **At 31 December 2008** | | **149,726** | **215,076** | **89,195** | **26,743** | **480,740** |

### Change in accounting estimate

The reclassification in 2008 of customer relations and distribution networks has been included in the movement schedule as an other movement, for further details see note 3b. In line with IAS 8 Wavin commenced the amortisation of these assets as of the second half of 2008.

### Impairment testing

In assessing whether non-current assets including goodwill and brand names have to be impaired, the carrying amount of each cash generating unit is compared to the recoverable amount of the cash generating unit. The recoverable amount is the higher of value in use and fair value less costs to sell. The Group estimates value in use using a discounted cash flow model.

The operating plan for the coming year is the source of information for the determination of the value in use. In our projections, including forecasts of sales volumes and revenues and assumptions regarding developments in raw material prices, costs and capital expenditure, we assume that the decrease of sales and results that we have seen in 2008 are not structural. In our forecasts, we assumed that in the years following the recession sales and results will increase to the pre-recession level in a period of five years. The increase is supported by expected market recovery and the impact of certain cost reduction programmes that have been implemented. We have extended our projections beyond 5 years as we expect further (modest) growth in the years after the recovery. Beyond the projected period, results are extrapolated using an assumed growth rate that does not exceed 1% in mature markets and 2% in the emerging markets. A post-tax discount rate of 8.5% (2007: 8.8%) has been used in discounting the projected cash flows. The Group is of the opinion that this procedure is appropriate and in line with industry practice.

We have performed a sensitivity analysis on the base case assumptions and have concluded that no reasonable possible changes in key assumptions would cause the carrying amount to exceed its recoverable amount. Because the recoverable amount of non current assets including goodwill and brand name was determined to be higher than the carrying amount, no impairment loss was recognised.

### Amortisation charge and adjustment goodwill

Intangible assets, not being goodwill and brand names, are amortised over the estimated economic lifetime. If an impairment indicator exists, an impairment calculation is performed. In cases where the book value of an asset exceeds the recoverable amount an impairment charge is recognised in the income statement. The amortisation charge is recognised in the following line items in the income statement:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Cost of sales | (207) | – |
| Administrative expenses | (4,447) | (2,895) |
| Research and development expenses | (1,208) | (1,288) |
| Other operating expenses | (8,810) | (3,164) |
| **Total** | **(14,672)** | **(7,347)** |

## Goodwill

The carrying amount of goodwill allocated to each region is as follows:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| North West Europe | 20,433 | 20,426 |
| UK/Ireland | 35,493 | 37,769 |
| South East Europe | 12,760 | 12,968 |
| Central & Eastern Europe | 49,607 | 49,292 |
| Nordic Europe | 23,269 | 24,214 |
| South West Europe | 4,861 | 4,835 |
| Overseas and other | 3,303 | 5,526 |
| **Total** | **149,726** | **155,030** |

In line with IFRS 3 a goodwill adjustment for an amount of € 2.7 million was taken into account due to the ability to compensate pre-fiscal unity losses as of 2008 as well as the capitalisation of not recognised compensable losses in Germany which could not be recognised at the time of the acquisition of Beheermaatschappij Wavin by Wavin N.V. (see note 14 and 15). In addition Wavin was able to claim part of the withholding taxes withheld on invoiced amounts in years before 2005 (see note 9). Additionally, an earn out liability of € 0.5 million was released against goodwill. All these movements are included in the line 'adjustment goodwill'.

## Brand names

The carrying amount of brand names relates to the following brand names:

| (€ x 1,000)<br>**Cash generating unit** | **Brand name** | 2008 | 2007 |
|---|---|---|---|
| UK/Ireland | $Hep_2O$ | 54,351 | 105,359 |
| UK/Ireland | Warmafloor | 541 | – |
| South East Europe | Chemidro | 3,000 | 3,000 |
| South East Europe | Pilsa | 2,560 | – |
| Other (Wavin Group) | Wavin | 154,624 | 213,000 |
| **Total** | | **215,076** | **321,359** |

The decrease of the brand name carrying values is the result of the change in accounting estimate resulting in the separation of customer relation from brand names (for further details see note 3b). In 2008 the brand names 'Pilsa' and 'Warmafloor' were capitalised.

## Customer relations and other assets from business combinations

The carrying amount of other assets from business combinations represents the recognised assets consisting of a.o. order portfolio and customer contracts which meet the conditions for recognition under IFRS 3. Because the recoverable amount of these assets was determined to be higher than the carrying amount, no impairment loss was recognised.

## Other intangible assets

*Development costs*

The carrying amount of development costs represents the capitalised expenses related to new internally developed products and production processes. On an annual basis an impairment test is performed by estimating the recoverable amount based on its value in use. Value in use was determined by discounting the future cash flows. Revenue growth is based on actual sales of these products and the expectations for the coming years. A post-tax discount rate of 8.5% was applied in determining the recoverable amount. The discount rate was estimated based on an industry average weighted cost of capital.

*Software*

The carrying amount of software represents the capitalised expenses related to new (internally developed) software solutions and related implementation expenses. The additions in software for an amount of € 7.1 million (2007: € 6.2 million) relate to the implementation of a new group wide IT platform which is temporised due to the market circumstances. The additions in 2008 include the roll-out of the new IT platform in Germany and Italy.

*Other*

The carrying amount of other intangible assets includes capitalised expenses related to licenses, trademarks, patents etc.

## 19. Investments in associates

The Group has the following significant investments in associates:

| | Country | 2008 | 2007 |
|---|---|---|---|
| | | Ownership | Ownership |
| GF Wavin AG | Switzerland | 40% | 40% |
| Aquatecnic Sistemas S.A. | Spain | 30% | 30% |

### Summary financial information on associates – 100%

| (€ x 1,000) | Assets | Liabilities | Equity | Revenues | Profit / Loss |
|---|---|---|---|---|---|
| **2008** | | | | | |
| GF Wavin AG | 74,780 | 26,734 | 48,046 | 90,009 | 12,648 |
| Aquatecnic Sistemas S.A. | 1,805 | 1,540 | 265 | 2,490 | (143) |
| **Total** | **76,585** | **28,274** | **48,311** | **92,499** | **12,505** |
| **2007** | | | | | |
| GF Wavin AG | 70,653 | 34,962 | 35,691 | 84,807 | 11,524 |
| Aquatecnic Sistemas S.A. | 1,777 | 1,360 | 417 | 2,944 | (147) |
| **Total** | **72,430** | **36,322** | **36,108** | **87,751** | **11,377** |

For all companies the figures as disclosed above reflect the net profit of the associates.

## 20. Other financial non-current assets

| (€ x 1,000) | Note | 2008 | 2007 |
|---|---|---|---|
| **Non-current investments** | | | |
| Guaranteed deposit | | 537 | 492 |
| Interest instruments | 4 | – | 7,724 |
| Other non-current investments | | 551 | 288 |
| **Total** | | **1,088** | **8,504** |
| **Current investments** | | | |
| Financial assets held for trading | | 24 | 91 |
| **Total** | | **24** | **91** |

Due to developments on the capital markets interest rates decreased resulting in a decrease of the fair value of our interest instruments and ultimately to a negative fair value which is presented as a liability. The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 4.

**Sensitivity analysis**

The Group's current investments held for trading are listed at the Frankfurt Stock Exchange. A 2% increase or decrease of the share price at reporting date would not result in a significant change in equity and results.

## 21. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are attributable to:

| (€ x 1,000) | 2008 | | 2007 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Intangible assets | 323 | 82,121 | 488 | 88,019 |
| Property, plant and equipment | 640 | 33,215 | 568 | 37,181 |
| Financial assets | 330 | 261 | 334 | 2,095 |
| Inventories | 958 | 1,324 | 1,231 | 1,298 |
| Other current assets | 320 | 262 | 461 | 173 |
| Tax losses carried forward | 6,111 | – | 6,467 | – |
| Provision for employee benefits | 3,240 | 94 | 4,112 | 81 |
| Other provisions | 1,308 | 2 | 1,200 | 77 |
| Interest bearing loans and other borrowings | 173 | 30 | – | 458 |
| Other liabilities | 5,841 | 478 | 1,536 | 399 |
| **Tax assets / liabilities** | **19,244** | **117,787** | **16,397** | **129,781** |
| Set off of tax assets and liabilities | (9,448) | (9,448) | (7,597) | (7,597) |
| **Net tax assets/liabilities** | **9,796** | **108,339** | **8,800** | **122,184** |
| **Utilised losses carried forward** | **–** | **697** | **–** | **5,853** |

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Deductible temporary differences not capitalised | (46) | 140 |
| Tax losses carried forward not capitalised | 9,700 | 12,125 |
| Withholding taxes not capitalised | 3,558 | 4,011 |
| **Total** | **13,212** | **16,276** |

The above mentioned tax assets have not been recognised because it is not probable that taxable profit will be available against which the Group can utilise the benefits in the near future. The decrease of tax losses not capitalised mainly relates to the realisation of tax losses carried forward in the Netherlands, and the expiration of not used tax losses carried forward in Switzerland. There are no time restrictions on the utilisation of not capitalised taxes for an amount of € 8.9 million. Unrecognised taxes of Wavin Switzerland for an amount of € 0.8 million will expire in the period 2009 until 2015. Withholding taxes not capitalised relate to the Dutch taxes which will not expire, but can only be compensated when all tax losses have been utilised in addition to meeting other specific requirements.

### Movement in temporary differences during the year

| (€ x 1,000) | Balance at 1 January | Acquired through acquisitions | Recognised in profit and loss | Recognised directly in equity | Used for purpose | Translation differences | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | |
| Intangible assets | 87,531 | 2,777 | (972) | – | – | (7,538) | 81,798 |
| Property, plant and equipment | 36,613 | 2,570 | (3,447) | – | – | (3,161) | 32,575 |
| Financial assets | 1,760 | – | (127) | (1,737) | – | 35 | (69) |
| Inventories | 67 | 111 | 174 | – | – | 14 | 366 |
| Other current assets | (288) | (26) | 339 | – | – | (83) | (58) |
| Tax losses carried forward | (6,467) | – | (892) | – | 697 | 551 | (6,111) |
| Provision for employee benefits | (4,031) | (378) | 639 | – | – | 624 | (3,146) |
| Other provisions | (1,123) | (199) | (213) | – | – | 229 | (1,306) |
| Interest bearing loans and borrowings | 458 | – | (627) | – | – | 26 | (143) |
| Other liabilities | (1,136) | (4) | (1,588) | (3,175) | – | 540 | (5,363) |
| **Tax (assets)/liabilities** | **113,384** | **4,851** | **(6,714)** | **(4,912)** | **697** | **(8,763)** | **98,543** |
| **2007** | | | | | | | |
| Intangible assets | 94,092 | (2) | (3,483) | – | – | (3,076) | 87,531 |
| Property, plant and equipment | 38,513 | 97 | (854) | – | – | (1,143) | 36,613 |
| Financial assets | 740 | – | (374) | 1,390 | – | 4 | 1,760 |
| Inventories | 736 | 5 | (673) | – | – | (1) | 67 |
| Other current assets | (119) | – | (149) | – | – | (20) | (288) |
| Tax losses carried forward | (13,486) | – | 1,130 | – | 5,853 | 36 | (6,467) |
| Provision for employee benefits | (5,458) | – | 1,093 | – | – | 334 | (4,031) |
| Other provisions | (1,388) | – | 210 | – | – | 55 | (1,123) |
| Interest bearing loans and borrowings | 415 | – | 43 | – | – | – | 458 |
| Other liabilities | (874) | – | (493) | – | – | 231 | (1,136) |
| **Tax (assets)/liabilities** | **113,171** | **100** | **(3,550)** | **1,390** | **5,853** | **(3,580)** | **113,384** |

## 22. Inventories

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Raw materials and consumables | 25,035 | 29,229 |
| Finished products and merchandise | 136,231 | 174,518 |
| Other inventories | 10,835 | 10,382 |
| **Total inventories** | **172,101** | **214,129** |
| **Inventories stated at fair value less costs to sell** | **2,014** | **4,615** |

At 31 December 2008 the provision for obsolete stocks amounts to € 16.0 million (2007: € 16.4 million). Due to market developments we actively reduced stock levels.

The charge to the income statement is included in cost of sales. In 2008 raw materials, consumables and changes in finished goods recognised as cost of sales amounted to € 814.7 million (2007: € 797.5 million).

## 23. Trade and other receivables

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Trade receivables | 242,858 | 298,182 |
| Amounts receivable from associates | 235 | 47 |
| Other receivables and prepayments | 27,292 | 35,013 |
| **Total** | **270,385** | **333,242** |

Decrease of trade receivables is the result of active cash management. In addition, the lower sales in the second half of 2008 contributed to the reduction of trade receivables.

Trade receivables are shown net of an allowance for doubtful debts of € 9.6 million (2007: € 6.5 million) arising from the possible non-payment by customers. The impairment loss recognised in the current year was € 3.4 million (2007: € 0,4 million gain). The increase of the impairment charge is related to emerging economies. For a specification of the aging of the trade receivables and the allocation of the allowance for doubtful debts at the reporting date we refer to note 4.

## 24. Income tax receivables and payables

Income tax receivable and payable positions represent the individual positions of the legal entities or fiscal unities. The current income tax receivable of € 2.4 million (2007: € 0.4 million) represents the amount of income taxes recoverable in respect to current and prior periods. Income tax payable of € 11.5 million (2007: € 18.5 million) is the amount of income taxes payable with respect to fiscal profits in current and prior periods.

## 25. Cash and cash equivalents

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Bank balances | 48,676 | 19,288 |
| Cash | 171 | 166 |
| **Cash and cash equivalents** | **48,847** | **19,454** |

The increase of bank balances was the result of strict focus on cash generation and cost control. At 31 December the bank balances were freely available.

## 26. Equity

The movement in the number of shares is as follows:

| (shares x 1) | 2008 | 2007 |
|---|---|---|
| Issued ordinary shares at 1 January | 78,766,116 | 77,650,764 |
| Effect of paid stock dividend | 2,002,974 | 1,115,352 |
| Issued ordinary shares at 31 December | 80,769,090 | 78,766,116 |
| Effect of share buyback | (375,140) | – |
| **Outstanding ordinary shares at 31 December** | **80,393,950** | **78,766,116** |

In the first half year the Company purchased 500,000 company shares to cover current and future obligations under the Long Term Incentive Plan of the Company (see note 29). Purchase took place in the period from 11 March to 11 April 2008 at an average purchase price of € 7.29. Of the acquired shares 124,860 shares were purchased on behalf of employees participating in the Long Term Incentive Plan. The remaining 375,140 shares are being held by the Company as treasury shares. The effect of stock dividend relates to dividend paid in shares in 2008.

Of the shareholders' equity of € 329.0 million, an amount of € 12.3 million (2007: € 5.7 million) is not available for distribution – subject to relevant provisions of the Company's Articles of Association and local accounting principles.

Changes in hedging reserve comprise of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Cumulative translation reserves comprise of all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Equity settled transactions include the Long Term Incentive Plan whereby shares and options are granted to the Management Board and senior management. For details we refer to note 29.

For further details on Wavin N.V. shareholders' equity we refer to note F of the Company Financial Statement and the consolidated statement of changes in equity.

## 27. Interest-bearing loans and borrowings

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| **Non-current liabilities** | | |
| Bank loans | 501,241 | 515,759 |
| **Total** | **501,241** | **515,759** |
| **Current liabilities** | | |
| Current portion of bank loans | – | 23,018 |
| Current portion of finance lease liabilities | 2 | 1 |
| Secured bank overdrafts | 201 | 2,383 |
| Unsecured bank overdrafts | 8,478 | 20,702 |
| **Total** | **8,681** | **46,104** |

All bank loans are unsecured. Non-current bank loans relate mainly to the syndicated loan facility. The € 750 million syndicated facility existing of a term and revolving part, expires in 2011. The total facility is a bullet facility repayable in full in October 2011. However, under the revolving facility funds are drawn and repaid in line with the short term financing needs. Therefore the current portion of the bank loans only consists of money market loans that the Group holds. The current portion of bank loans per 31 December 2007 mainly relates to short term loans from bankers not being part of the syndicated loan facility.

## Terms and debt repayment schedule

| (€ x 1,000) | 2008 | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| | Effective interest rate | Year of maturity | Face value | Carrying amount | Effective interest rate | Year of maturity | Face value | Carrying amount |
| **Unsecured bank loans** | | | | | | | | |
| EUR syndicated loan floating rate | 4.61% | 2011 | 257,000 | 256,114 | 4.46% | 2011 | 200,000 | 198,797 |
| CSK syndicated loan floating rate | 4.11% | 2011 | 56,112 | 55,927 | 3.92% | 2011 | 62,415 | 62,089 |
| DKK syndicated loan floating rate | 4.84% | 2011 | 85,062 | 84,616 | 4.73% | 2011 | 84,974 | 84,257 |
| GBP syndicated loan floating rate | 5.99% | 2011 | 70,866 | 70,416 | 5.92% | 2011 | 138,065 | 137,344 |
| PLN syndicated loan floating rate | 6.32% | 2011 | 23,594 | 23,513 | 5.42% | 2011 | 27,271 | 27,129 |
| EUR floating rate | | | – | – | 4.13% | 2008 | 23,018 | 23,018 |
| EUR fixed rate | 4.05% | 2011 | 232 | 232 | 4.05% | 2008 | 397 | 397 |
| EUR fixed rate non current | | | – | – | 6.25% | 2008-2023 | 9 | 9 |
| EUR floating rate | 4.50% | 2009 | 4,623 | 4,623 | 4.50% | 2008 | 5,737 | 5,737 |
| PLN floating rate | 6.50% | 2009 | 5,800 | 5,800 | 6.50% | 2008 | – | – |
| **Unsecured bank overdrafts** | | | | | | | | |
| DKK floating rate | | | – | – | 5.35% | 2008 | 10,539 | 10,539 |
| EUR floating rate | 4.11% | 2009 | 3,748 | 3,748 | 4.46% | 2008 | 3,811 | 3,811 |
| PLN floating rate | 6.74% | 2009 | 1,827 | 1,827 | 5.00% | 2008 | 4,583 | 4,583 |
| TRY floating rate | 16.00% | 2009 | 1,784 | 1,784 | | | – | – |
| Other currencies floating rate | 3.26% | 2009 | 1,118 | 1,118 | 5.47% | 2008 | 1,768 | 1,768 |
| **Financial lease liabilities** | | | 2 | 2 | | | 1 | 1 |
| **Secured bank overdrafts** | | | | | | | | |
| Cash pool multicurrency | | | – | – | misc. | 2008 | 1,998 | 1,998 |
| EUR floating rate | | | – | – | 4.54% | 2008 | 297 | 297 |
| Other currencies floating rate | 6.51% | 2009 | 201 | 201 | 7.05% | 2008 | 88 | 88 |
| **Cash and cash equivalents** | | | | | | | | |
| Current account bankers & cash | misc. | 2009 | (48,847) | (48,847) | misc. | 2008 | (19,454) | (19,454) |
| **Total** | | | **463,122** | **461,074** | | | **545,517** | **542,408** |

The effect of the existing interest rate swaps per 31 December 2008 is included in the calculation of the effective interest rates.

The key terms of the credit facility are:

- € 750 million facility, consisting of a € 400 million committed term loan facility and a € 350 million committed revolving credit facility;
- Uncommitted € 100 million term loan facility;
- For the term loan and revolving facility; 5 year bullet, repayment in one amount at final maturity date (remaining duration of 2.8 years);
- Drawings under the revolving credit facility are in principle rolled over at repayment date;
- Interest rate is local Interbank offered rate plus a margin based on the leverage ratio in accordance with a margin grid in which the maximum margin is 0.90% (90 bps);
- Commitment fees on undrawn amounts are 35% of the applicable margin;
- Covenant ratios:

| Ratios | 2008 | | 2007 | |
|---|---|---|---|---|
| | Actual | Required | Actual | Required |
| Leverage ratio | 2.84 | < 3.50 | 2.49 | < 3.50 |
| Interest coverage ratio | 4.86 | > 3.50 | 6.44 | > 3.50 |

* The Group has two unconditional waivers of breach when the leverage ratio does not exceed 4.0. The leverage ratio may not exceed 3.50 in two consecutive periods.

Wavin is in compliance with these ratios and expects to be compliant for the upcoming year.

The term loans are fully drawn and from the revolving facility € 121.2 million (2007: € 116.9 million) is drawn. Under the facility the Group is committed not to encumber or alienate its assets unless approval is obtained from the lenders. Lenders have approved, besides some specific indebtedness, a threshold of € 200.0 million for permitted guarantees or indebtedness.

In addition to the syndicated group facility, the Group has mostly uncommitted bilateral credit facilities with several banks for an amount of € 94.5 million of which € 6.1 million was drawn per 31 December 2008.

The transaction costs related to the credit facility of € 750 million are amortised using the effective interest method during the period of the borrowings. The transaction costs are mainly related to arrangement and underwriting fees, legal fees, consultancy fees (tax, audit, etc.) and syndication costs.

For details regarding the Group's exposure to interest rate, foreign currency and liquidity risk we refer to note 4.

## 28. Employee benefits

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Present value of unfunded obligations | 13,058 | 12,123 |
| Present value of funded obligations | 324,192 | 360,159 |
| **Total present value of obligations** | **337,250** | **372,282** |
| Fair value of plan assets | (299,342) | (368,783) |
| Unrecognised actuarial gains and losses | (19,204) | 16,633 |
| Effect of asset ceiling | – | 2,187 |
| **Recognised liability for defined benefit obligations** | **18,704** | **22,319** |
| Cash-settled share-based payments liability | 99 | 2,014 |
| **Total employee benefits** | **18,803** | **24,333** |
| Non-current | 15,632 | 21,904 |
| Current | 3,171 | 2,429 |

### Unfunded obligations

Unfunded obligations, including mainly service awards and jubilee commitments qualifying as other long term benefit plans, are recognised in the Dutch, German, Irish, Polish and Italian operating companies. The liability included in the balance sheet in this respect amounts to € 9.4 million (2007: € 8.1 million).

### Liability for defined benefit obligations

Wavin has defined benefit pension plans in Norway, Ireland, the UK, Germany, France, Italy and the Netherlands. All other pension arrangements are defined contribution plans. In the UK and Ireland the pension liabilities are covered by a company pension fund. The company is liable for any deficits of these funds. Plan assets of these funds do not include investments in the Company. The pension fund of Wavin Ltd. had a deficit of € 15.8 million in September 2005 after which it has been agreed with the trustees and the regulator that Wavin will pay this deficit in twenty quarterly installments of which the first one was due in November 2005. Wavin has issued a bank guarantee in this respect to the trustees of this fund of which the value per December 2008 amounted to € 5.6 million (2007: € 8.7 million).

The financial position of the pension funds mentioned above have decreased and in stead of the unrecognised actuarial gain at the end of 2007 an unrecognised actuarial loss had to be reported at the end of 2008. However, the unrecognised actuarial loss remains within the corridor. The coverage ratio of the pension fund in the Netherlands decreased compared to last year due to the credit crunch but is expected to end just above 105%.

The defined benefit schemes of EuroCeramic B.V., Wavin Germany and Wavin Norway are outsourced to insurance companies. The exposures related to the pension liabilities in France and Italy are fully accrued for.

Movements in the liability for defined benefit obligations for the Group were as follows:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| **Liability for defined benefit obligations at 1 January** | **372,282** | **174,723** |
| Effect of movements in foreign exchange | (32,885) | (11,572) |
| Contributions received | 3,762 | 4,219 |
| Inclusion of Dutch defined benefit plans | – | 213,311 |
| Movements to defined contribution plan | 287 | 174 |
| Acquired through business combinations | 1,888 | – |
| Benefits paid by the plan | (13,412) | (13,929) |
| Actuarial (gains) losses not recognised (see below) | (22,468) | (24,101) |
| Actuarial (gains) losses recognised in the income statement (see below) | (250) | (329) |
| Service costs and interest (see below) | 28,046 | 29,786 |
| **Liability for defined benefit obligations at 31 December** | **337,250** | **372,282** |

### Plan assets

Movements in the plan assets were:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| **Fair value of plan assets at 1 January** | **368,783** | **163,877** |
| Effect of movements in foreign exchange | (31,891) | (11,691) |
| Contributions paid into the plan | 16,141 | 17,847 |
| Benefits paid by the plan | (12,172) | (13,404) |
| Expected return on plan assets | 21,194 | 20,674 |
| Inclusion of Dutch defined benefit plans | – | 196,045 |
| Actuarial (losses) gains not recognised (see below) | (62,672) | (4,489) |
| Actuarial (losses) gains recognised the income statement (see below) | (41) | (76) |
| **Fair value of plan assets at 31 December** | **299,342** | **368,783** |

Plan assets consist of the following:

| | 2008 | 2007 |
|---|---|---|
| Equity securities | 43% | 56% |
| Government bonds | 44% | 37% |
| Property | 2% | 3% |
| Other | 11% | 4% |
| **Total fair value of plan assets** | **100%** | **100%** |

## Expense recognised in the income statement

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Current service costs | 9,167 | 11,396 |
| Interest on obligation | 18,879 | 18,390 |
| Expected return on plan assets | (21,194) | (20,674) |
| Actuarial gains and losses to extent recognised | (209) | (253) |
| Effect of asset ceiling | (2,187) | 2,187 |
| Immediate recognition actuarial loss as an effect of asset ceiling | 6,144 | – |
| **Expense recognised in the income statement** | **10,600** | **11,046** |

The expense is recognised in the following line items in the income statement:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Cost of sales | 5,764 | 6,055 |
| Selling and distribution expenses | 3,198 | 3,241 |
| Administrative expenses | 1,638 | 1,750 |
| **Total** | **10,600** | **11,046** |
| **Actual return on plan assets** | **(41,231)** | **6,234** |

## Actuarial gains and losses not recognised

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| **Cumulative amount at 1 January** | **16,633** | **15,572** |
| Effect of movements in foreign exchange | (1,777) | (1,285) |
| Inclusion of Dutch defined benefit plans | – | (17,266) |
| Immediate recognition actuarial loss as an effect of asset ceiling | 6,144 | – |
| Not recognised during the period | (40,204) | 19,612 |
| **Cumulative amount at 31 December** | **(19,204)** | **16,633** |

### Principal actuarial assumptions at balance sheet date

| (% – expressed as weighted averages) | 2008 | 2007 |
|---|---|---|
| Discount rate at 31 December | 5.9 | 5.5 |
| Expected return on plan assets at 31 December | 5.7 | 6.2 |
| Future salary increases | 3.2 | 3.4 |
| Future pension increases | 2.0 | 2.3 |

The overall expected long term rate of return on assets is 5.7%. The expected long term rate of return is based on the target portfolio as a whole and based on the sum of the returns on individual asset categories.

The Group expects to contribute € 9.6 million to its defined benefit pension plans in 2009. For other benefit plans the contribution for 2009 by the Group is expected to be € 0.6 million.

**Historical information**

The difference between the actual and expected return on plan assets was a loss of € 62.4 million in 2008, a loss of € 14.4 million in 2007, a gain of € 6.1 million in 2006 and a gain of € 12.1 million in 2005. The 2008 actuarial gains and losses on the defined benefit obligation including historical data breakdown is as follows:

| (€ x 1,000) | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| Present value of the defined benefit obligation | 337,250 | 372,282 | 174,723 | 171,689 |
| Fair value of plan assets | (299,342) | (368,783) | (163,877) | (141,003) |
| **Deficit in the plan** | **37,908** | **3,499** | **10,846** | **30,686** |
| Adjustments due to experience | (68,763) | (5,656) | 5,732 | 4,844 |
| Adjustments due to change in assumptions | 28,826 | (1,427) | 12,053 | (7,325) |
| **Total adjustments** | **(39,937)** | **(7,083)** | **17,785** | **(2,481)** |

**Other information**

With the exception of EuroCeramic B.V. the pension liabilities of the Dutch Wavin entities are covered by a multi employer pension fund (*Pensioenfonds OWASE*). Although the Company is not liable for any deficits in this fund, the plan qualifies as a defined benefit system as the Company might be entitled to a possible reward if the board of the pension fund would decide on a premium reduction or premium refund. However, the participating companies of the pension fund are still in a process of changing the current defined benefit plan into a collective defined contribution plan. The negotiations with the different stakeholders are ongoing.

## 29. Share-based payments

### Share-based compensation

Two management participation foundations, of which one foundation is a shareholder in Wavin, have set up different share plans for Wavin employees to stimulate the awareness of the development of the Wavin shares after the completion of the IPO. These plans are fully financed by the foundations but as they qualify as share-based payment plans under IFRS 2, all costs are charged to the income statement of Wavin N.V. as non-recurring costs. The contribution by the foundation is processed directly in equity as share premium reserve.

Per 31 December 2008 only the bonus incentive scheme for a selected number of employees to receive shares in the Company with a vesting period of 3 years, is not yet settled. This grant consists of 82,000 shares. These shares will be physically delivered when the employees are still employed after the vesting period.

As per 31 December 2008 the liability has been reassessed and based on the actual employed employees and share price per year end.

| (€ x 1,000) | | |
|---|---|---|
| Fair value at grant date | | 1,251,250 |
| Share price at grant date | € | 11.00 |
| Share price as per 31 December 2007 | € | 9.12 |
| Share price as per 31 December 2008 | € | 2.33 |

The foundations Stichting Management Participatie Wavin and Stichting Werknemersbinding Wavin also offered a cash settled share based bonus plan to all Wavin employees, with the exception of managers being current shareholders, at the date of the IPO. At the IPO date each eligible employee received a conditional cash bonus right to the amount of 25 virtual shares. Employees, who were employed for more than five years at the IPO date, received additional 2 virtual shares for each additional employed full year. The amount of the cash payment was determined based on the share price of the company per 14 January 2008 of € 7.79 and was paid to the employees who were still employed at that date. At vesting date 228,000 virtual shares were paid out to Wavin employees under this cash bonus plan.

In 2008 a Long Term Incentive Plan, which was approved by the extraordinary general meeting of shareholders of 11 December 2007, was introduced. Eligible employees can, on a voluntary basis, elect to invest part of their individual annual bonus (after taxes) in Wavin shares. The investment is limited to 50% of the individual's gross annual bonus payment. The minimum investment is set at 10% of the gross annual bonus payment. The employee, who decides to invest, receives the right to one conditional matching share for each two purchased shares and a maximum of three conditional performance options for each share purchased. The total number of performance options to be granted is dependent on the realisation of a certain Ebitda growth target, realised during the four-year vesting period, and the number of employees that is still employed at the time of vesting. The purchased shares and the matching shares are subject to a mandatory lock-up period of five years. In 2008 eligible employees purchased 124,860 shares which resulted in the following grants:

| | 2008 | | |
|---|---|---|---|
| | Weighted average exercise price | Number of options | Number of shares |
| **Outstanding at 1 January** | | – | – |
| Granted during the period | € 7.29 | 374,580 | 62,455 |
| **Outstanding at 31 December** | | **374,580** | **62,455** |
| **Exercisable at 31 December** | | **–** | **–** |

The fair value of the matching shares at grant date of € 6.16 is determined using the Black Scholes formula. Given that the Wavin shares are listed as from 11 October 2006, insufficient historical share price data is available for determining the historical volatility of the Wavin shares for a period equal to the life of the options granted. Therefore we have analysed the historical share price development of comparable companies in order to determine the expected volatility to be applied. The fair value of the performance options at grant date of € 1.57 is determined using a binominal tree valuation methodology.
The model inputs were: the share price of € 7.38, the exercise price of € 7.29, expected volatility of 35%, expected dividends of 6%, a term of three years and a risk free interest rate of 3.7%. The effect of forfeitures is remeasured at each reporting date and at settlement date.

The expenses related to the share based payment plans and Long Term Incentive Plan can be summarised as follows:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Expense arising from LTIP granted in 2008 | (99) | – |
| Expense arising from cash settled plans in 2006 | 278 | 1,919 |
| Effect of share appreciation rights granted in 2006 | 198 | (392) |
| **Total expense recognised as employee costs** | **377** | **1,527** |
| **Total carrying amount of liabilities for cash-settled arrangements** | **–** | **2,014** |
| **Total unrecognised value of liability for vested benefits** | **242** | **819** |

## 30. Provisions

| (€ x 1,000) | Warranty | Restructuring | Tax provisions | Other provisions | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2008** | **4,858** | **2,478** | **7,075** | **7,559** | **21,970** |
| Acquisitions / divestments | – | – | – | 574 | 574 |
| Provisions made during the year | 2,542 | 12,916 | – | 1,330 | 16,588 |
| Provisions used during the year | (1,800) | (10,316) | – | (1,247) | (13,363) |
| Provisions reversed during the year | (847) | (600) | – | (1,329) | (2,776) |
| Effect of movements in foreign exchange | (238) | (333) | (954) | (676) | (2,201) |
| **Balance at 31 December 2008** | **4,315** | **4,145** | **6,121** | **6,211** | **20,792** |
| Non-current | 1,006 | 132 | 6,121 | 5,957 | 13,216 |
| Current | 3,309 | 4,013 | – | 254 | 7,576 |

### Warranty
For products or services sold, a provision is recognised based on actual claims received and on historical data regarding warranty costs, which were not provided for on an individual claims basis. The product liability insurance cover is taken into account when determining the provision. Claims honoured are charged against the provision. The Group expects to incur the liability over the next two years.

### Restructuring
In 2008 restructuring provisions were made mainly for the announced restructurings in the United Kingdom, Ireland and Denmark. It is expected that these reorganisations will be completed within one year from the balance sheet date. The provision used for purpose mainly relates to restructuring activities in the UK and Ireland and some smaller provisions that were used for reorganisations in France, Norway and the Benelux.

### Tax
The tax provisions relate to identified tax exposures in the Group. The majority of the cash outflows related to the tax provisions are expected to be within one to five years.

### Other provisions
The other provisions per 31 December 2008 mainly consist of provisions for the obligation to take back returnable packaging in Germany (€ 2.6 million), quarry restoration obligations related to the clay activities of Hepworth (€ 2.5 million) and environmental commitments at the Dutch production location (€ 1.2 million). The majority of the cash outflows related to other provisions are expected to be within one to five years.

## 31. Other non-current liabilities

The other non-current liabilities can be specified as follows:

| (€ x 1,000) | Note | 2008 | 2007 |
|---|---|---|---|
| Interest instruments | 4 | 12,600 | 735 |
| Oter non-current liabilities | | 505 | 965 |
| **Total other non-current liabilities** | | **13,105** | **1,700** |

## 32. Trade and other payables

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Trade payables | 292,403 | 294,006 |
| Non-trade payables and accrued expenses | 65,645 | 74,960 |
| Amounts payable to associates | 1,054 | 2,127 |
| **Total trade and other payables** | **359,102** | **371,093** |

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 4.

## 33. Operating leases

The Group leases a number of warehouse and factory facilities and internal transport equipment under operating leases. The leases typically run for an initial period of between five and ten years, with an option to renew the lease after that date. None of the leases includes purchase liabilities or contingent rentals. The duration of the total committed amount of approximately € 29.1 million (2007: € 28.5 million) can be specified as follows:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Less than one year | 7,342 | 8,368 |
| Between one and five years | 17,800 | 16,564 |
| More than five years | 3,920 | 3,590 |
| **Total** | **29,062** | **28,522** |

During the year ended 31 December 2008, € 10.9 million was recognised as an expense in the income statement in respect of operating leases (2007: € 11.2 million).

## 34. Capital commitments

With respect to the purchase of investment goods, per 31 December 2008 obligations have been entered into and orders have been placed to a value of € 9.8 million (2007: € 14.9 million). Rent and service agreements were concluded for an amount of € 20.6 million (2007: € 22.8 million). The amount due within one year is € 5.5 million (2007: € 3.9 million).

## 35. Contingent liabilities

At 31 December 2008 bank guarantees issued for bid bonds and performance bonds amount to approximately € 5.3 million (2007: € 5.9 million).

The Group is defending itself against different actions brought by employees, suppliers or customers in different countries in Europe. While liability is not admitted, the estimated fines and legal costs are provided for when it is anticipated to take defensive actions. Based on legal advice, the Group does not expect the outcome of the actions to have a material effect on the Group's financial position.

Wavin N.V., together with a number of Group companies, is guarantor for drawings (31 December 2008: € 490.8 million) under the syndicated loan facility of € 750.0 million. The leverage ratio should be lower than 3.5 whereas the interest coverage should be at least 3.5. The Group must assure that 70% of the consolidated Ebitda and 70% of the consolidated fixed assets are listed as borrower and guarantor under the syndicated facilities.

Wavin N.V. and the subsidiaries have issued cross guarantees for drawings under the notional cash pool system.

Almost all the subsidiaries in the Netherlands form a fiscal unity with Wavin N.V. Wavin N.V. is severally liable for the tax debt of the fiscal unity.

## 36. Related parties

### Identity of related parties

The Group has a related party relationship with its subsidiaries and associates (see page 135). Related party relationships also exist with the shareholders Stichting Management Participatie Wavin and Stichting Werknemersbinding Wavin (for details we refer to note 29), as well as with Stichting Preferente Aandelen Wavin which has a call option for preference shares of Wavin N.V. (for details we refer to note F of the Company Financial Statements). The Group also has a related party relationship with Wavin Ltd Pensionfund, New Ireland Assurance-Wavin Ireland Defined Contribution Pension Plan and Stichting Pensioenfonds Owase (for details we refer to note 28). Finally a related party relationship exists with the Supervisory Board members and Management Board members (for details we refer to note K of the Company Financial Statements).

### Transactions with shareholders

Stichting Management Participatie Wavin and Stichting Werknemersbinding Wavin have set up different share plans for Wavin employees. These plans are also fully financed by these shareholders. For further details we refer to note 29.

### Other related party transactions

During the year ended 31 December 2008, associates purchased goods from the Group in the amount of € 0.9 million (2007: € 1.4 million) and at 31 December 2008 the Group owed associates € 0.8 million (2007: € 2.1 million). Sales of associates to the Group amounted to € 11.7 million (2007: € 13.4 million). For details regarding outstanding receivables and liabilities we refer to notes 23 and 32.

Wavin purchases and sells goods and services to various related parties in which Wavin holds a 50% or less equity interest (non consolidated companies). Such transactions were not significant on an individual or aggregated basis. These transactions were conducted at arm's length with terms comparable to transactions with third parties. During the year ended 31 December 2008 the Group received € 3.0 million (2007: € 2.5 million) dividend from associates.

## 37. Transactions with key management personnel and remuneration

There have been no transactions with members of the Supervisory Board or Management Board or any family member of such persons. Also no loans have been extended to members of the Supervisory Board or Management Board or any family member of such persons.

Members of the Management Board are entitled to equity compensation benefits (for details we refer to note 29). Members of the Supervisory Board are not entitled to equity compensation benefits.

## 38. Group companies

The Group's ultimate parent company is Wavin N.V. Please refer to the principal direct and indirect participations on page 135.

## 39. Subsequent events

In January and February 2009, Wavin has announced additional measures to reduce the workforce by 450 employees. The one-off charges of € 17 million have not been included in the 2008 results.

# COMPANY FINANCIAL STATEMENTS
## Company balance sheet

As at 31 December

| (€ x 1,000) | Note | 2008 | 2007 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | B | 19,787 | 22,280 |
| Intangible assets | C | 302,648 | 316,936 |
| Investments in subsidiaries | D | 87,468 | 115,347 |
| Other non-current assets | | 2,652 | 8,967 |
| **Total non-current assets** | | **412,555** | **463,530** |
| Trade and other receivables | E | 1,439 | 2,595 |
| **Total current assets** | | **1,439** | **2,595** |
| **Total assets** | | **413,994** | **466,125** |
| **Equity** | | | |
| Issued capital | F | 100,961 | 98,457 |
| Share premium | F | 126,029 | 128,577 |
| Reserves | F | (31,015) | 12,928 |
| Retained earnings | F | 133,040 | 123,234 |
| **Total equity** | F | **329,015** | **363,196** |
| **Liabilities** | | | |
| Interest-bearing loans and borrowings | G | 15,000 | 15,000 |
| Employee benefits | | 99 | – |
| Deferred tax liabilities | H | 57,287 | 62,824 |
| Other non-current liabilities | | 11,638 | 735 |
| **Total non-current liabilities** | | **84,024** | **78,559** |
| Employee benefits | | – | 2,014 |
| Income tax payable | | 95 | 206 |
| Bank overdrafts | | 659 | 21,478 |
| Trade and other payables | | 201 | 672 |
| **Total current liabilities** | | **955** | **24,370** |
| **Total liabilities** | | **84,979** | **102,929** |
| **Total equity and liabilities** | | **413,994** | **466,125** |

## Company income statement

For the year ended 31 December

| (€ x 1,000) | Note | 2008 | 2007 |
|---|---|---|---|
| Net income from subsidiaries and associates | I | 37,521 | 94,763 |
| Other net income | | (5,422) | (3,555) |
| **Profit for the period** | | **32,099** | **91,208** |

# Notes to the Company Financial Statements

## A. General

Unless otherwise stated, all amounts are in thousands of Euros.

The company financial statements of Wavin N.V. have been prepared in using the option of article 362 of Book 2 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the Group Financial Statements. Foreign currency has been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the valuation principles and determination of income as described in note 3 of the Group Financial Statements.

Subsidiaries of Wavin N.V. are accounted for using the equity method.

As the financial data of Wavin N.V. are included in the consolidated financial statements, the statement of income of Wavin N.V. is condensed in conformity with article 402 of Book 2 of the Dutch Civil Code. Additionally, the Company can be classified as a small company according to the guidelines as set out in article 396.1 of Book 2 of the Dutch Civil Code.

## B. Property, plant and equipment

| (€ x 1,000) | Land and buildings |
|---|---|
| **Cost** | |
| **Balance at 1 January 2007** | **24,037** |
| Transfer to assets classified as held-for-sale | (97) |
| **Balance at 31 December 2007** | **23,940** |
| **Balance at 1 January 2008** | **23,940** |
| Effect of movements in exchange rates | (1,483) |
| **Balance at 31 December 2008** | **22,457** |
| **Depreciation** | |
| **Balance at 1 January 2007** | **(408)** |
| Depreciation charge for the year | (1,263) |
| Transfer to assets classified as held-for-sale | 11 |
| **Balance at 31 December 2007** | **(1,660)** |
| **Balance at 1 January 2008** | **(1,660)** |
| Depreciation charge for the year | (1,261) |
| Effect of movements in exchange rates | 251 |
| **Balance at 31 December 2008** | **(2,670)** |
| **Carrying amounts** | |
| **At 1 January 2007** | **23,629** |
| **At 31 December 2007** | **22,280** |
| **At 1 January 2008** | **22,280** |
| **At 31 December 2008** | **19,787** |

These assets fully relate to the fair value adjustments after the acquisition in 2005 of Beheermaatschappij Wavin B.V. by Wavin Holding B.V., which in 2006 merged with Wavin N.V.

## c. Intangible assets

These assets fully relate to the purchase price allocation of the consideration paid by Wavin Holdings B.V. for the acquisition of the shares of Beheermaatschappij Wavin B.V. For details we refer to note 18 of the Group Financial Statements.

| (€ x 1,000) | Goodwill | Brand names | Customer relations and other IFRS 3 assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance at 1 January 2007** | **98,667** | **213,000** | **11,853** | **323,520** |
| Additions | – | – | – | – |
| **Balance at 31 December 2007** | **98,667** | **213,000** | **11,853** | **323,520** |
| **Balance at 1 January 2008** | **98,667** | **213,000** | **11,853** | **323,520** |
| Other moves | – | (55,000) | 55,000 | – |
| Effect of movements in exchange rates | (4,083) | (3,376) | (1,138) | (8,597) |
| **Balance at 31 December 2008** | **94,584** | **154,624** | **65,715** | **314,923** |
| **Amortisation** | | | | |
| **Balance at 1 January 2007** | **–** | **–** | **(4,210)** | **(4,210)** |
| Amortisation charge for the year | – | – | (2,374) | (2,374) |
| **Balance at 31 December 2007** | **–** | **–** | **(6,584)** | **(6,584)** |
| **Balance at 1 January 2008** | **–** | **–** | **(6,584)** | **(6,584)** |
| Amortisation charge for the year | – | – | (3,011) | (3,011) |
| Adjustment goodwill | (2,680) | – | – | (2,680) |
| **Balance at 31 December 2008** | **(2,680)** | **–** | **(9,595)** | **(12,275)** |
| **Carrying amounts** | | | | |
| **At 1 January 2007** | **98,667** | **213,000** | **7,643** | **319,310** |
| **At 31 December 2007** | **98,667** | **213,000** | **5,269** | **316,936** |
| **At 1 January 2008** | **98,667** | **213,000** | **5,269** | **316,936** |
| **At 31 December 2008** | **91,904** | **154,624** | **56,120** | **302,648** |

These assets fully relate to the purchase price allocation of the consideration paid by Wavin Holdings B.V. for the acquisition of the shares of Beheermaatschappij Wavin B.V. For details we refer to note 18 of the Group Financial Statements.

The reclassification in 2008 of customer relations and distribution networks has been included in the movement schedule as an other move (for further details see note 3b of the Group Financial Statements). In line with IAS 8 Wavin commenced the depreciation of these assets as of the second half of 2008.

Adjustment goodwill relates to the change of goodwill according to IFRS 3.65 due to the capitalised claim of foreign withholding taxes in the Netherlands and the capitalisation of pre-fiscal unity losses in the Netherlands and Germany (for further details see note 9, 14 and 15 of the Group Financial Statements).

## D. Investments in subsidiaries

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| **Balance at 1 January** | **115,347** | **58,155** |
| Profit for the period | 37,521 | 94,763 |
| Currency differences | (23,322) | 1,613 |
| Dividends received | (40,000) | (40,000) |
| Other movements | (2,078) | 816 |
| **Balance at 31 December** | **87,468** | **115,347** |

The other movements relate to fair value adjustments of interest rate swaps included directly in equity of operating companies.

## E. Trade and other receivables

Trade and other receivables per 31 December 2008 mainly relates to related parties including an amount of € 1.4 million (2007: € 2.4 million) related to the share-based payment plans from Stichting Management Participatie Wavin and Stichting Werknemersbinding Wavin (see note 29 of the Group Financial Statements).

## F. Shareholders' equity

| (€ x 1,000) | Issued capital | Share premium | Legal & statutory reserve | Translation reserve | Hedging reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2007** | **97,063** | **131,949** | **5,033** | **(2,427)** | **1,528** | **62,318** | **295,464** |
| Profit for the period | – | – | 4,711 | – | – | 86,497 | 91,208 |
| Reclassification reserves | – | – | 584 | – | – | (584) | – |
| Capitalised development costs | – | – | 615 | – | – | (615) | – |
| Stock dividend | 1,394 | (1,394) | – | – | – | – | – |
| Cost of shares issued | – | (59) | – | – | – | – | (59) |
| Share-based payment plans | – | (1,919) | – | – | – | 392 | (1,527) |
| Dividends paid to shareholders | – | – | – | – | – | (27,465) | (27,465) |
| Dividends received from associates | – | – | (2,482) | – | – | 2,482 | – |
| Realisation currency differences | – | – | – | – | (569) | 209 | (360) |
| Currency differences | – | | – | 1,622 | (9) | – | 1,613 |
| Fair value changes financial instruments | – | – | – | – | 4,322 | – | 4,322 |
| **Balance at 31 December 2007** | **98,457** | **128,577** | **8,461** | **(805)** | **5,272** | **123,234** | **363,196** |
| **Balance at 1 January 2008** | **98,457** | **128,577** | **8,461** | **(805)** | **5,272** | **123,234** | **363,196** |
| Profit for the period | – | – | 5,201 | – | – | 26,898 | 32,099 |
| Reclassification reserves | – | – | (111) | – | – | 111 | – |
| Capitalised development costs | – | – | 1,772 | – | – | (1,772) | – |
| Stock dividend | 2,504 | (2,504) | – | – | – | – | – |
| Cost of shares issued | – | (44) | – | – | – | – | (44) |
| Share-based payment plans | – | – | – | – | – | (475) | (475) |
| Long Tem Incentive Plan, shares issued | – | – | – | – | – | 906 | 906 |
| Purchase own shares | – | – | – | – | – | (3,643) | (3,643) |
| Dividends paid to shareholders | – | – | – | – | – | (15,210) | (15,210) |
| Dividends received from associates | – | – | (2,991) | – | – | 2,991 | – |
| Currency differences | – | – | – | (33,306) | 139 | – | (33,167) |
| Fair value changes financial instruments | – | – | – | – | (14,647) | – | (14,647) |
| **Balance at 31 December 2008** | **100,961** | **126,029** | **12,332** | **(34,111)** | **(9,236)** | **133,040** | **329,015** |

### Share capital and share premium

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| On issue at 1 January | 227,034 | 229,012 |
| Share-based payments | – | (1,919) |
| Costs of stock dividend | (44) | (59) |
| **On issue at 31 December – fully paid** | **226,990** | **227,034** |

**Authorised shares**

At 31 December 2008, the total authorised ordinary share capital exists of 128 million ordinary shares with a par value of € 160 million. Besides the ordinary shares the company authorised 128 million preference shares with a par value of € 1.25 per share for future issuance.

**Issued shares**

The total issued ordinary share capital per 31 December 2008 exists of 80,769,090 shares with a par value of € 101.0 million (2007: € 98.5 million) and a share premium of € 126.0 million (2007: € 128.6 million). In 2008 the Company purchased on behalf of its senior and middle management 500,000 company shares to cover current and future obligations under the Long Term Incentive Plan of the Company (see note 29). Purchase took place in the period from 11 March to 11 April 2008 at an average purchase price of € 7.29 and they are held as treasury shares. Under the Long Term Incentive Plan senior and middle management acquired 124,860 shares which were deducted from the treasury shares. The effect of stock dividend relates to dividend paid in shares in 2008.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholder meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect to the Company's shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

| (shares x 1) | 2008 | 2007 |
|---|---|---|
| Issued ordinary shares at 1 January | 78,766,116 | 77,650,764 |
| Effect of paid stock dividend | 2,002,974 | 1,115,352 |
| Issued ordinary shares at 31 December | 80,769,090 | 78,766,116 |
| Effect of share buyback | (375,140) | – |
| **Outstanding ordinary shares at 31 December** | **80,393,950** | **78,766,116** |

## Dividends

The dividends paid relate to the final dividend 2007 and the interim dividend 2008. In 2008 dividends were paid in cash or as stock dividend. The following dividends were declared and paid:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Final dividend prior year | 18,814 | 27,178 |
| Interim dividend current year | 9,550 | 17,251 |
| **Total dividend declared** | **28,364** | **44,429** |
| Of which paid in cash | 15,210 | 27,465 |

For the difference between total dividend and dividend paid in cash, amounting to € 15.2 million, 2,002,974 shares were issued as stock dividend.

For the 2008 financial year, the full annual dividend that will be proposed to the General Meeting of Shareholders is € 0.16 per share. On 26 September 2008, an interim dividend of € 0.12 per share was paid. Under deduction of the interim dividend a closing dividend for the year 2008 of € 0.04 will be paid. This dividend will be issued as of 25 May 2009 to all holders of ordinary shares Wavin N.V.

## Share-based compensation

Two management participation foundations, of which one foundation is a shareholder in Wavin, have set up different share plans for Wavin employees. These plans are fully financed by the foundations but as they qualify as share-based payment plans under IFRS 2 all costs are charged to the income statement of Wavin N.V. as non-recurring costs. The decrease of the contribution by the foundation is processed directly in equity as share premium reserve. For further details we refer to note 29 of the Group Financial Statements.

In 2008 the Long Term Incentive Plan, which was approved by the extraordinary general meeting of shareholders of 11 December 2007, was introduced. Eligible employees can, on a voluntary basis, elect to invest part of their individual annual bonus (after taxes) in Wavin shares. The employee, who decides to invest, receives the right to one conditional matching share for each two purchased shares and a maximum of three conditional performance options for each share purchased. The fair value of the granted performance options and matching shares is measured at grant date and amortised over the period during which the employees become unconditionally entitled to these options or shares. The expenses as included in the income statement in 2008 for the long term incentive plan amounted to € 0.1 million. The granted shares and options can be summarized as follows:

**Outstanding performance related shares and option rights (including Management Board)**

| Serie | Outstanding at 1 January 2008 | Granted in 2008 | Value at grant date | Outstanding at 31 December 2008 | Market value at 31 December 2008 | Vesting date | Holding period up to and including |
|---|---|---|---|---|---|---|---|
| Conditional shares | Shares | Shares | (€) | Shares | (€) | | |
| LTIP 2008 | – | 62,455 | 455,297 | 62,455 | 145,520 | March 10, 2011 | March 9, 2013 |

| Serie | Exercise price | Outstanding at 1 January 2008 | Granted 2008 maximum* | Outstanding at 31 December 2008 maximum | Market value at 31 December 2008 (maximum) | Vesting date | Expiry date |
|---|---|---|---|---|---|---|---|
| Conditional options | | Options | Options | Options | (€) | | |
| LTIP 2008 | 7.29 | – | 374,580 | 374,580 | – | March 10, 2012 | March 10, 2015 |

* At 15% or more average annual n-Ebitda growth over the years 2008 up to and including 2011.

**Option rights granted**

The Company has issued call option rights for preference shares to a maximum of the outstanding issued ordinary share capital to the foundation Stichting Preferente Aandelen Wavin. The board of the foundation independently decides to exercise its call option. The foundation has the possibility to subscribe for the preference shares at nominal value. The foundation will pay one/fourth of the nominal amount of the preference shares subscribed for. Three/fourths of the nominal amount only needs to be paid after the Company has called for it. If the call option is exercised the shareholder is not entitled to dividend but receives an interest based on 12 months Euribor plus 2% on the actual deposits. For further details we refer to the paragraph Special Rights provided for by the Articles of Association and to the section Corporate Governance of the annual report (page 31 – 42).

### Legal and statutory reserves

Legal and statutory reserves include non-distributable profits which are not available for dividend payment due to legal restrictions in the countries of domicile of the participations as long as there is a repayment obligation. The legal reserve also includes a reserve for capitalised development costs representing the capitalised development costs within the Group since the Company has been established. This amount is not available for dividend distribution due to legal restrictions in the Netherlands.

### Translation reserve

Translation reserve represents the translation differences of participations. These amounts are not available for dividend distribution. A negative reserve for translation differences has to be regarded as a reduction of the retained earnings.

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

## G. Interest-bearing loans and borrowings received

All reported interest bearing loans and borrowings per 31 December 2008 of € 15.0 million (2007: € 15.0 million) are unsecured.

## H. Deferred tax liabilities

This tax liability fully relates to the intangible assets and property, plant and equipment.

## I. Net income from subsidiaries and associates

Net income from associated companies relates to Wavin N.V.'s share in earnings of its associates. For further details see note D.

## J. Contingent liabilities

In accordance with Dutch legislation on the exemption concerning the preparation and filing of annual accounts, Wavin N.V. has assumed individual liability for debts originating from legal acts by Wavin B.V. (sect. 403, Book 2 of the Dutch Civil Code). This regards all Dutch Group companies with the exception of Rezo.

Wavin N.V., together with a number of Group companies, is guarantor for drawings under the syndicated loan facility of € 750 million (31 December 2008: € 490.8 million).

## K. Remuneration of the Management Board and Supervisory Board

The individual employment contracts of the members of the Management Board are determined by the Supervisory Board. For more details regarding decisions of the Remuneration Committee with respect to employment contracts of the Management Board we refer to page 34 of the annual report.

The remuneration of the Management Board includes salaries, performance related bonuses, emoluments and other compensations.

| (€) | Remuneration | Employer's pension contributions | Annual bonus | Long Term Incentive Plan | Car and other benefits | Social security | Total remuneration |
|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | |
| Philip Houben | 442,989 | 127,603 | – | 10,279 | 55,089 | 2,468 | 638,428 |
| Pim Oomens | 318,610 | 78,567 | 30,268 | 8,090 | 33,459 | 5,079 | 474,073 |
| Henk ten Hove | 329,437 | 71,003 | 31,296 | 7,998 | 35,994 | 2,468 | 478,196 |
| Andy Taylor | 287,002 | 75,623 | 31,402 | – | 27,917 | 49,168 | 471,112 |
| **Total** | **1,378,038** | **352,796** | **92,966** | **26,367** | **152,459** | **59,183** | **2,061,809** |
| **2007** | | | | | | | |
| Philip Houben | 421,894 | 121,774 | 145,975 | – | 51,999 | 2,444 | 744,086 |
| Pim Oomens | 304,890 | 75,591 | 114,883 | – | 31,292 | 4,763 | 531,419 |
| Henk ten Hove | 318,296 | 68,607 | 113,568 | – | 35,007 | 4,763 | 540,241 |
| Andy Taylor | 321,175 | 97,278 | 146,764 | – | 32,201 | 71,015 | 668,433 |
| **Total** | **1,366,255** | **363,250** | **521,190** | **–** | **150,499** | **82,985** | **2,484,179** |

### Number of conditional shares of the Management Board

| (€) | Series | Outstanding at 1 January 2008 | Granted in 2008 | Value at grant date | Outstanding at 1 December 2008 | Market value 31 December 2008 | Vesting date up to | Holding period up to and including |
|---|---|---|---|---|---|---|---|---|
| **2008** | | shares | shares | (€) | shares | (€) | | |
| Philip Houben | LTIP 2008 | – | 5,006 | 36,494 | 5,006 | 11,664 | March 10, 2011 | March 9, 2013 |
| Pim Oomens | LTIP 2008 | – | 3,940 | 28,723 | 3,940 | 9,180 | March 10, 2011 | March 9, 2013 |
| Henk ten Hove | LTIP 2008 | – | 3,895 | 28,395 | 3,895 | 9,075 | March 10, 2011 | March 9, 2013 |
| Andy Taylor | LTIP 2008 | – | – | – | – | – | | |
| **Total** | | **–** | **12,841** | **93,612** | **12,841** | **29,919** | | |

### Number of conditional options of the Management Board

| (€) | Series | Exercise price | Outstanding at 1 January 2008 | Granted 2008 (maximum)* | Outstanding at 1 December 2008 (maximum)* | Market value 31 December 2008 (maximum) | Vesting date | Expiry date |
|---|---|---|---|---|---|---|---|---|
| | | | options | options | options | (€) | | |
| Philip Houben | LTIP 2008 | 7.29 | – | 30,036 | 30,036 | – | March 10, 2012 | March 10, 2015 |
| Pim Oomens | LTIP 2008 | 7.29 | – | 23,637 | 23,637 | – | March 10, 2012 | March 10, 2015 |
| Henk ten Hove | LTIP 2008 | 7.29 | – | 23,367 | 23,367 | – | March 10, 2012 | March 10, 2015 |
| Andy Taylor | LTIP 2008 | 7.29 | – | – | – | – | March 10, 2012 | March 10, 2015 |
| **Total** | | | **–** | **77,040** | **77,040** | **–** | | |

* At 15% or more average annual n-Ebitda growth over the years 2008 up to and including 2011.

### Remuneration of the Supervisory Board

The income statement includes the following remuneration for the Supervisory Board:

| (€ x 1,000) | 2008 | 2007 |
|---|---|---|
| Paul van den Hoek | 52 | 52 |
| Brian Hill | 37 | 37 |
| Marc Boughton | – | 12 |
| Jan Reinier Voûte | – | 37 |
| René Kottman | 37 | 37 |
| Birgitta Stymne Göransson | 37 | – |
| Rob Ruijter | 37 | – |
| **Total** | **200** | **175** |

## L. Shares held by the Management Board and Supervisory Board

### Shares held by the Management Board

Wavin shares held by members of the Management Board as per 31 December 2008 were as follows:

**Number of unconditional shares held by the Management Board**

| | Outstanding 2007 | Transactions 2008* | Outstanding 2008 | Market value 31-12-2008 |
|---|---|---|---|---|
| | shares | shares | shares | (€) |
| Philip Houben | 532,994 | 10,012 | 543,006 | 1,265,204 |
| Pim Oomens | 399,050 | 7,879 | 406,929 | 948,145 |
| Henk ten Hove | 399,050 | 7,789 | 406,839 | 947,935 |
| Andy Taylor | 399,050 | (43,500) | 355,550 | 828,432 |
| **Total** | **1,730,144** | **(17,820)** | **1,712,324** | **3,989,716** |

Members of the Management Board purchased 25,680 shares in relation to the Long Term Incentive Plan. In 2008 the members of the Management Board sold in total 43,500 shares.

**Number of shares with unrestricted control held by the Management Board**

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | shares | (€) | shares | (€) |
| Philip Houben | 532,994 | 1,241,876 | 532,994 | 4,860,905 |
| Pim Oomens | 399,050 | 929,787 | 399,050 | 3,639,336 |
| Henk ten Hove | 399,050 | 929,787 | 399,050 | 3,639,336 |
| Andy Taylor | 355,550 | 828,432 | 399,050 | 3,639,336 |
| **Total** | **1,686,644** | **3,929,882** | **1,730,144** | **15,778,913** |

## Shares held by the Supervisory Board

Wavin shares held by the members of the Supervisory Board as per 31 December were as follows:

**Number of unconditional shares held by the Supervisory Board**

| | Outstanding 2007 | Outstanding 2008 | Market value 31 December 2008 |
|---|---|---|---|
| | shares | shares | (€) |
| Paul van den Hoek | 53,206 | 53,206 | 123,970 |
| Brian Hill | 26,604 | 26,604 | 61,987 |
| **Total** | **79,810** | **79,810** | **185,957** |

**Number of shares with unrestricted control held by the Supervisory Board**

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | shares | (€) | shares | (€) |
| Paul van den Hoek | 53,206 | 123,970 | 53,206 | 485,239 |
| Brian Hill | 26,604 | 61,987 | 26,604 | 242,628 |
| **Total** | **79,810** | **185,957** | **79,810** | **727,867** |

## M. Auditor remuneration

The fees for the audit of the annual report due to Company's external auditor, KPMG Accountants N.V. in the Netherlands, and other KPMG member firms amounted to € 0.9 million for 2008 (2007: € 1.1 million). The fees as included under administration and general expenses in the income statement can be specified as follows:

| (€ x 1,000) | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | KPMG Accountants N.V. | KPMG Other | Total | KPMG Accountants N.V. | KPMG Other | Total |
| Audit of the annual report | 369 | 561 | 930 | 409 | 651 | 1,060 |
| Other audit assignments | 78 | 340 | 418 | 78 | 322 | 400 |
| Tax services | – | 1,195 | 1,195 | – | 1,105 | 1,105 |
| Other non-audit activities | – | 270 | 270 | – | 411 | 411 |
| | **447** | **2,366** | **2,813** | **487** | **2,489** | **2,976** |

The members of the Management Board have signed the Financial Statements pursuant to their statutory obligations under clause 2:101 sub 2 Dutch Civil Code and clause 5:25c sub 2 Financial Markets Supervision Act.

**Zwolle, 26 February 2009**

## Management Board

Philip Houben

Pim Oomens

Henk ten Hove

Andy Taylor

## Supervisory Board

Paul van den Hoek (Chairman)

Brian Hill (Vice-Chairman)

René Kottman

Rob Ruijter

Birgitta Stymne Göransson

# OTHER INFORMATION

## Wavin Management

(per 31 December 2008)

### SUPERVISORY BOARD

**Paul van den Hoek (Chairman) –** Dutch (1939)
Appointed 1999, current term ends 2011

**Brian Hill (Vice-Chairman) –** Irish (1944)
Appointed 2005, current term ends 2009

**René Kottman –** Dutch (1945)
Appointed 2006, current term ends 2010

**Rob Ruijter –** Dutch (1951)
Appointed 2007, current term ends 2012

**Birgitta Stymne Göransson –** Swedish (1957)
Appointed 2007, current term ends 2012

* For more information, please see chapter Supervisory Board Report, on page 64.

### MANAGEMENT BOARD

**Philip Houben, President & CEO –** Dutch (1950)
Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2000)

**Pim Oomens, Executive Vice President and CFO –** Dutch (1956)
Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2004)

**Henk ten Hove Executive Vice President –** Dutch (1952)
Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2002)

**Andy Taylor Executive Vice President –** British (1955)
Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2005)

## Subsequent Events

For details regarding subsequent events we refer to note 39 of the Group Financial Statements.

# Principal Direct and Indirect Participations

(100% unless otherwise stated)

## Head office
Wavin Group
Stationsplein 3, 8011 CW
P.O. Box 173, 8000 AD Zwolle, The Netherlands
www.wavin.com

## The Netherlands
Wavin N.V., Zwolle
Wavin B.V., Zwolle
Wavin Nederland B.V., Hardenberg
www.wavin.nl
Wavin Diensten B.V., Hardenberg
De Hoeve Kunststofrecycling B.V., Hardenberg (50%)
Wavin Overseas B.V., Dedemsvaart
www.wavinoverseas.com
Wavin Technology & Innovation B.V., Dedemsvaart
Wavin Finance B.V., Zwolle
Wavin Staf B.V., Zwolle
Wavin Assurantie B.V., Zwolle
EuroCeramic B.V., Belfeld
www.euroceramic.nl

## Belgium
Wavin Belgium N.V., Aalter
www.wavin.be

## Bulgaria
Wavin Bulgaria EOOD, Sofia
www.wavin.bg

## China
Foshan Hepworth Pipe Company Ltd., Foshan
www.wavin.cn

## Croatia
Wavin d o.o., Sesvete (Zagreb)
www.wavin.hr

## Czech Republic
Wavin Ekoplastik s.r.o., Kostelec nad Labem
www.wavin.cz

## Denmark
Nordisk Wavin A/S, Hammel
www.wavin.dk

## Estonia
Wavin Estonia OU, Saue
www.wavin.ee

## Finland
Wavin-Labko Oy, Kangasala
www.wavin.fi

## France
Wavin France S.A.S., Varennes-sur-Allier, Sorgues, Sully-sur-Loire, Haute Goulaine
www.wavin.fr
Kulker S.A.S., Sully-sur-Loire
www.europe-geothermie.com

## Germany
Wavin GmbH, Twist, Westeregeln
www.wavin.de

## Hungary
Wavin Hungary Kft., Zsámbék
www.wavin.hu

## Ireland
Wavin Ireland Ltd., Balbriggan (Dublin)
www.wavin.ie

## Italy
Wavin Italia SpA, S. Maria Maddalena
www.wavin.it
Chemidro SpA, Udine
www.chemidro.com

## Latvia
Wavin Latvia SIA, Riga
www.wavin.lv

## Lithuania
UAB Wavin Baltic, Vilnius
www.wavin.lt

## Norway
Norsk Wavin A/S, Fjellhamar
www.wavin.no
Wavin Polyfemos AS, Alta

## Poland
Wavin Metalplast-BUK Sp.z.o.o., Buk (99%)
www.wavin.pl
Arot Polska Sp.z.o.o., Leszno
www.arot.pl
MPC Sp.z.o.o., Strzelin (51%)
www.mpc.pl

## Portugal
Wavin Portugal-Plásticos S.A., Estarreja
www.wavin.pt

## Romania
Wavin Romania s.r.l., Bucharest
www.wavin.ro

## Russia
OOO Wavin Rus, Moscow
www.wavin.ru

## Serbia
Wavin Balkan d o.o., Belgrade
www.wavin.rs

## Slovak republik
Wavin Slovakia spol s.r.o., Bànovce nad Bebravou
www.wavin.sk

## Spain
Aquatecnic Sistemas S.A., Madrid (30%)
www.aquatecnic.es

## Sweden
AB Svenska Wavin, Eskilstuna
www.wavin.se

## Switzerland
Georg Fischer Wavin AG, Schaffhausen (40%)
Wavin Swisspipe AG, Bern Liebefeld
www.wavin.ch

## Turkey
Pilsa A.S., Adana
www.pilsa.com.tr

## United Kingdom
Wavin Plastics Ltd., Chippenham
www.wavin.co.uk
Hepworth Building Products Ltd., Sheffield
www.hepworthbp.co.uk
ThermoBoard Ltd., Exeter
www.thermoboard.co.uk
Warmafloor (GB) Ltd., Sheffield
www.warmafloor.co.uk

## Ukraine
Wavin Ukrain T.O.V., Kiev
www.wavin.ua

The locations mentioned are the main places of business of the companies concerned. Based on art. 379 and 414, Book 2 of the Dutch Civil Code, some participations of negligible importance have been omitted.

Addresses of these offices can be found on www.wavin.com.

# Appropriation of result as provided for by the Articles of Association

## Allocations of profit

Article 22

1. The company may make distributions to the shareholders and other persons entitled to the distributable profits only to the extent that the company's shareholders' equity exceeds the sum of the paid-in capital and the reserves which it is required by law to maintain.

2. If the adopted profit and loss account shows a profit the Management Board shall determine, subject to prior approval of the Supervisory Board, which part of the profits shall be reserved.

3. To the charge of the profit, as this appears from the adopted profit and loss account, to the extent not reserved in accordance with paragraph 2 of this article:
   - first of all, on the preferred shares a dividend will be distributed to the amount of a percentage on the amount paid on those shares, which equals twelve months 'EURIBOR', as published by De Nederlandsche Bank N.V. – calculated according to the number of days the rate applied – during the financial year to which the distribution relates, increased by two percentage points. If and to the extent that the profit is not sufficient to fully make a distribution meant afore in this paragraph, the deficit shall be paid from the reserves. In case of cancellation with repayment of preferred shares, on the day of repayment a distribution shall be made on the cancelled preference shares, which distribution shall be calculated to the extent possible in accordance with the provision referred to above and with regard to the current financial year to be calculated time wise over the period from the first day of the current financial year, or if the preferred shares have been issued after such day, as from the day of issue, until the day of repayment without prejudice to the provisions of article 2:105 paragraph 4 Dutch Civil Code. In the event that in an financial year the profit or the distributable reserves (as the case may be) are not sufficient to make the distributions meant above in this article, the provisions above shall apply over the following financial years until the deficit has been cleared;
   - secondly, the part of the profit remaining after application of the first bullet shall be at the disposal of the general meeting.
4. After the approval of the Supervisory Board, the Management Board may make interim distributions only to the extent that the requirements set forth in paragraph 1 above are satisfied as apparent from an (interim) financial statement drawn up in accordance with the law.
5. After the approval of the Supervisory Board, the Management Board may decide that a distribution on shares is not made entirely or partly in cash, but rather in shares in the company.
6. On the recommendation of the Management Board, subject to the approval of the Supervisory Board, the general meeting may decide to make payments to holders of shares from the distributable part of the shareholders' equity.
7. Any claim a shareholder may have to a distribution shall lapse after five years, to be computed from the day on which such a distribution becomes payable.

### Proposal for profit allocation

With observance of article 22, of the Articles of Association, it is proposed that dividend on ordinary shares of € 0.16 will be distributed. Following the acceptance of this proposal, under deduction of the interim dividend of € 0.12 per share, the holder of ordinary shares will receive a dividend of € 0.04 per share with a nominal value of € 1.25. The dividend will be made available from 25 May 2009.

# Auditors' Report

To: The Supervisory Board and Shareholders of Wavin N.V.

### Report on the financial statements

We have audited the accompanying financial statements 2008 (as set out on pages 67 to 133) of Wavin N.V., Zwolle. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements (as set out on pages 123 to 133) comprise the company balance sheet as at 31 December 2008, the company income statement for the year then ended and the notes.

### Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion with respect to the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Wavin N.V. as at 31 December 2008, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

**Opinion with respect to the company financial statements**

In our opinion, the company financial statements give a true and fair view of the financial position of Wavin N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

**Amstelveen, 26 February 2009**
**KPMG ACCOUNTANTS N.V.**
E.J.L. van Leeuwen RA

# Summary of Last Five Years

| (€ × 1 million unless otherwise stated) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| **Consolidated Balance Sheet** | | | | | |
| Property, plant and equipment | 367.0 | 378.5 | 375.1 | 383.9 | 277.1 |
| Intangible assets | 480.7 | 505.1 | 510.9 | 506.2 | 47.2 |
| Financial non-current assets | 32.0 | 34.7 | 28.6 | 54.3 | 52.0 |
| **Total non-current assets** | **879.7** | **918.3** | **914.6** | **944.4** | **376.3** |
| Inventories | 172.1 | 214.1 | 200.6 | 166.2 | 138.6 |
| Trade and other receivables | 275.0 | 339.6 | 332.0 | 314.3 | 213.8 |
| Cash and cash equivalents | 49.0 | 19.5 | 17.0 | 68.3 | 85.6 |
| **Total current assets** | **496.1** | **573.2** | **549.6** | **548.8** | **438.0** |
| **Total assets** | **1,375.8** | **1,491.5** | **1,464.2** | **1,493.2** | **814.3** |
| **Total equity attributable to equity holders of the company** | **329.0** | **363.2** | **295.4** | **5.6** | **(51.4)** |
| Minority interest | 5.2 | 6.6 | 4.5 | 4.7 | 3.5 |
| **Total equity** | **334.2** | **369.8** | **299.9** | **10.3** | **(47.9)** |
| **Liabilities** | | | | | |
| Interest bearing loans and borrowings | 501.2 | 515.8 | 596.9 | 962.6 | 440.8 |
| Employee benefits | 15.6 | 21.9 | 29.5 | 28.2 | 27.6 |
| Provisions | 13.2 | 16.2 | 18.4 | 16.5 | 5.2 |
| Other non-current liabilities | 121.6 | 124.0 | 127.6 | 140.1 | 18.0 |
| **Total non-current liabilities** | **651.6** | **677.9** | **772.4** | **1.147.4** | **491.6** |
| Short term borrowings | 8.7 | 46.1 | 17.9 | 15.0 | 127.2 |
| Employee benefits | 3.2 | 2.4 | 0.5 | – | – |
| Provisions | 7.6 | 5.7 | 7.4 | 0.7 | 2.2 |
| Other current liabilities | 370.5 | 389.6 | 366.1 | 319.8 | 241.2 |
| **Total current liabilities** | **390.0** | **443.8** | **391.9** | **335.5** | **370.6** |
| **Total equity and liabilities** | **1,375.8** | **1,491.5** | **1,464.2** | **1,493.2** | **814.3** |
| **Balance sheet ratios** | | | | | |
| Net capital employed | 815.0 | 926.3 | 901.3 | 917.4 | 430.1 |
| Debt to equity ratio* | 1.4 | 1.5 | 2.0 | | |
| **Key data per share** | | | | | |
| Number of shares outstanding** *(x 1,000)* | 80,769 | 78,766 | 77,651 | 64,014 | – |
| Result attributable to equity holders of the company | 32.1 | 91.2 | 71.7 | 28.7 | 34.7 |
| Dividend (2008 proposal) *(€)* | 0.16 | 0.46 | 0.35 | – | – |
| Share price at year end *(€)* | 2.33 | 9.12 | 14.80 | – | – |

* Previous year's figures are not comparable, due to leverage financing before 2006.
** Number of shares for 2005 reflects the shareholders' structure after IPO.

Note: The 2004 figures are the consolidated figures of Beheermaatschappij Wavin B.V. whereas 2005 contains the pro forma consolidated figures of Wavin Investments B.V. The pro forma consolidated figures comprise the Wavin Group in 2005, including Wavin B.V. and all subsidiaries, Beheermaatschappij Wavin B.V. (the former ultimate holding company) and Wavin Holdings B.V. which was also established in the year 2005.

| (€ × 1 million unless otherwise stated) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| **Consolidated Income Statement** | | | | | |
| **Continuing operations** | | | | | |
| Revenue including discontinued operations | 1,581.2 | 1,618.5 | 1,501.5 | 1,330.7 | 1,020.3 |
| Revenue discontinued operations | – | (3.8) | (6.1) | (27.9) | (2.8) |
| Revenue continuing operations | 1,581.2 | 1,614.7 | 1,495.4 | 1,302.8 | 1,017.5 |
| Cost of sales | (1,192.7) | (1,171.0) | (1,086.2) | (947.0) | (756.5) |
| **Gross profit** | **388.5** | **443.7** | **409.2** | **355.8** | **261.0** |
| Other operating expenses* | (294.9) | (291.2) | (272.4) | (257.9) | (191.0) |
| **Result from operating activities before non-recurring operational result** | **93.6** | **152.5** | **136.8** | **97.9** | **70.0** |
| Non-recurring operational result | (10.3) | (2.7) | (16.6) | (11.4) | (1.1) |
| **Result from operating activities** | **83.3** | **149.8** | **120.2** | **86.5** | **68.9** |
| Net finance costs* | (45.7) | (35.0) | (84.1) | (48.6) | (29.7) |
| Share of profit of associates | 5.2 | 4.7 | 3.3 | 7.3 | 5.0 |
| Profit on sale of associates | – | – | 39.0 | – | – |
| **Profit before income tax** | **42.8** | **119.5** | **78.4** | **45.2** | **44.2** |
| Income tax expense | (10.6) | (28.0) | (6.0) | (14.3) | (9.5) |
| **Profit from continuing operations** | **32.2** | **91.5** | **72.4** | **30.9** | **34.7** |
| **Discontinued operations** | | | | | |
| Profit (loss) from discontinued operations (net of income tax) | – | 1.5 | 1.0 | (1.2) | 0.7 |
| **Profit for the period** | **32.2** | **93.0** | **73.4** | **29.7** | **35.4** |
| **Other key financials** | | | | | |
| Ebitda | 161.0 | 212.1 | 196.3 | 163.4 | 108.3 |
| Ebit | 83.3 | 149.8 | 120.2 | 86.5 | 69.0 |
| Depreciation | 54.2 | 51.6 | 50.8 | 43.7 | 33.0 |
| **Ratios continuing operations** | | | | | |
| Cash generated from operating activities | 262.3 | 192.7 | 181.4 | 139.2 | 76.7 |
| Ebitda as % of revenue *(%)* | 10.2% | 13.1% | 13.1% | 12.3% | 10.6% |
| **Other** | | | | | |
| Average number of employees *(x 1)* | 7,867 | 7,308 | 7,069 | 6,998 | 5,239 |
| Number of employees *(x 1)* | 6,963 | 6,794 | 6,704 | 6,813 | 5,060 |

* Previous year's figures have not been adjusted for the reclassification of exchange rate differences as these are not material (see note 3b).

# Glossary of Terms

In this annual report definitions are as follows:

| | |
|---|---|
| Operating profit | Total result from operating activities before interest and tax |
| Organic growth | Change in total revenue at constant currency less revenues acquired companies in the year |
| Ebitda | Operating profit before depreciation, amortisation and non-recurring items |
| Net investments | Investments paid less proceeds from sold PP&E and intangible assets |
| Net Debt | Current and non-current interest bearing loans and borrowings including bank overdrafts less cash and cash equivalents |
| Net Capital Employed | Total assets less cash and cash equivalents less investments in associates less other investments less deferred tax liabilities less current liabilities (trade and other liabilities, income tax payable and liabilities classified as held for sale) less current provisions |
| Return on average Net Capital Employed | Recurring result from operating activities divided by average Net Capital Employed |
| Debt to equity ratio | Net Debt divided by Total Equity |
| Interest coverage ratio | Ebitda divided by the net interest expense, which is including all interest and other financing charges in the nature of interest |
| Leverage ratio | Total net debt adjusted for market value derivatives divided by Ebitda including income of associates and a full year Ebitda of acquired new companies |
| Workforce | Total FTEs including own personnel and agency personnel per year end |
| Headcount | Number of employees on the payroll per year end |

## Colophon

**Published by**
Wavin N.V.

**Concept and realisation**
C&F Report Amsterdam B.V.

**Photography**
Picture Report, Amsterdam
Mosty Katowice Sp.z.o.o. (p. 52)
and others.



## Contact

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8000 AD Zwolle
+31 (0)38 – 429 49 11
info@wavin.com
www.wavin.com

## Cautionary note regarding forward-looking statements

**This announcement contains forward-looking statements. Forward-looking statements are statements that are not based on historical fact, including statements about our beliefs and expectations. Any statement in this announcement that expresses or implies our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Such statements are based on plans, estimates and projections as currently available to the management of Wavin. Forward-looking statements therefore speak only as of the date they are made and we assume no obligation to publicly update any of them in the light of new information or future events.**