wavin

Annual Report 2011

success
improvement
& potential
responsibly
from wavin

Solutions for Essentials

wavin 2015
five point strategy

water management

Wavin's water management solutions are designed to handle rainwater run-off from hard surfaces to groundwater.

siphonic roof drainage

Siphonic systems drain large quantities of water quickly from any flat roof. Modelling software ensures the most efficient configuration for any building.

infiltration/attenuation units

Temporary storage units for excess rainwater, enabling controlled discharge. This approach is environmentally friendly and reduces inundation risk.

filtering

Filter systems remove pollutants such as vegeta-tion, oil, sand and other sediments from the water before it
is discharged, infiltrated or reused.

surface heating and cooling

Wavin's surface heating and cooling systems increase the energy efficiency of buildings. They provide comfort without compromising on aesthetics and freedom of design.

ceiling systems

Ceiling heating and cooling systems are particularly suitable for large surfaces. We offer integrated systems and project design, supported with practical software modelling tools.

underfloor systems

Underfloor heating systems deliver consistent ambient temperatures. They are easy to install and widely used in domestic, commercial and industrial buildings.

water distribution

Innovative three layer pipes offer strong inner and outer protection permitting potable water distribution in even the most demanding environment.

foul water systems

Underground pipe systems, including manholes, gullies and inspection chambers, for transportation of foul water to water purification plants. Trouble-free accessibility makes inspection and cleaning simple.

hot and cold tap water

Plastic and metal-plastic pipe and fitting systems that make plumbing in bathrooms and kitchens flexible and fast, while providing secure connections.

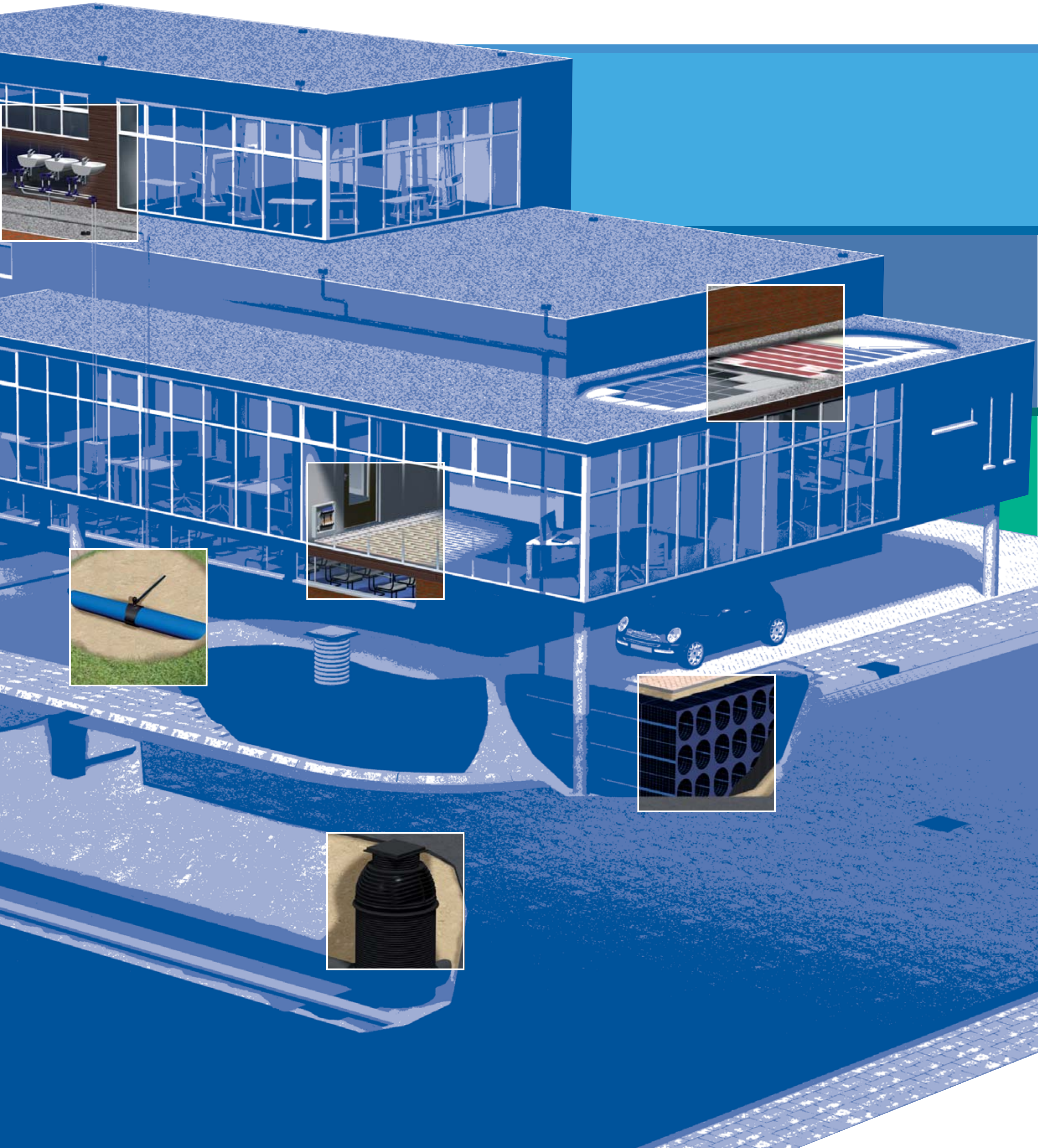
soil and waste systems

Standard piping systems for residential applications and multi-layer, low-noise systems designed for waste water discharge in apartment buildings, hotels and offices.

cable ducting

Ducts guide and protect fibre-optic cables and power lines. Wavin's latest generation of cable ducts is future proof: they allow additional, upgrade or replacement cables to be efficiently fed into the duct as required.

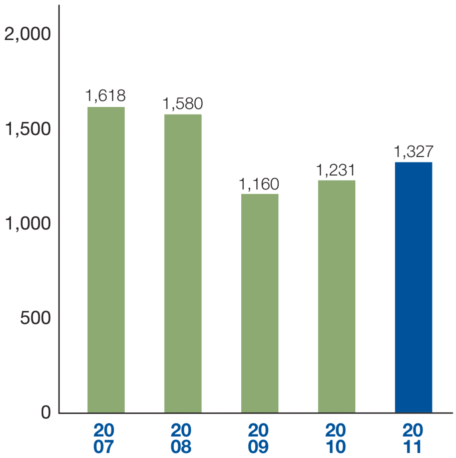
solutions for essentials at every level



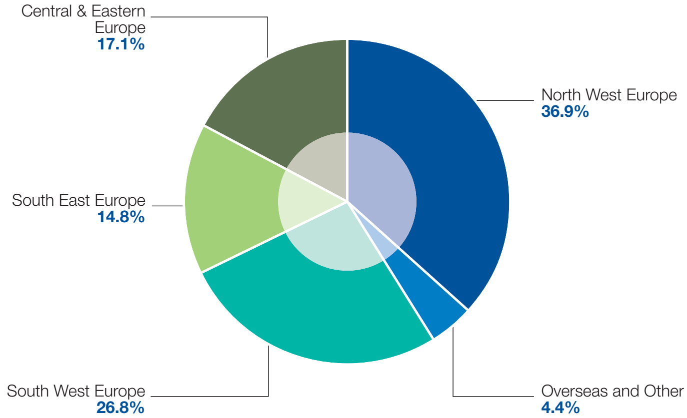
annual report contents

key financial data

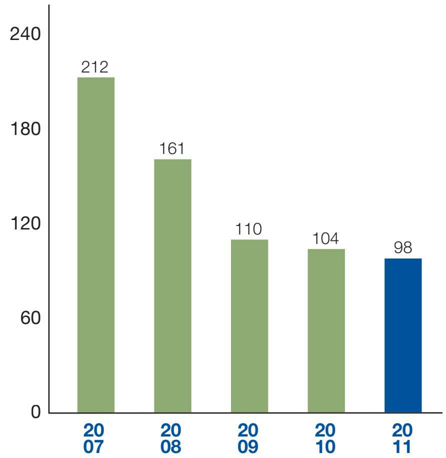
Revenue (€ x million)



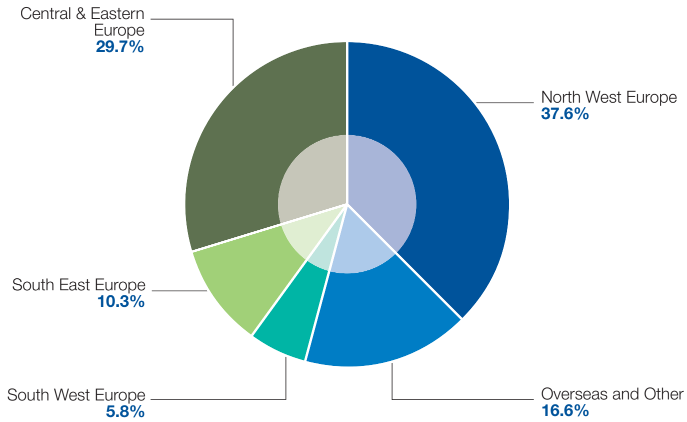
Revenue per region



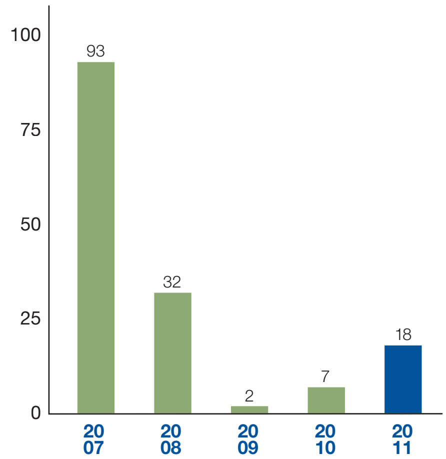
Ebitda (€ x million)



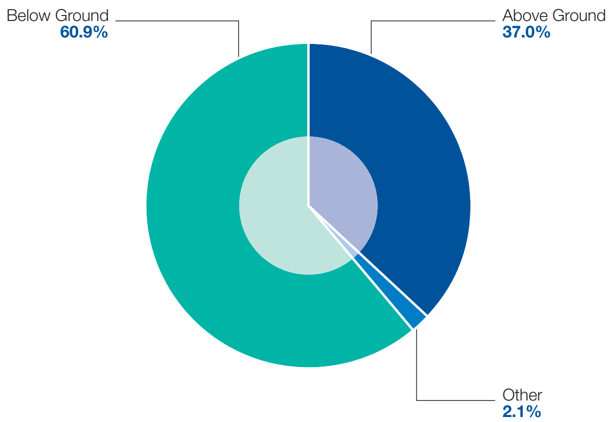
Ebitda per region



Net profit (€ x million)



Revenue per business sector



key figures

(€ x 1 million unless otherwise stated)		2011	2010
Income statement			
Total revenue		**1,327.1**	1,231.3
Ebitda [1]		**98.0**	104.1
Non-recurring operational result		**(5.8)**	(6.4)
Result from operating activities [2]		**35.5**	37.9
Net profit before non-recurring items		**10.7**	8.9
Net profit		**18.0**	7.1
Other key financials			
Depreciation		**46.5**	47.1
Amortisation		**12.5**	12.9
Net investments		**50.1**	37.6
Dividend (declared)		**–**	–
Net cash from operating activities		**67.8**	26.4
Balance sheet			
Total equity		**580.9**	578.9
Net debt		**227.9**	256.1
Total assets		**1,347.2**	1,360.9
Net capital employed		**821.7**	851.4
Leverage ratio	x 1	**2.4**	2.3
Interest coverage ratio	x 1	**4.2**	3.7
Ratios continuing operations			
Ebitda[1] as % of revenue	%	**7.4**	8.5
Return on average net capital employed	%	**4.9**	5.3
Debt to equity ratio	ratio	**0.4**	0.4
Total equity as % of total assets	%	**43.1**	42.5
Key data per share			
Number of shares issued (year-end)	x 1	**50,782,132**	50,782,132
Net profit attributable to equity holders of the Company		**17.1**	5.8
Dividend per share	€ x 1	**–**	–
Share price at year-end	€ x 1	**9.50**	11.40
Earnings per share (year-end)	€ x 1	**0.34**	0.11
Other key ratios			
Innovation rate	%	**17.4**	14.6
Service level	%	**91.2**	90.3
Greenhouse gas emissions (3)	kg CO_2/ton	**409**	433
Employees			
Workforce	x 1	**6,221**	6,448
Lost time incident frequency	x 1	**2.6**	2.2

[1] All references to Ebitda reflect operating result before depreciation, amortisation and non-recurring items.

[2] All references to operating result include non-recurring items.

[3] 2010 figures have been restated to exclude the clay activities sold in 2011.

Wavin history

1955
1965
1975
1985
1995
2005
2011

1955

Wavin (a contraction of water and vinyl chloride) founded by local Dutch water authority WMO.

Late 1950s

Wavin opens production facilities in the Netherlands, Germany, Denmark and Ireland.

1960s

Further geographic expansion in Western Europe. Period of diversification (packaging, films, bags, crates and profiles).

1962

Royal Dutch Shell takes 50% participation in Wavin.

1970s

Group R&D organisation Wavin Technology & Innovation founded. Wavin Overseas established for central export activities.

1980s

More emphasis on systems and above ground applications. 25% of sales from products other than pipe systems.

1990s

Re-alignment of activities, focus on core competence: plastic pipe systems. Operations in Eastern Europe established.

1999

Shell sells stake in Wavin to CVC Capital Partners.

2000 – now

Number of successful acquisitions, most notably in the UK (2005) and Turkey (2008). Expansion in Water Management and Surface Heating & Cooling.

2005

WMO sells stake in Wavin to CVC Capital Partners.

2006

Stocklisting on NYSE Euronext Amsterdam.

2011

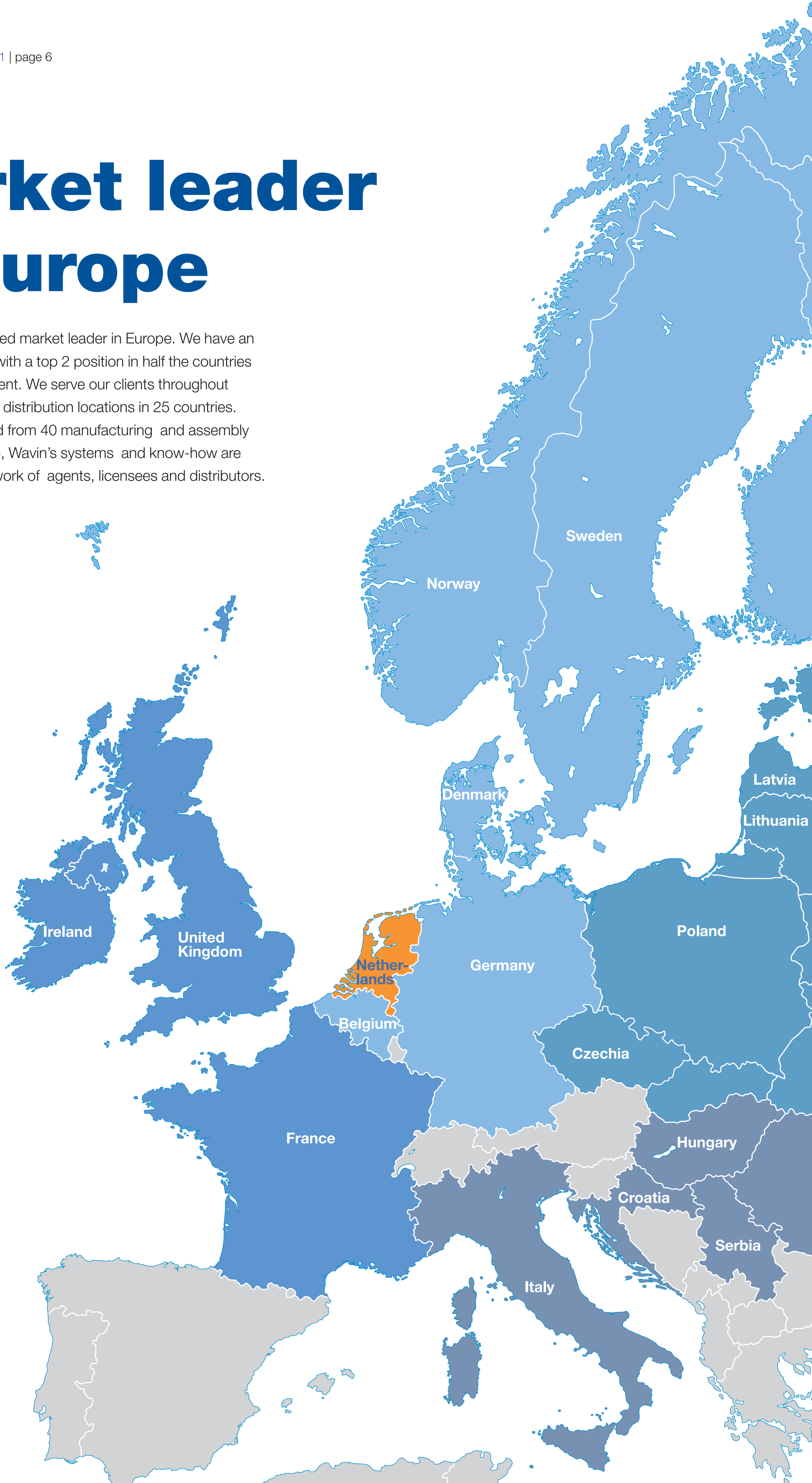
Implementation 'Wavin 2015' strategy. Acquisition and integration of company in Sweden, establishment of joint-venture in Czech Republic. Divestment of continental clay activities.

Wavin today...

is the leading supplier of plastic pipe systems and solutions, present in 25 countries in Europe	**has revenue** of € 1.33 billion
employs approx. 6,200 people	**is focused** on innovation
is committed to delivering sustainable solutions	**provides** a complete range for above and below ground applications
has strong relationships with local and pan-European clients	**expands** in Europe's emerging markets
maintains a global network of agents and licensees	**is listed** on the Amsterdam stock exchange

market leader in europe

Wavin is the undisputed market leader in Europe. We have an unrivalled presence, with a top 2 position in half the countries in which we are present. We serve our clients throughout Europe via sales and distribution locations in 25 countries. Products are supplied from 40 manufacturing and assembly sites. Outside Europe, Wavin's systems and know-how are distributed via a network of agents, licensees and distributors.



Wavin regions

north west europe

Regional Director **Aart Fortanier** (per 01-02-2012)

- Netherlands
- Germany
- Belgium
- Denmark
- Norway
- Sweden
- Finland

south west europe

Regional Director **Calum Forsyth**

- United Kingdom
- France
- Ireland

central & eastern europe

Regional Director **Jacek Sobkowiak**

- Poland
- Czechia
- Lithuania
- Estonia
- Latvia
- Russia
- Ukraine
- Slovakia
- Belarus

south east europe

Regional Director **Nicola Negri**

- Italy
- Turkey
- Hungary
- Romania
- Croatia
- Serbia

company strategy

growth drivers and challenges

what are the long term growth drivers of our business?

construction

Population growth and the increasing number of single person households drive the development of housing projects; main drivers for renovation are the demand for comfortable and energy efficient houses and office buildings.

substitution

Traditional materials are increasingly replaced by easy to install sustainable plastic alternatives.

climate change

Annual levels of intense rainfall are projected to increase. At the same time urbanisation leads to a decrease of the natural rain water absorption capacity.

energy efficiency of buildings

Sustainability is a key topic, this is reflected in increased energy-saving requirements for buildings on national and EU legislation level

what are the challenges we face?

economic uncertainty

Lower consumer confidence, stagnating real estate markets and reduced government spending have negative impact on the building sector in Europe

competitive environment

Over-capacity in the plastic pipe systems industry causes pricing pressure

sourcing

Upward trend of raw material cost needs to be passed to the markets in a timely manner

strategic priorities and targets

for the period 2011-2015

achievements 2011

market leadership	
• Achieve local number one or two market position in those countries in which we operate • Invest in other European countries where leadership can be achieved	• Integration of acquisition in Sweden leads to no 2 position in Below Ground • Joint-venture in Czechia gains no 1 position • Divestment of continental clay activities and French irrigation and geocomposite business • Smaller business in Spain closed
portfolio and segmentation	
• Offer a complete product portfolio and increase presence in non-residential building markets, with a strong focus on sustainable systems and solutions • By 2015, 40% of total revenue should originate from the Water Management and Hot & Cold segments	• Product range expanded with water treatment products and Surface Heating and Cooling systems for the renovation market • Integrated concept for Healthcare sector • 32% of total revenue from Water Management and Hot & Cold segments
operational excellence	
• Drive service and cost leadership through complexity reduction and a lean and sustainable manufacturing and supply chain footprint • Benchmark is to have 95% of orders realised in time and in full	• Implementation of European fitting footprint programme started with transfer of production of slow movers from Denmark to Poland • Common IT platform rolled out in France • Service level above 91%
innovation	
• Accelerate the implementation of European innovation projects • Lift innovation rate - percentage of revenue from products that have been on the market for less than five years - from 15% to 20%	• Full range new Hep$_2$O push-fit system available • Metal fitting added to range of press-fit fittings for metal plastic pipes • Launch of pipes with recycled innercore in the UK • Innovation rate 17.4%
people	
• Stimulate continuous improvement and drive individual and team development • Internal succession rate of 70%	• First company-wide Wavin employee engagement survey conducted • On-line dialogue sessions with the CEO • Average three-year internal succession rate 71%
sustainability	
• Between 2008 and 2015 the company's carbon footprint should be reduced by 20%	• Wavin CSR reporting receives GRI A-level certification • Top 10 position in VBDO sustainability ranking of Dutch stocklisted companies • CO_2 emission 10% lower than in 2008

financial targets

for the period 2011-2015

achievements 2011

revenue	
• Organically grow year by year 2% ahead of the European construction industry	• Revenue growth 7.8%, well ahead of European construction industry
profitability	
• Return to pre-crisis margins throughout the cycle, reflecting the benefits of strong local market positions, innovation and structural cost savings	• Ebitda margin 7.4%
leverage	
• Reduce leverage to an average ratio of 2.0 over the year	• 2011 year-end leverage ratio of 2.4

shareholder information

Wavin shares

Wavin shares are listed on the Dutch Stock Exchange (NYSE Euronext Amsterdam) under ISIN code NL00009412683. Wavin is included in the Dutch Mid Cap index (AMX). Ordinary share options are traded by Euronext.liffe, the Euronext Amsterdam derivatives division.
The market capitalisation of the Group was approximately € 482 million at year-end 2011, a decrease of 16.8% on the position at year-end 2010 (approximately € 579 million).

share capital

There was no change in the number of outstanding shares during 2011. The total number of issued ordinary shares on 31 December 2011 of 50,782,132 was equal to the total number of issued ordinary shares on 31 December 2010.

share price development and trading volumes

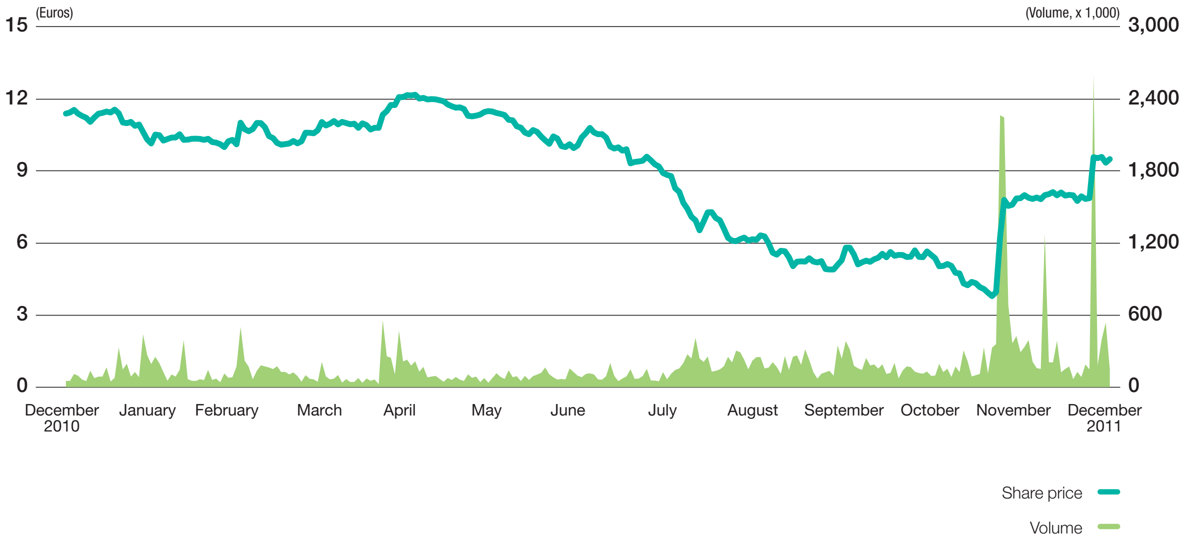
The Wavin share price decreased by 16.7% from € 11.40 on 31 December 2010 to € 9.50 on 31 December 2011. In 2011 the total volume of Wavin N.V. shares traded on NYSE Euronext Amsterdam (Euronext) was 39.3 million, equalling an average daily trading volume of 183,288 shares. Trading volumes on Euronext and share price development of the Wavin share in 2011 are shown in the graph on the following page.
On 22 November, the share price increased from € 3.96 to € 6.28 after Mexichem made an unsolicited, non-binding indicative bid of € 8.50 on all shares of Wavin.
On 23 December, the bid was raised to € 10.00. At year-end, access to due diligence information was granted to Mexichem. For more information about events after balance sheet date, please refer to note 38 (Subsequent Events) of the Group Financial Statements.

key data per share

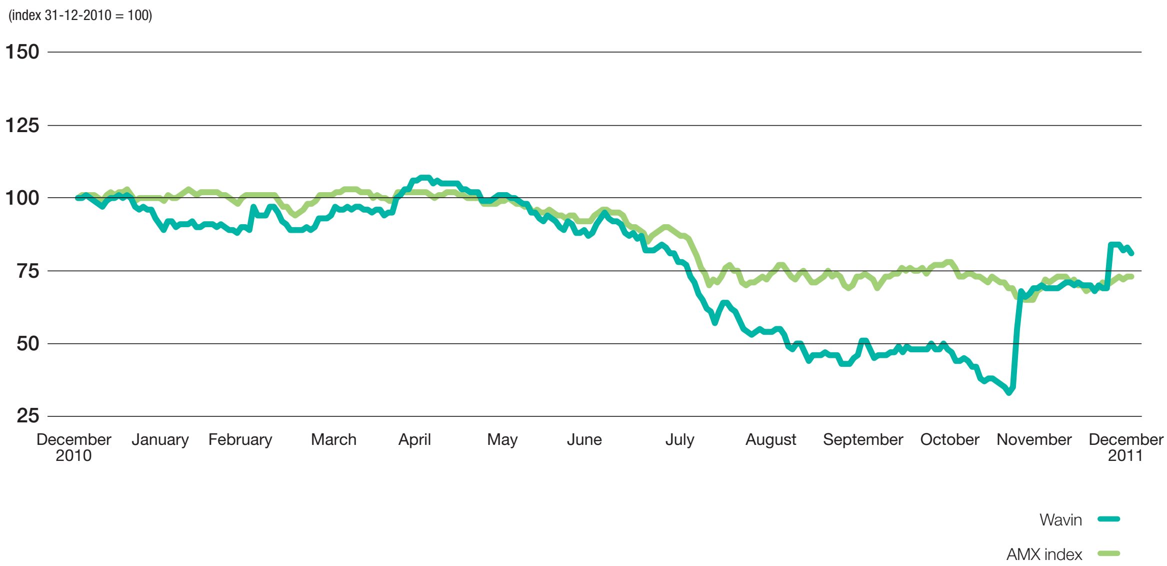
(€ x 1.– unless otherwise stated)	2011	2010
Closing price year end	**9.50**	11.40
Highest price	**12.18**	14.40
Lowest price	**3.79**	8.63
Average daily volume (x 1)	**183,288**	199,784
Shareholders' equity	**11.33**	11.26
Operating result	**0.70**	0.75
Net profit	**0.34**	0.11
Cash generated from operations	**1.99**	1.16
Dividend paid (cash)	**–**	–

most recent IR information on www.wavin.com

share price development



The price development of the Wavin share in 2011 compared to the AMX index is shown below.



disclosures of substantial shareholdings

Pursuant to the Dutch Financial Markets Supervision Act (*Wet Financieel Toezicht*), the Financial Markets Authority (*Autoriteit Financiële Markten, AFM*) publishes the notification of substantial shareholdings in Wavin N.V. The situation per 31 December 2011 can be found below:

substantial shareholdings

(in %) per 31 December 2011:	
Delta Lloyd Levensverzekeringen N.V.	7.88%
Julius Baer Multipartner SICAV	5.83%
ASR Nederland N.V.	5.43%
Navitas B.V.	5.18%
Harris Associates L.P.	5.03%
Kempen Oranje Participaties	5.01%
Beheersmaatschappij Breesaap B.V.	5.00%

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

In the course of the year, Delta Lloyd Levensverzekeringen N.V. notified the AFM of its 7.88% shareholding in Wavin, which was previously held by its parent company Aviva plc. In February 2012, Harris Associates L.P. notified the AFM that their shareholding was reduced to 4.27%.

issue and acquisition of shares

The company may issue or acquire ordinary shares subject to certain provisions of Dutch law and the Articles of Association and pursuant to approval by the General Meeting of Shareholders. Please see page 45 of this report for further details.

protective measures

The Stichting Preferente Aandelen Wavin has a call option on preference shares equal to 100% of the amount of outstanding ordinary shares at the moment the option is exercised. Please see page 46 of this report for more information.

dividend policy

Wavin is subject to restrictions on the distribution of cash dividends under its syndicated credit facilities. According to the terms of these facilities we could not pay any cash dividend in excess of € 0.01 on any share in our capital until 31 December 2011. Cash dividend declarations are again allowed in 2012 over the 2011 results. According to the terms of our Finance Facility the first 50% of the free cash flow is not available for dividend distribution. Furthermore, we will be required to prepay to the syndicate of lending banks an amount equal to any cash dividend to be paid after 31 December 2011. This prepayment obligation will not apply if our leverage ratio under the Forward Start Facility is below 2.5 at the time any such cash dividend is declared.

dividend 2011

Given the limitations to pay dividend as set out above, the Boards of Wavin have decided to add the 2011 profit attributable to shareholders to the reserves.

investor communication

Wavin highly values a constructive dialogue with investors, analysts and investment advisors as it enables them to obtain a balanced and complete view of the company's performance and the issues faced by the business. Contacts with these stakeholders are the responsibility of the CEO and CFO, supported by the company's Investor Relations department.

In 2011, Wavin had numersous contacts with the investment community through road shows, participation in investor conferences and presentations to (retail) investor events. In 2011 there were approximately 19 such events resulting in approximately 140 individual investor meetings.

An important component of transparent communication with the investor community is a fair and simultaneous disclosure to all stakeholders. All important business information will be published via a press release which will be made available to the whole investment community. Should important information, which would lead to a privileged position, be received accidentally by an individual shareholder, Wavin will immediately publish a press release and inform the Financial Markets Authority (AFM).

Wavin will not assess, comment upon, or correct analyst reports and valuations in advance 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 thereof.

Wavin applies the principle of a silent period in its investor relations communications. During a silent period, Wavin does not comment on market prospects or factors affecting business and performance, nor does the company engage in discussion on events or trends related to the reporting period. Wavin will not visit, or receive visitors from, investors or representatives of media in which these matters are discussed. A silent period starts at the end of each reporting period, and not later than six weeks prior to the disclosure of annual accounts or interim reports, and lasts until the release of the annual accounts or an interim report.
In accordance with the Dutch Corporate Governance Code Wavin has established a Disclosure Policy, a copy of which can be found on www.wavin.com.

investor information and contact

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

For further information please contact
Wavin Investor Relations:
Email: InvestorRelations@wavin.com
Tel: +31 (0)38 – 429 43 57

financial calendar 2012

19 April	– Trading Update Q1 (before start of trading)
25 April	– Annual General Meeting of Shareholders
23 August	– Publication of H1 figures 2012 (before start of trading)
18 October	– Trading Update Q3 (before start of trading)

Wavin values dialogue with stakeholders

report from the ceo

For Wavin, 2011 has been exceptional in many ways. After a strong start to the year, supported by a mild winter, we saw a gradual deterioration of market circumstances in countries like Italy, the UK and the Netherlands. On the other hand, Germany, Poland, Turkey and the Scandinavian countries continued to perform well. In France and the UK, besides market turbulence, operational issues influenced the results. The implementation of a new barcode system in France took longer than expected. In the UK the introduction of a new Hot & Cold system initially lead to supply difficulties. This issue has been resolved and market acceptance of the Hep$_2$O system is accelerating. The underperformance in the UK and some other countries forced us to take measures to reduce costs. Early 2012, a headcount reduction program of in total 150 FTEs delivering € 5 million in annualised savings was announced.

Overall 2011 revenues ended higher, but Ebitda was lower than in 2010. Debt was managed substantially downwards mainly through lower stocks and better credit terms. At the end of the year, under difficult circumstances in the financial world, we succeeded to extend our financing facilities till early 2015 against similar conditions, while covenants were relaxed. This will deliver headroom to face not only challenging market circumstances but also to accelerate when markets are picking up again.

Mexichem

In November Mexichem, Latin America's leader in the production of PVC and plastic pipe systems, announced their intention to acquire our company. As I write this report, we have just reached a conditional agreement on the terms and conditions of the two companies joining forces to create a worldwide frontrunner in plastic pipe systems. The Wavin Boards recommend Mexichem's offer. We are of the opinion that under the current circumstances this agreement is in the best interest of all stakeholders and combines a fair price with a very good nonfinancial package. It will allow us to accelerate the Wavin 2015 plan through more active participation in the European consolidation process. It will also allow an exchange of best practices, creating opportunities for our clients and our employees. It is now up to our shareholders to decide, we hope they will give their support to the new business combination.

Wavin 2015 strategy

In the year we made good progress executing our Wavin 2015 plan. We successfully integrated an acquisition in Sweden and our new joint venture in Czechia performed above expectations. In our efforts to bring further focus into the organisation, we closed down our activities in Spain, and divested the irrigation and geocomposite business in France and the continental clay activities. The transfer of the manufacturing of labour intensive fittings from Denmark to Poland progressed well, and we realised the targeted savings. We are preparing the transfer of part of the fitting production from the Netherlands to Poland.

We continued to invest in our broad portfolio. The strategic growth areas Water Management and Surface Heating & Cooling developed well. In the health care sector we launched a dedicated market approach, the first of a series of initiatives to expand our position in the non-residential market.
The acceleration of European innovation projects remains crucial. Our innovation rate, the percentage of revenue from products that have been on the market for less than five years, was well above 17% in 2011, a further step towards our target of 20% in 2015.
Wavin is increasingly recognised as a leader in the area of sustainability. We are now in the top 10 of stock listed companies as listed by the VBDO, a Dutch association of investors focused on sustainable development. Wavin achieved the fastest progress in the history of this benchmark.

Our customers obviously appreciate the steps we are taking in all areas of the business. This is visible in the pilot customer survey held in 3 key countries, resulting in a score of 7.5 to 8 out of 10. We will roll out the survey to other countries in 2012. A company-wide employee engagement survey was held. The results gave us valuable input and insight in the key issues to be addressed to further increase the level of engagement. In 2012, on a Group level, we will focus on speed of execution and deployment of the strategy deeper into the organisation.

During the annual shareholder meeting, we said farewell to Paul van den Hoek, our Supervisory Board chairman for 12 years. He has guided Wavin through a period of spectacular growth, through a serious recession, and various changes in the shareholder structure including a listing. In all these years he has combined wisdom, support and decisiveness in the best interest of Wavin. We are grateful to him for all these Wavin years. We also appreciate the fact that René Kottman, member of our Supervisory Board since 2006, has accepted the chairmanship.

outlook

We remain cautious for 2012. There is still a high level of uncertainty and a negative sentiment in several of our key countries like Italy, the Netherlands and the UK. The outlook for Scandinavia, Poland and Turkey is more promising, and we will leverage our strong market position in those countries. In 2012 we will continue to pursue the objectives of our Wavin 2015 strategy and further create opportunities for growth and market leadership. At the same time we will take corrective measures when market circumstances require.

We are grateful to our customers for their trust and willingness to grow with us and thank our shareholders for the fact they have shown belief in the strength of the Wavin. This strength is the result of the dedication of our employees. We are happy with the spirit and drive they have shown in often difficult circumstances.

Henk ten Hove
CEO
February 2012

management board report *summary*

markets

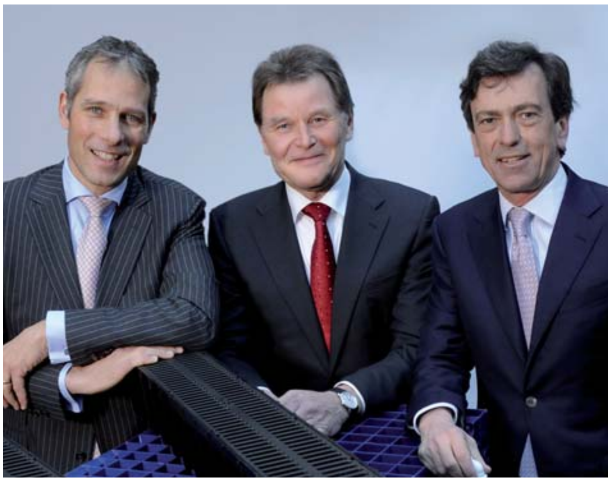
After three years of decline overall construction output in Europe showed a further modest weakening in 2011. Following a good start of the year – supported by a mild winter – the European construction market was adversely affected by weakening consumer confidence. This was fuelled by unrest in the financial markets, cuts in government spending and further mortgage restrictions.
There were notable differences between countries and regions. The markets in Scandinavia, Germany, Poland and Turkey were strong, whereas those in the UK, Italy, the Netherlands and Ireland remained challenging. New residential building activities recovered somewhat in most Western European countries but were weak in Eastern Europe. Residential repair, maintenance and improvement (RMI) was stable, whereas the non-residential markets did not show signs of recovery. Developments in the civil engineering sectors in various European countries were positive, boosted by infrastructure investments like construction for the Olympic Games in London and the European Football Championship in Poland and the Ukraine. An increased focus on the energy efficiency of buildings and the management of rain water, generated additional demand throughout Europe.

Wavin in 2011

In 2011, further steps were taken to realise the 'Wavin 2015' plan. We strengthened our market position in Sweden with the successful integration of the PE business of KWH. Divestments of non-core activities were completed like the continental clay business and both the irrigation and geocomposite businesses in France (completed in January 2012). We closed down a smaller business in Spain.

We continued focusing on our key growth areas Water Management and Hot & Cold, which offer solutions for today's sustainability requirements in building. We rolled out the new generation Hep$_2$O push-fit fittings for flexible plumbing systems in the UK and extended the range of fittings for metal-plastic pipes. A new approach for project sales was introduced for the healthcare sector, a growing segment in Europe. Greater emphasis was placed on sustainability in our operations and production processes. In the UK we introduced the Recycore® technology, a method to produce multilayer pipes with a middle layer of recycled material. Product portfolio rationalisation resulted in complexity reduction and production reallocations, including a transfer of (partially) handmade fittings from Denmark to Poland.

(€ × 1 million)		2011	2010	Change
Revenue		**1,327.1**	**1,231.3**	7.8%
Like-for-like growth		8.3%	3.1%	
Ebitda		**98.0**	**104.1**	(5.9%)
Ebitda margin	%	7.4%	8.5%	
Operating result		35.5	37.9	(6.3%)
Net profit		**18.0**	**7.1**	153.5%
Earnings per share	€ × 1	**0.34**	**0.11**	209.1%
Dividend	€ × 1	**0.00**	**0.00**	–



The Wavin Management Board
(left to right) Maarten Roef,
Henk ten Hove, Pim Oomens

In response to the difficult market conditions in the UK, restructuring measures were announced early 2012 to reduce the number of employees by approximately 80 people.
In our other European operations a further reduction of around 70 employees will take place in the first half of 2012.

In December, we reached agreement with our main lending banks to amend and extend our syndicated finance facility. The facility was reduced from € 475 million to € 440 million and the term extended to April 2015. The covenants have been relaxed, while the margins have remained unchanged. The size of the facility and the relaxed financial covenants create sufficient headroom and flexibility for the coming years.

Wavin's performance

In demanding market conditions Wavin recorded revenue growth of 7.8% to € 1.33 billion. Scandinavia, Germany and Poland grew double digit, but performance in Italy, the UK, France and Ireland was disappointing. Operational issues in the South West Europe region, which were addressed in the course of the year, negatively impacted the results.

The Above Ground business benefitted from a slight recovery in several Western European residential markets, our continued focus on Hot & Cold (including Surface Heating & Cooling) and the further roll-out of low-noise soil and waste systems.

Our Below Ground activities performed well due to our strong market positions and the high level of infrastructure investments in especially Poland. The consolidation of our sales joint venture in the Czech Republic and the water business acquired in Sweden from KWH further contributed to the solid growth.

During the year we were faced with sharply increasing raw material prices. Given the overcapacity in our industry, passing these costs on to the market took longer than expected.
As a result margins remained under pressure. Volume growth and operational leverage could only partially compensate this adverse effect on margins. Ebitda – the operating result before depreciation and amortisation – amounted to € 98.0 million, 5.9% lower than in 2010.

The Ebitda margin was 7.4%, a drop of 110 basis points.

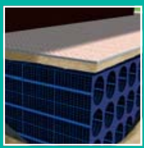
Net profit improved to € 18.0 million in 2011 (2010: € 7.1 million).

Net debt at year-end was reduced by € 28.2 million to € 227.9 million. Cash flow from operations was € 101.1 million.

case study

pro-active

Wavin systems used in this project include:



infiltration

poland

poznan airport

Surface water must be quickly dispersed at any smooth-running airport. At the recently extended and refurbished Poznan airport in central Poland, storm-water management for taxiways and aprons was an essential part of the project.

Implementation was contracted to Swedish civil engineering giant Skanska S.A. As a frequent partner to Skanska internationally, Wavin was a natural choice and the company's Q-Bic infiltration system had already proved its worth.

Wavin was involved early in the project. A review of the initial plans revealed opportunities for significant and practical improvement.

The Wavin team found a way to halve the number of inlets needed for the infiltration buffer. This not only meant that fewer were required, it also reduced the complexity of the ground-works. All these improvements translated directly into a more cost-effective solution.

Logistics were critical. Skanska project leader Andrzej Drzewiecki, Road Works Manager explains: "The Skanska team could install two container loads of infiltration units per day, with a total volume of sixty containers. Wavin ensured that the delivery flow was constant throughout the project, coordinating all security with the administrators of the airport to ensure that we could complete the job on time and on budget."

management board report
financial performance

results

(€ × 1 million)	2011	2010	Change
Revenue	**1,327.1**	**1,231.3**	7.8%
Gross profit	**288.6**	**292.3**	(1.3%)
Ebitda	**98.0**	**104.1**	(5.9%)
Depreciation	(44.9)	(47.0)	4.5%
Amortisation	(11.8)	(12.8)	7.8%
Non-recurring items	(5.8)	(6.4)	9.4%
Operating result	**35.5**	**37.9**	(6.3%)

revenue

Revenue rose by 7.8% to € 1,327 million. Strong growth was achieved in Scandinavia, Poland and Germany. Elsewhere, including in the Netherlands, Italy, the UK and Ireland, markets were challenging. On a like-for-like basis, revenue rose by 8.3%. As we generated 60% of our revenue outside the Eurozone, the appreciation of non-Euro currencies had a positive effect of 1.2% on reported revenue.
The consolidation of the water business in Sweden, acquired in 2010, contributed 1.2% towards this positive development.

gross profit

Gross profit amounted to € 288.6 million, 1.3% below 2010. Raw material costs rose sharply throughout most of 2011 only levelling off towards the end of the year.
The general economic climate, combined with overcapacity in the industry, caused delays in passing on higher input costs to the market. This put pressure on margins.
Price competition was noticeably fiercer in the more generic product ranges and in markets lacking clear market leadership.
Our focus on complexity reduction and manufacturing optimisation contributed to further reduction of production costs. However, operational issues in the UK and France adversely affected these improvements.

ebitda

Ebitda – operating result before depreciation, amortisation and non-recurring items – decreased 5.9% to € 98.0 million, from € 104.1 million in 2010. The increased operational leverage from volume growth partly compensated higher raw material costs and operational challenges in the UK and France. Indirect costs were closely monitored. The Ebitda margin fell to 7.4%, from 8.5% in 2010.

depreciation and amortisation

In the past years, adequate investments levels were maintained in our operations. Capital expenditures were commited to production rationalisation, replacement investments and innovation. In 2011 depreciation amounted to € 44.9 million. Amortisation costs were € 11.8 million, in line with 2010.

non-recurring items

Non-recurring items in the operating result amounted to € 5.8 million (2010: € 6.4 million). Non-recurring costs of € 7.8 million (2010: € 7.2 million) related mainly to restructuring measures (€ 4.7 million) and included closing costs of some smaller operations, impairment of assets and

(€ × 1 million)	2011	2010	Change
Operating result	**35.5**	**37.9**	(6.3%)
Net finance costs	(28.2)	(34.1)	17.3%
Result of associates	2.4	2.2	9.1%
Result on sale of subsidiaries	2.1	–	–
Profit before tax	**11.8**	**6.0**	96.7%
Income tax expense	6.2	1.1	463.6%
Net profit	18.0	7.1	153.5%
Profit attributable to:			
Shareholders of Wavin N.V.	17.1	5.8	194.8%
Minority interest	0.9	1.3	(30.8%)

consultancy costs related to the Mexichem offer for all outstanding shares in Wavin. Non-recurring income of € 2.0 million was recorded on sale of assets and the realised negative goodwill related to the acquisition in Sweden.

operating result

The drop in Ebitda was partly compensated by lower depreciation and non-recurring expenses. The 2011 operating result was € 35.5 million, a decrease of € 2.4 million, or 6.3%, compared to 2010.

net finance costs

Net finance costs were reduced to € 28.2 million in 2011, from € 34.1 million in 2010. Interest costs were € 31.1 million compared to € 34.8 million in 2010, due to lower interest margins and a lower average debt. In 2011, the average interest rate paid was 6.4% compared to 7.4% the previous year. The weakening of the Euro against most other currencies resulted in exchange rate losses of € 0.4 million (2010: € 1.0 million).

associates

Our 40% stake in the Georg Fischer-Wavin joint venture, which specialises in pressure fittings for gas and water applications, contributed € 2.4 million towards the results, € 0.2 million more than in 2010. This joint venture manufactures in Switzerland and sells its products globally. Although demand and consequently volume growth was good, revenue and results were negatively impacted by the strong appreciation of the Swiss Franc.

income tax expense

In 2011, we booked an income tax benefit of € 6.2 million, compared € 1.1 million in 2010. The income tax recognised was positively affected by € 7.2 million in one-off benefits. This included the release of a tax provision of € 6.8 million related to the sale of associates in 2006. The reduction of the corporate tax rate in the UK also contributed to the tax benefit.

net profit
€ 18 million

net profit

Net profit rose to € 18.0 million, from € 7.1 million in 2010. Adjusted for one-off charges and benefits, recurring net profit amounted to € 10.7 million (2010: € 8.9 million). Profits attributable to shareholders increased from € 5.8 million in 2010 to € 17.1 million in 2011. Earnings per share were € 0.34, compared to € 0.11 in 2010.

cash flow

(€ × 1 million)	**2011**	**2010**
Profit for the period	**18.0**	**7.1**
Depreciation and amortisation	59.0	60.0
Other non-cash items	11.8	30.4
Working capital movement	12.3	(38.2)
Cash from operating activities	**101.1**	**59.3**
Interest paid	(27.9)	(29.8)
Tax paid	(5.4)	(3.1)
Net cash from operating activities	67.8	**26.4**
Net investments paid	(50.1)	(37.6)
Acquisitions and divestments of subsidiaries	11.6	0.1
Other investing activities	2.3	3.1
Other financing	(1.7)	(0.9)
Net cash flow	**29.9**	**(8.9)**
Non-cash movements	(1.7)	(10.4)
Decrease / (increase) in net debt	28.2	(19.3)
Net debt this period	**227.9**	**256.1**
Net debt previous period	**256.1**	**236.8**

cash flow

Working capital decreased by € 21.7 million to € 98.2 million at year-end. Although input costs were substantially higher, inventories were reduced from € 171.9 million to € 153.2 million. Accounts receivable were in line with last year, despite revenue growth in emerging markets with longer payment terms. Trade payables increased € 10.8 million, or 4.3%, to € 260.8 million as longer payment terms could be realised. Cash flow from operating activities improved to € 101.1 million (2010: € 59.3 million), largely due to the working capital reduction. Depreciation and amortisation decreased slightly to € 59.0 million, well above the net investment level. Net investments were € 50.1 million, compared to € 37.6 million in 2010, which included substantially higher divestments of assets. Divestment of the continental clay activities and the irrigation and geotextile business in France resulted in proceeds of € 16.9 million, whilst € 5.3 was spent on acquisitions.

net debt

Net debt at year-end was down € 28.2 million to € 227.9 million, compared to € 256.1 million at year-end 2010. The decrease was primarily related to the working capital reduction.

The company operated well within the bank covenants.

At year-end the leverage ratio (net debt/last twelve months Ebitda) was 2.4, well below the threshold of 3.0. The interest coverage ratio (Ebitda/net interest expense) was 4.2 against a minimum of 2.8.

Wavin's main source of funding was a syndicated loan facility of € 500 million, which expired in October 2011 and was replaced with a € 475 million syndicated loan facility expiring in April 2013. Early 2012 we agreed with our main lending banks to amend and extend the facility to April 2015.

The facility was reduced to € 440 million and covenants were relaxed, but margins and other conditions remained unchanged. The amended and extended facility provides Wavin with sufficient headroom and flexibility to respond to uncertain market conditions and offers a solid base for executing the Wavin 2015 strategy.

key ratios

		2011	2010
Key ratios			
Leverage ratio	× 1	2.4	2.3
Interest coverage ratio	× 1	4.2	3.7
Debt to equity	× 1	0.4	0.4

solid base to execute Wavin 2015 strategy

management board report
business units

Wavin is organised in six business units that cover the Above Ground and Below Ground building segments.
The Above Ground business benefitted from a slight recovery in several Western European residential markets, our continued focus on Hot & Cold (including Surface Heating & Cooling) and the further roll-out of low-noise soil and waste systems.
The Below Ground business was solid, mainly due to our good market positions across Europe, infrastructure investments in especially Poland, and the fast development of microduct based solutions for telecom applications.

Our systems which address sustainability issues, such as energy conservation and rainwater management continued to develop well. Water Management and Surface Heating & Cooling solutions were further introduced in Europe. Further emphasizing our ambition to accelerate sales of added value solutions, we introduced a specialised project sales approach for supplying solutions to the healthcare sector, a growing segment in Europe. Wavin offers complete solutions for this specific market, including pipe systems, consultancy, software and calculations which add extra value to our customers. This approach will be developed for other market segments as well.

revenue

(€ × 1 million)	2011	2010	Change	% of total
Above Ground	**491.1**	**481.3**	2.0%	37.0%
Below Ground	**808.4**	**724.4**	11.6%	60.9%
Other	**27.6**	**25.6**	7.8%	2.1%
Total revenue	**1,327.1**	**1,231.3**	7.8%	100.0%

above ground

Above Ground activities comprise a full range of pipe systems and solutions applied in residential and commercial buildings. These include pipes, fittings and accessories for indoor water supply and surface heating and cooling as well as systems for the discharge of waste water.

Revenue Above Ground (€ × 1 million)	2011	2010	Change	% of total
Hot & Cold	**275.8**	**272.1**	1.4%	20.8%
Soil & Waste	**170.1**	**159.8**	6.4%	12.8%
Other Building Systems	**45.2**	**49.4**	(8.5%)	3.4%
Total Above Ground	**491.1**	**481.3**	2.0%	37.0%

hot & cold

Hot & Cold water systems are plastic and metal-plastic systems for the distribution of tap water in the house, connections to radiators and systems for surface heating and cooling. Revenue from Hot & Cold systems was € 275.8 million, slightly higher than in 2010. Revenue development varied throughout Europe. Solid growth was achieved in Denmark, Germany, the Netherlands, Poland, and Turkey, but new residential markets in the UK and Italy as well as export sales from Turkey, were difficult.

In 2011 the new generation Hep$_2$O push-fit fitting system was rolled out further in the UK. After a slow start, when the full range of fittings was not yet available, sales recovered well.

Sales of the Surface Heating & Cooling business grew 9.2% in 2011. Increased awareness for building sustainability – further supported by international certifications such as LEED & BREAAM – boosted the demand for our energy efficient solutions. An example of how Wavin helped a building achieve one of these certifications was the new K&H Bank headquarters in Hungary.

We will continue developing the Hot & Cold business through innovations across all the major product groups.

soil & waste

The Soil & Waste business – which addresses indoor waste water discharge – saw revenue increase by 6.4% to € 170.1 million. Growth was realised across Europe and is mainly driven by residential and RMI activities, which were relatively stable. Our low-noise systems are used for both residential and non-residential construction and are marketed across Europe. The systems are recognised as the leading brands in terms of noise reduction.

other building systems

Products in this segment complete our Above Ground offering in a limited number of European markets. Most of the products are aimed at niches, such as roof gutters and electrical conduits. Revenue in this segment decreased 8.5% to € 45.2 million.

below ground

Below Ground activities include the systems and solutions for sewers, water management, gas and water distribution as well as cable ducting.

Revenue Below Ground (€ × 1 million)	2011		Change	% of total
Foul Water Systems	**420.0**	**372.8**	12.7%	31.6%
Water Management	**147.2**	**142.1**	3.6%	11.1%
Cable Ducting	**60.4**	**53.3**	13.3%	4.6%
Water & Gas	**180.8**	**156.2**	15.7%	13.6%
Total Below Ground	**808.4**	**724.4**	11.6%	60.9%

foul water systems

Foul Water Systems' revenue rose by 12.7% to € 420.0 million; excluding the divestment of the continental clay activities growth was 15.3%. Wavin particularly benefited from its strong market position in the Scandinavian countries, Germany, Poland and Turkey. Our complete range of inspection chambers continued to substitute those made of concrete. We increased the use of recycled material in our PVC multi-layer pipes, making these products even more sustainable. A good example of our commitment to this is the introduction in the UK of Recycore® technology for the manufacturing of multi-layer, solid-core, pipes made with over 50% recycled content.

water management

Wavin offers intelligent solutions for managing rainwater runoff from hard surfaces, such as roofs and roads to groundwater. As in recent years, most European countries were again faced with the challenges of storm water management in urban areas, with flooding following heavy rainfall causing severe problems. Because of this – and despite the economic situation – the Water Management business expanded in both the residential and non-residential sectors. Wavin offers solutions for both new developments and for the renovation of existing areas. Despite the divestment of the irrigation activities in France, Water Management revenue grew by 3.6% to € 147.2 million, from € 142.1 million in 2010. Within this business, the Intesio rainwater segment grew by almost 13%. This successful concept is now available in nine countries and combines a full range of products, with project design and calculation tools for civil engineers and investors. A large number of notable projects was realised in 2011. At Poznan Airport in Poland, for example, our intelligent project design was one of the key reasons to choose the Wavin Intesio solution.

water & gas

Revenues in Water & Gas increased by 15.7% to € 180.8 million. The acquisition of the Swedish PE water business of KWH contributed significantly to this result and strengthened our market position in Sweden.

Wavin Technology & Innovation

Wavin is committed to innovation. One of the Group's key objectives is to achieve an innovation rate of 20% in 2015, which means that 20% of Group revenue should be generated by products not older than five years. The successful market launch of new products in 2011 resulted in the Group innovation rate rising from 14.6% in 2010 to 17.4% in 2011.

Wavin Technology and Innovation (Wavin T&I) plays an essential role in our innovation effort. Wavin T&I focuses on the full cycle of product and process developments, from market research to initial production, in close cooperation with Wavin's Business Units and Operating Companies. A network of industrial partners, knowledge institutes and universities is used to maximise the quality, innovativeness and output of the innovation efforts.

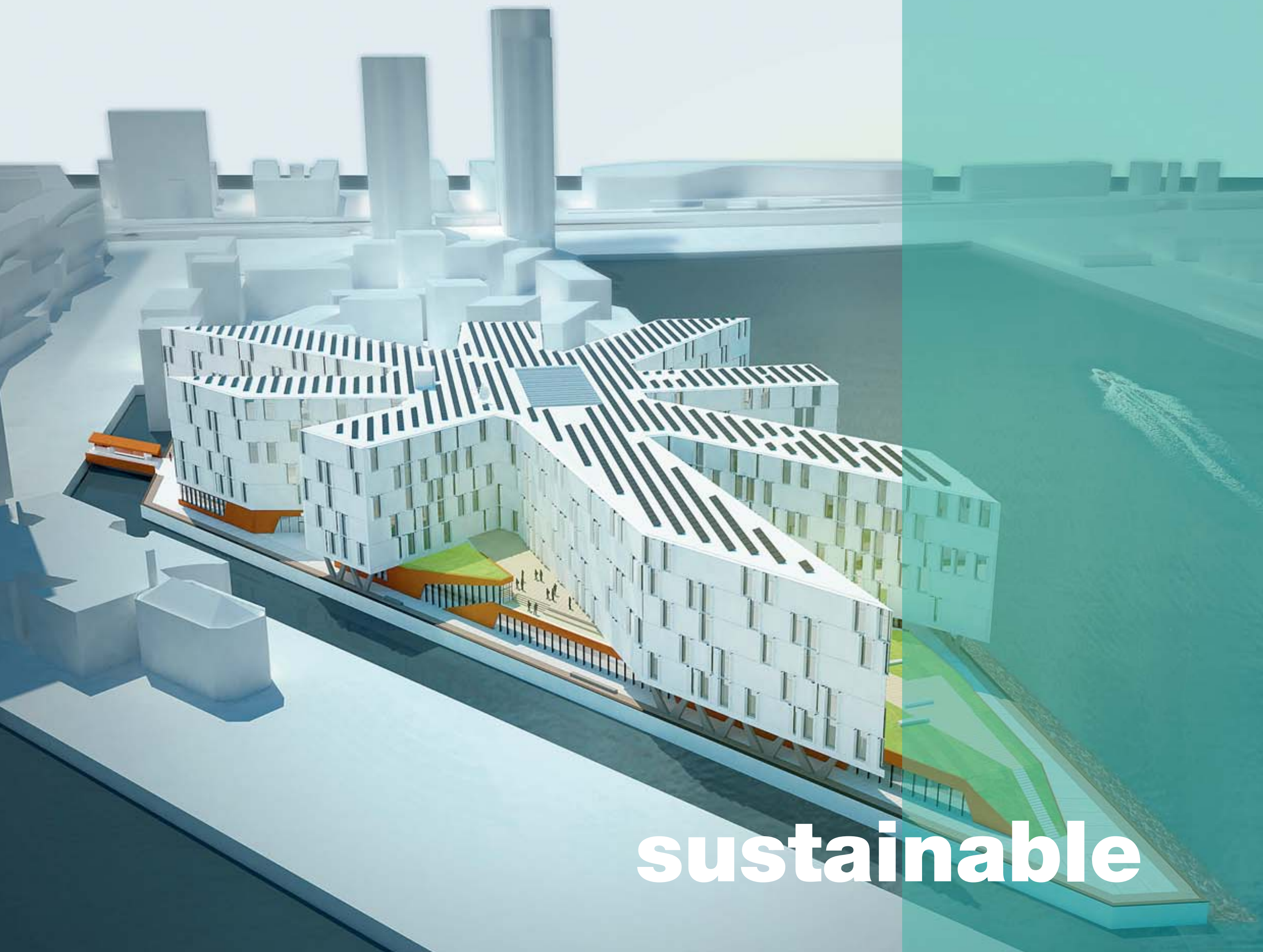
Once again, in 2011 a significant number of innovations were launched, especially in the growth areas of Water Management and Hot & Cold. These include the next generation of Hep$_2$O, which provides installation professionals with a technologically-advanced range of push-fit fittings for PB flexible plumbing. The Tigris K1 press-fit fitting was improved and the Tigris M1 metal press-fit fitting for metal plastic hot and cold water supply systems was introduced. A new range of oil separators, filters and hydro dynamic separators was added to Intesio, Wavin's solution for Water Management. Finally, pipes made with Recycore® technology, a method to increase the use of recycled materials in Soil & Water and U-drain pipes, was launched in the UK.

cable ducting

The Cable Ducting business experienced strong growth, driven by the development of microduct-based solutions for the telecom industry. Revenue increased to € 60.4 million, 13.3% above 2010. A recovery of the telecom market was driven by large projects in Eastern Europe and increasing investments by established companies in 'fibre to the home' technology in response to competition from cable TV and alternative telecom operators in Western Europe.

group innovation rate up to 17.4% in 2011

case study



sustainable

Wavin systems used in this project include:

siphonic roof drainage

denmark

united nations city

The United Nations is bringing six separate agencies together in a stunning new waterfront site in Copenhagen. This new Danish UN City opens in 2013. It will provide over 28,000m^2 of offices for 1,200 UN staff members and a fully automated 40,000m^3 high-bay warehouse to store goods for development and emergency projects around the world.

The UN wanted this development to reflect its own values and principles. It was to be a showcase in sustainable development. Obtaining the internationally recognised green building standard LEED was a condition from the start.

The Wavin QuickStream system was an early candidate for roof drainage and water management, and engineering consultants from Wavin worked closely in the design and planning phases to optimise the configuration.

Project manager Jan Harlev of specialist contractor L & H Rørbyg A/S greatly appreciated the continuous cooperation which characterised Wavin's involvement: "The Wavin team worked with us to prepare detailed and accurate project and implementation plans. They also provided hands-on guidance to our workforce ensuring efficient and error-free installation."

The Wavin roof drainage system ensures that rainfall is managed as a valuable resource across the UN City site. It also simplifies construction, reducing the range and quantity of components required by around 50% compared to traditional systems.

management board report *regions*

Wavin is organised in four regions: North West Europe, South West Europe; Central & Eastern Europe and South East Europe. Countries in these regions work closely together in operations and services.

The Wavin Group also includes entities that are not part of the regional structure, such as Wavin Overseas, Wavin T&I, Wavin China and Group holding companies.

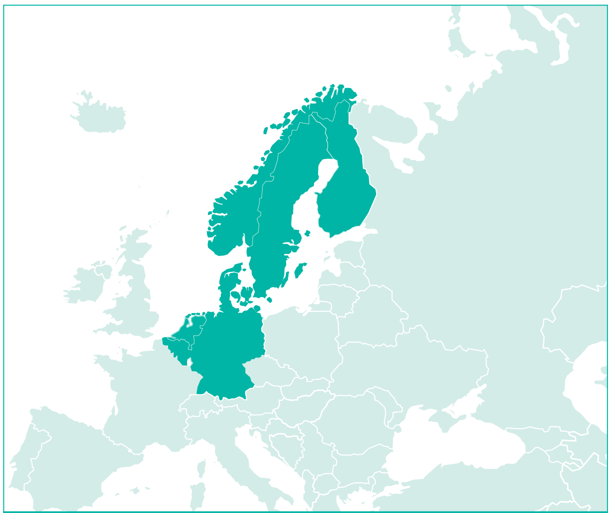
results per region

Revenue (€ × 1 million)	**2011**	**2010**	Change
North West Europe	489.0	405.8	20.5%
South West Europe	356.0	370.1	(3.8%)
Central & Eastern Europe	226.9	199.0	14.0%
South East Europe	196.8	197.8	(0.5%)
Overseas and Other	58.4	58.6	(0.3%)
Total revenue	**1,327.1**	**1,231.3**	7.8%
Ebitda (€ × 1 million)			
North West Europe	36.8	30.7	19.9%
South West Europe	5.7	25.7	(77.8%)
Central & Eastern Europe	29.1	28.8	1.0%
South East Europe	10.1	9.0	12.2%
Overseas and Other	16.3	9.9	64.6%
Total Ebitda	**98.0**	**104.1**	(5.9%)
Ebitda margin			
North West Europe	7.5%	7.6%	
South West Europe	1.6%	6.9%	
Central & Eastern Europe	12.8%	14.5%	
South East Europe	5.1%	4.6%	
Overseas and Other	27.9%	16.9%	
Total Ebitda margin	**7.4%**	**8.5%**	

Wavin Executive Committee (excl. Management Board)

(from left to right) Aart Fortanier*, Calum Forsyth, Jacek Sobkowiak, Nicola Negri, Rolf Mellink, Richard van Delden

* Appointed 1-2-2012.



north west europe

strong construction markets in scandinavia and germany

(The Netherlands, Germany, Belgium, Denmark, Norway, Sweden, Finland)

(€ × 1 million)		2011	2010	Change
Revenue		**489.0**	405.8	20.5%
Like-for-like growth	%	**16.1%**	(2.7%)	
Ebitda		**36.8**	30.7	19.9%
Ebitda margin	%	**7.5%**	7.6%	
Number of employees (year-end)		**1,661**	1,649	

The North West Europe region's revenue rose by 20.5% to € 489.0 million. In the Nordic countries and Germany construction markets were strong. The healthy economy boosted the building sector and resulted in substantial demand for new residential housing. In the Netherlands, building activity remained weak. Ebitda came in at € 36.8 million, from € 30.7 million in 2010. The Ebitda margin was 7.5%, almost equal to 2010.

After a decline of nearly 30% in the previous two years, the building and construction market in the Netherlands showed little growth with consumer confidence remaining low. Residential new build and renovation segments stabilised, but the non-residential segment continued to decline. Under these difficult market conditions Wavin maintained its leading position and market share. In Above Ground, the expansion of our Surface Heating & Cooling offering resulted in winning a major renevation project for the Deutsche Bank in Eindhoven. In Below Ground Wavin was successful with the further expansion of Intesio, the sustainable Water Management solution.

In Germany all sectors showed market growth. With its good position in Below Ground applications, Wavin benefited from the growth in infrastructure investments, especially in the (bio) gas and water segment. With the completion of the range of fittings for metalplastic hot and cold water distribution systems, Wavin's Hot & Cold business achieved strong revenue growth. This offering now includes plastic push-fit fittings and plastic and metal press-fit fittings.

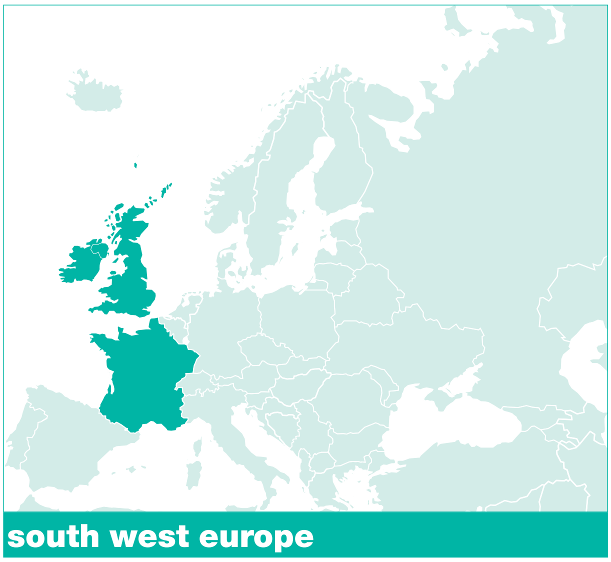
In Belgium the cancellation of tax advantages to stimulate the residential segment and low consumer confidence, resulted in a drop in applications for new building permits and a gradual weakening of residential demand. This was compensated by increased activity in the non-residential segment. Wavin Belgium performed strongly in the public sector, where the demand for systems to separate rainwater from foul water was strong.

In Denmark the residential new build market showed strong growth and RMI and infrastructure markets improved. In both Above Ground and Below Ground systems, Wavin Denmark has a market leading position and improved their market share. In 2011 we launched a number of new products in the Hot & Cold range and won some large projects.

In Sweden we successfully integrated the PE water business acquired from KWH in January 2011 and upgraded the production facility to comply with Wavin's standards. We now have a stronger overall market position and are number two in the Below Ground segment.

In Norway, where market conditions were stable, we increased our revenues. We are the market leader in the growing Water Management segment, in Cable Ducting and in Soil & Waste. Overall, Wavin Norway holds a strong number two market position.

In Finland the heating and plumbing market grew strongly and we retained our leading position in tanks and separators.



challenging market conditions

(United Kingdom, France and Ireland)

(€ x 1 million)		2011	2010	Change
Revenue		**356.0**	**370.1**	(3.8%)
Like-for-like growth	%	**1.1%**	**6.1%**	
Ebitda		**5.7**	**25.7**	(77.8%)
Ebitda margin	%	**1.6%**	**6.9%**	
Number of employees (year-end)		**1,903**	**1,971**	

The performance in the South West Europe region was disappointing due to a combination of challenging market conditions and operational issues that were addressed in the course of the year. Revenue declined by 3.8% to € 356 million. In 2011 we divested the non-core continental clay business and the irrigation and geotextile business in France (completed in 2012). Excluding these divestments revenue increase was 0.6%. Ebitda was € 5.7 million, compared to € 25.7 million in 2010. The margin was 1.6%, compared to 6.9% in 2010.

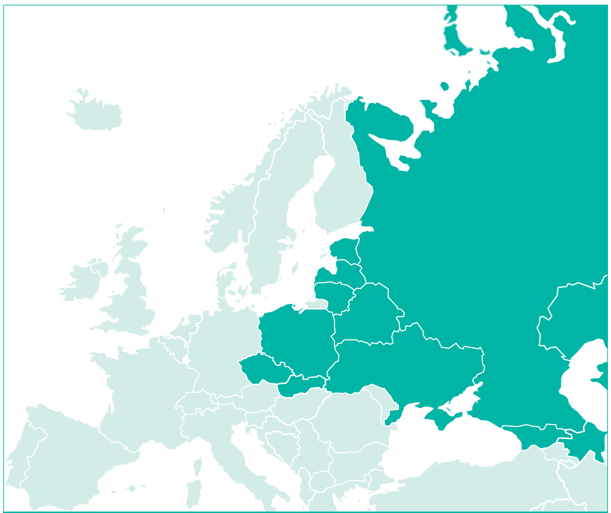
In the UK, the construction market slowed down, with output 2% lower than in 2010. Spending on residential building showed a decline of almost 3% whilst non-residential construction reversed its good performance of the previous year and declined as cuts in government funding started to take effect. After showing encouraging growth in 2010 the number of new housing starts fell slightly in 2011.

Wavin UK's performance was disappointing due to the combination of weak markets and the negative effects of the slow introduction of the next generation Hep$_2$O fittings and the related cost inefficiencies. The full Hep$_2$O range was available as of the second half of the year and market acceptance is good. We signed a contract to supply Hep$_2$O to British Gas's network of 10,000 installers.
We introduced a new proprietary manufacturing process, Recycore® Technology, for our fast-selling drain and soil pipes. This technology enables us to increase the amount of recycled PVC used in our multilayer pipes, which perform the same as the pipes made from virgin material.

In 2012 we announced restructuring measures to reduce the UK headcount with 80 people in the back office to restore profitability.

In France, favourable weather conditions at the beginning of the year positively impacted construction activities, but markets slowed down in the second half of the year. Existing housing sales declined sharply, while new build activity was negatively impacted by a change in tax legislation for investment in rental properties. Total residential construction grew by 6.3% whilst non-residential was relatively flat.
The infrastructure market was weak as municipalities postponed or cancelled projects. The performance of Wavin France was impacted by delivery problems at the beginning of the year as a result of the introduction of a new barcode system. These issues were resolved. Our Water Management solution was completed with, amongst others, prefabricated tanks resulting in accelerated sales. In the Hot & Cold segment new products such as Flexius, flexible piping for surface heating and cooling, and a new generation of geothermal heat pumps were added to the offering. Wavin France also opened a second Technopole training centre dedicated to Hot & Cold systems.

In Ireland, after several difficult years during which GDP shrunk by a cumulative 11.6% in three years, the economy stabilised, albeit at a lower level. We maintained our number one position in the market and managed to increase our market share within some categories, including Hot & Cold.



central & eastern europe

european football championship boosts infrastructure investments

(Poland, Czech Republic, Lithuania, Estonia, Latvia, Belarus, Russia, Ukraine and Slovakia)

(€ × 1 million)		2011	2010	Change
Revenue		**226.9**	**199.0**	14.0%
Like-for-like growth	%	**9.3%**	**3.0%**	
Ebitda		**29.1**	**28.8**	1.0%
Ebitda margin	%	**12.8%**	**14.5%**	
Number of employees (year-end)		**1,304**	**1,356**	

Revenue in the Central & Eastern Europe region rose by 14.0% from € 199.0 million in 2010 to € 226.9 million in 2011, with strong growth realised in Poland and Czechia. Ebitda for the year ended at € 29.1 million, slightly above the € 28.8 million achieved the previous year. The Ebitda margin dropped to 12.8% mainly due to the full year consolidation of the sales joint-venture in Czechia.

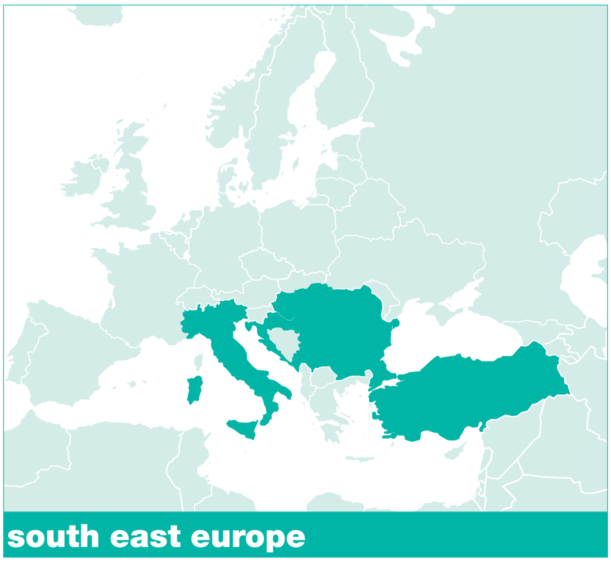
In 2011 Poland recorded a relatively high and well-balanced economic growth. GDP reached 4.2%, with construction output growing almost 13%. The non-residential market increased by nearly 4%. The infrastructure business showed strong growth, partly due to the EU subsidised programmes and investments related to the European Football Championship in Poland and the Ukraine. The residential construction growth was close to 4% despite mortgage restrictions, foreign currency mortgages and reduced subsidies.

Wavin Poland saw an increase in demand in below ground systems supported by the mild winter. After two strong quarters, however, infrastructure demand levelled off. This was compensated by accelerated growth in, amongst others, the residential Hot & Cold segment. Wavin Poland supplied its systems to several major projects like the Wroclaw football stadium, the Poznan airport as well as new highway constructions. Wavin Poland is turning into the centre of excellence for the production of slow-moving, labour-intensive fittings.

The Czech market remained week in 2011. We transferred the responsibility for domestic sales to Wavin Osma a commercial joint venture 65 % owned by Wavin and 35% by Osma a German manufacturer of plastic pipe systems. With an improved product portfolio and a stronger organisation, Wavin Osma has successfully maintained its overall market leading position in the Czech market. The production of PPr fittings for hot and cold applications in the Group was further concentrated in Czechia.

The Baltics (Lithuania, Latvia, Estonia) and Belarus enjoyed economic growth, predominantly due to increased exports to EU partners and Russia. In 2011 Wavin, the number two in the region, improved its market positions in Latvia and Lithuania. We had a number of solid project wins, including a large cable duct project in Estonia, basketball arenas in Lithuania, and a number of water & sewer projects financed by the EU.

In Russia and the Ukraine output in the residential sector fell, while non-residential showed modest growth.



double-digit growth in turkish construction sector

(Italy, Turkey, Hungary, Romania, Croatia, Serbia)

(€ × 1 million)		**2011**	**2010**	Change
Revenue		**196.8**	**197.8**	(0.5%)
Like-for-like growth	%	**6.6%**	**3.9%**	
Ebitda		**10.1**	**9.0**	12.2%
Ebitda margin	%	**5.1%**	**4.6%**	
Number of employees (year-end)		**1,104**	**1,204**	

In the South East Europe region the Turkish construction sector once again grew by double digits, but markets in other countries like Italy and Hungary were difficult. At € 196.8 million the region's revenue was almost the same as in 2010. Ebitda in the region increased to € 10.1 million from € 9.0 million, despite the weak market conditions in Italy and margin pressure across the board. In Turkey we invested in the market and achieved strong revenue growth. The Ebitda margin was 5.1%, 50 bps above 2010.

The construction sector in Italy declined for the fourth consecutive year. Both residential and non-residential output dropped by more than 6% in 2011. Under these market conditions credit control is extremely important. In this very fragmented market with no clear market leader, raw material price increases were difficult to pass on.

In Turkey, a key growth market for Wavin, the construction market grew by 10% in 2011. We have a strong position in Below Ground and are now focusing to grow our market position in the Above Ground segment. In 2011 good progress was made in this respect. The important export business from Turkey to neighbouring countries was affected by strict credit control. We implemented a number of initiatives to reduce costs and align the organisation to the Wavin 2015 strategy.

Hungary's economic climate remained challenging, and construction output dropped for the sixth year in a row. We hold strong market positions in both the Above Ground and Below Ground sectors and were able to increase our overall market share during the year. In December the Hungarian Competition Authority started an investigation of Hungarian pipe producers suspected of forming a price fixing cartel. We are cooperating actively with the authorities, providing any information required and have no reason to believe that we violated anti-trust rules.

(€ × 1 million)		2011	2010	Change
Revenue		**58.4**	58.6	(0.3%)
Like-for-like growth	%	**(0.3%)**	35.4%	
Ebitda		**16.3**	9.9	64.6%
Ebitda margin	%	**27.9%**	16.9%	
Number of employees (year-end)		**249**	268	

overseas and other

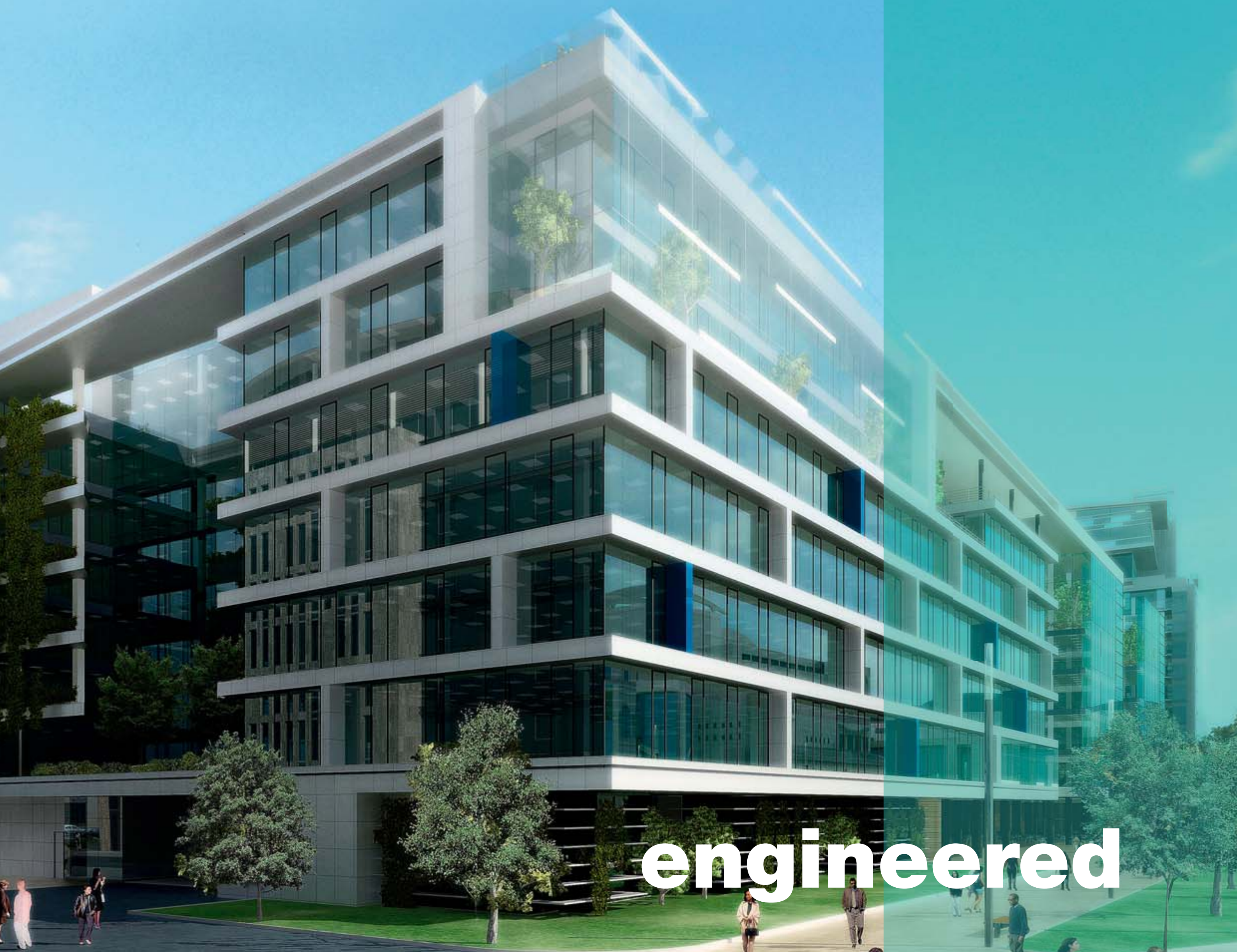
A number of entities witin the Wavin Group are not included in the regional structure, including Wavin Overseas, Wavin China, Wavin Technology & Innovation and Group holding companies.

Wavin overseas

Wavin Overseas is responsible for our commercial activities outside Europe and sells Wavin products and technologies globally through a network of 120 agents and licensees. In 2011, growth was particularly strong in the Middle East and Asia.

Wavin Overseas expanded its licensing base of the proprietary Biax technology for PVC pipe systems. This technology enables pipes to be manufactured with less raw material and with better properties than pipes manufactured using traditional methods. In Asia, sales of our patented Compact Pipe system for trenchless pipe rehabilitation grew and Wavin Overseas began delivering products for a drinking water project in Sri Lanka.

case study



engineered

Wavin systems used in this project include:

ceiling systems

underfloor systems

siphonic roof drainage

hungary
k&h bank

The K&H Bank is one of the top three financial services companies in Hungary.

When the bank decided to build a new head office in Budapest, it wanted a space which reflected this spirit of responsible innovation.

The 52,000 m² building was to be a flagship for sustainability and environmental awareness. From the start, the design team worked to ensure LEED Gold Level certification, the internationally recognized standard for green building.

Wavin systems were chosen for extensive adoption right across the project: for surface heating and cooling; for heating and water pipes; for siphonic roof drainage and water recycling from the roof gardens; and for all soil and waste systems.

Wavin engineering consultants were actively involved from the start, proposing improvements to the original building design which included traditional floor convectors. Wavin's ceiling heating and cooling systems offered a simpler, more elegant and more cost-effective solution.

The Wavin solution was independently tested in complex simulations conducted by the Engineering Faculty of Budapest University. For Árpád Török, CEO of main contractor, TriGranit Development Corporation, the test results were clear. 'We were already impressed with the sustainability record shown by Wavin on other large-scale projects, but the simulation results from the university showed categorically that the Wavin approach was the best.'

management board report

corporate governance

The Wavin Corporate Governance structure is based on the best practices as set out in the Dutch Corporate Governance Code (the ‘Code’). The Code can be downloaded from www.monitoringcommissie.nl.

compliance with the code

Wavin underwrites the importance of good corporate governance and follows the vast majority of the rules set by the Code.
We intend to discuss every substantial change in the corporate governance structure, as well as compliance with the Code, with the General Meeting of Shareholders. Changes, if any, will be discussed as a separate agenda item at that meeting.
All Corporate Governance documents can be viewed and downloaded from the corporate website at www.wavin.com.

main deviations

Wavin has determined that it is in the interest of the company and its stakeholders not to comply with some best practice provisions:

- With regard to Mr. Ten Hove and Mr. Oomens , the Company deviates from best practice provision II.2.8, which provides that the maximum remuneration in the event of a dismissal of a Management Board member shall be one year’s base salary. The Company is bound by the terms of the employment contracts of these two Management Board members, which were concluded prior to the IPO in 2006 and which provide severance payment conditions that exceed the above maximum. It is felt not to be opportune to demand from them to waive any of the rights as agreed upon at the time they were appointed. Upon unfair dismissal, Mr. Ten Hove will be entitled to a severance payment to be calculated in accordance with common practice in Dutch labour law (included but not limited to the so-called ‘kantonrechtersformule’). Mr. Oomens will be entitled a severance payment of 12 months' total salary. As previously stated, Mr. Roef, who was appointed at the AGM in April 2011, is entitled to a severance payment of one year’s base salary in accordance with best practice provision II.2.8. However, the members of the Management Board will not receive any severance payment in case they have reached the legal retirement age (currently 65) at the time of an unfair dismissal.

- 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. This provision 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 provision IV.1.1 stipulates (among other things) that the General Meeting of Shareholders of a company not having a statutory two tier status may pass a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. Wavin deviates partially from this provision. According to the Articles of Association of the Company a resolution to dismiss or suspend a member of the Management Board or Supervisory Board, other than on the proposal of the Supervisory Board, requires an absolute majority of the votes cast representing more than 50% of the issued capital. The Company is of the opinion that resolutions to dismiss Management Board and Supervisory Board members should be supported by the majority of shareholders as these decisions may change the continuity of the governance of the Company.

management board

Composition and division of responsibilities

From 1 January 2011 until 27 April 2011, the Management Board consisted of two members. On 27 April, at the Annual General Meeting of Shareholders, Mr. Roef was appointed as a member of the Management Board.

The internal division of responsibilities of the individual Management Board members can be found in annex A to the Rules of the Management Board which are published on the corporate website www.wavin.com.

Management Board members

Mr. H. (Henk) ten Hove – President of the Management Board & Chief Executive Officer (Dutch, 1952)
Previous position: Executive Vice President of the Management Board (until 30 September 2010)
Appointed in 1999*, reappointed in 2006, and 2010 for a period of 4 years

Mr. W.H.J.C.M (Pim) Oomens – Executive Vice President of the Management Board & Chief Financial Officer (Dutch, 1956)
Previous position: Chief Financial Officer and member of the Management Board of Royal Numico N.V.
Appointed in 2004*, reappointed in 2006, and in 2010 for a period of 4 years

Mr. M.P.M. (Maarten) Roef – Executive Vice President of the Management Board (appointed on 27 April 2011) (Dutch, 1964)
Previous position: Managing Director North West Europe at Wavin
Appointed in 2011, for a period of 4 years.

Appointment and dismissal

Our Articles of Association stipulate 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 nonbinding nomination of the Supervisory Board, requires an absolute majority of the votes cast, representing more than 50% of the issued share capital. The Articles of Association further 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, our 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, their 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 their appointment. An appointment can be renewed for a term of no more than four years at a time. According to our Articles of Association, the General Meeting of Shareholders and the Supervisory Board may suspend and 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.

* First appointment as member of the Management Board of the Wavin Group.

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, (c) the parameters to be applied for measuring performance and (d) corporate social responsibility issues that are relevant to the enterprise.

The operational and financial objectives of the company are laid down in the budget. The 2011 budget was presented to and approved by the Supervisory Board during its December 2010 meeting. The 2012 budget was approved at the December 2011 meeting of the Supervisory Board. The Articles of Association and the Rules for the Management Board contain clear overviews of all issues for which the Management Board is required to seek the 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. More information on risk management and Wavin's internal control framework can be found on page 50 of this report. 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 website at www.wavin.com. Wavin employees have the opportunity to report alleged irregularities without having to fear for their position. A Whistle-blower's procedure is in place and can also 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 50 of this report.

Membership of external Supervisory Boards

None of the Management Board members hold Supervisory Board memberships of other listed companies.

Conflicts of interest

All employment contracts of the Management Board members contain non-competition clauses, prohibiting them from performing activities that, directly or indirectly, 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, the Wavin Rules on Insider Trading as well as the Wavin Code of Conduct contain clear regulations on how to deal with possible conflicts of interest.

Loans and 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 2011 no loans or guarantees were granted or outstanding to members of the Management Board.

Employment agreements of the Management Board

The Management Board members have employment agreements with Wavin B.V., a direct subsidiary of Wavin N.V. The employment agreements and the main conditions of employment for members of the Management Board are reviewed periodically. The employment agreements of the Management Board members were harmonised in 2011 following the appointments of Mr. Ten Hove as CEO and Mr. Roef as Management Board member. This harmonisation resulted in equal notice periods for all Board members being 3 months for the individual and 6 months for the company. The retirement age was also changed from 62 to the applicable state retirement age, which currently is 65, but over time will move to 67.
All Management Board members have employment agreements for an indefinite period of time, provided however that their contract will be terminated when the respective member reaches the state retirement age. It should be noted that the indefinite appointment as a statutory director of the company has been changed to an appointment for a period of 4 years as per October 2006, the listing date of Wavin N.V. The employment contracts of Mr. Ten Hove, Mr. Oomens and

Mr. Roef determine that in case one resigns 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 will be payable. The fixed severance payment for Mr. Ten Hove and Mr. Oomens will be 12 months total salary whereas Mr. Roef will receive 12 months base salary. More information regarding severance payment arrangements for the individual Management Board members can be found on page 38.

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. The Supervisory Board also assists the Management Board by providing advice either at the request of the Management Board or on its own initiative. In performing its duties the Supervisory Board will be guided by the interests of the company and its affiliated enterprises 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 has operated 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 5 members (minimum: 3) who are appointed by the General Meeting of Shareholders for 4 years, after which he/she may be reappointed for two further periods of 4 years.

The table at the bottom of the page shows the rotation schedule of the Supervisory Board members.

At the Annual General Meeting of Shareholders on 27 April 2011 the Supervisory Board made a non-binding nomination to the AGM to appoint Mr. A. Kuiper as a new member of the Supervisory Board of Wavin. In conformity with the nomination of the Supervisory Board the AGM appointed Mr. Kuiper for a period of 4 years as the fifth member of the Board after the departure of Mr. P.C. van den Hoek.
Mr. van den Hoek was the Chairman of the Supervisory Board since 1999, and his third term ended in 2011, making him no longer available for reappointment. The Supervisory Board, in accordance with clause 19.1 of the Articles of Association, resolved to appoint Mr. Kottman as the new chairman of the Supervisory Board as per 27 April 2011.

Information regarding the Supervisory Board members

Mr. R.H.P.W. (René) Kottman – Chairman as per 27 April 2011 (Dutch, 1945)
Remuneration, Appointment & Corporate Governance Committee (chairman as per 27 April 2011)
Appointed in 2006, reappointed in 2010, current term ends in 2014
Previous position: Chief Executive Officer, Ballast Nedam N.V.
Other Supervisory Board memberships: Delta Lloyd N.V. (Chairman), Keyrail N.V. (Chairman),
Warmtebedrijf Rotterdam N.V. (Chairman) and Altera Vastgoed N.V. (Chairman)
Other Board memberships: Advisory Board Noord/Zuidlijn Amsterdam (Chairman)

Name	Date of first appointment	Current term ends
Mr. R.H.P.W. Kottman	12 October 2006	2014
Mr. R.A. Ruijter	11 December 2007	2012
Mr. B.G. Hill	13 September 2005	2013
Mrs. B. Stymne Göransson	11 December 2007	2012
Mr. A. Kuiper	27 April 2011	2015

Mr. P.C. (Paul) van den Hoek – Chairman and member until 27 April 2011 (Dutch, 1939)
Remuneration, Appointment & Corporate Governance Committee (Chairman)
Appointed in 1999, final term ended in 2011
Previous position: senior partner at international law firm Stibbe
Other Supervisory Board memberships: Chairman of the Supervisory Board of AON Groep Nederland B.V. (until June 2011)

Mr. B.G. (Brian) Hill – Vice-Chairman (Irish, 1944)
Audit & Investment Committee (Chairman)
Appointed in 2005, re-appointed in 2009, current term ends in 2013
Previous Position: Group Managing Director, Products & Distribution CRH Plc.
Other Supervisory Board memberships: non-executive Director at Kingspan Plc.

Mr. R.A. (Rob) Ruijter (Dutch, 1951)
Audit & Investment Committee
Appointed in 2007, current term ends in 2012
Previous position: Interim CFO at ASM International N.V.
Other Supervisory Board memberships: Unit 4 N.V.
Other Board memberships: Advisory Board Verdonck, Klooster & Associates, Stichting Continuïteit Delta Lloyd, advisor of the Supervisory Board of Ziggo

Mrs. B. (Birgitta) Stymne Göransson (Swedish, 1957)
Audit & Investment Committee
Current position: CEO of Memira Group
Appointed in 2007, current term ends in 2012
Other Board memberships: Arcus ASA, and Elekta AB

Mr. A. (Aad) Kuiper (Dutch, 1960)
Remuneration, Appointment & Corporate Governance Committee
Appointed on 27 April 2011, current term ends in 2015
Current position: President & CEO EMEA Operations at Hunter Douglas and Vice-President at Hunter Douglas N.V.
Other Board memberships: Bonarius Group, Advisory Council Scheuten S.a.r.l.

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 or 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 the 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 considered to be independent from 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 November 2011, after Wavin received an unsolicited non-binding offer from Mexichem, a potential conflict of interest arose with regard to Mr. Kottman. Mr. Kottman is chairman of the Supervisory Boards of both Wavin and Delta Lloyd, one of Wavin's larger shareholders. Immediately after the offer from Mexichem was received Mr. Kottman reported this potential conflict of interest to the Boards of Wavin and the issue was discussed in the Supervisory Board without Mr. Kottman being present.
In order to prevent any appearance of a conflict of interest, it was decided that Mr. Kottman would not receive any information and he would not participate in any discussion with regard to aforementioned offer. The potential conflict of interest and the position of the Supervisory Board of Wavin were described in a press release which was issued on November 22, 2011.

Loans and guarantees

In 2011 no loans or guarantees were granted or outstanding to members of the Supervisory Board.
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 the approval of the full Supervisory Board. Loans may not be remitted.

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 holds 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. More information on the Profile can be found on page 89 of this report. The full Profile can be found on the corporate website.

Company Secretary

The Supervisory Board is assisted by the Company Secretary Mr. S.H.A.J. Beckers. The position and role of the Company Secretary is described in the Rules for the Supervisory Board, which can be found on the corporate website.

supervisory board committees

Given the requirements of the Wavin organisation and the size of the Supervisory Board, 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 2011 the Audit & Investment Committee (A&I Committee) consisted of Mr. B. Hill (Chairman), Mrs. B. Stymne Göransson and Mr. R.A. Ruijter (who qualifies as the financial expert as stipulated by the Dutch Corporate Governance Code).
The A&I Committee assists the Supervisory Board with 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, the A&I Committee also advises the Supervisory Board regarding 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 of between € 1 million and € 2.5 million. The A&I 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 supervision of 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 the 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 and interest and foreign exhange rate risks of the company, (vii) the applications of information and communication technology (ICT) and (viii) material investments considered by the company.
The Rules for the Audit & Investment Committee were adopted on 26 September 2006 and amended on 17 December 2009.

Remuneration, Appointment & Corporate Governance Committee

Until 27 April 2011, the Remuneration, Appointment & Corporate Governance Committee (RA&CG Committee) consisted of Mr. P.C. van den Hoek (Chairman) and Mr. R. Kottman. As per aforementioned date the Committee consisted of Mr. Kottman as chairman and Mr. A. Kuiper.
The RA&CG Committee advises the Supervisory Board on the remuneration of the members of the Management Board and monitors the remuneration policy. In particular the RA&CG Committee advises the Supervisory Board on the selection criteria and appointment procedures for members of the Management Board and members of the Supervisory Board. 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 are also the responsibility of the RA&CG Committee. It also advises the Supervisory Board on Wavin's corporate governance structure. The duties of the RA&CG Committee include (i) drafting a proposal to the Supervisory Board for the remuneration policy to be pursued, (ii) analysing the possible outcomes of the variable remuneration components and how they may affect the remuneration of the members of the Management Board before preparing a proposal, (iii) drafting a proposal for the remuneration of the individual members of the Management Board, for adoption by the Supervisory Board, (iv) preparing the remuneration report as referred to in best practice provision II.2.12. of the Code, (v) drawing up selection criteria and appointment procedures for Supervisory Board members and Management Board members, (vi) periodically assessing the size and composition of the Supervisory Board and the Management Board, and proposing a composition profile of the Supervisory Board, (vii) periodically assessing the functioning of individual Supervisory Board members and Management Board members, and reporting on this to the Supervisory Board; (viii) making proposals for appointments and reappointments; (ix) supervising the policy of the Management Board on the selection criteria and appointment procedures for senior management; and (x) monitoring corporate governance developments.

The Rules for the RA&CG Committee were adopted on 26 September 2006 and amended on 17 December 2009.

Remuneration of the Supervisory Board

In 2011, the remuneration of the Supervisory Board amounted to € 50,000 annually plus € 2,500 fixed expense allowance for the Chairman.
The other members of the Supervisory Board received remuneration of € 35,000 annually plus € 2,000 fixed expense allowance.

shareholdings

Shares owned by Supervisory Board and Management Board

One member of the Supervisory Board and all members of the Management Board have invested in the company. As per 31 December 2011 their combined holding was 440,456 shares (approximately 0.9% of the outstanding share capital) divided as follows:

Mr. B.G. Hill 16,922 shares
Mr. H. ten Hove 123,073 shares
Mr. W.H.J.C.M. Oomens 192,010 shares
Mr. M.P.M. Roef 108,451 shares

meetings of shareholders

General Meetings of Shareholders shall be convened by the Supervisory Board or the Management Board in accordance with the applicable legislation and regulations and with due consideration of the applicable terms. The Articles of Association contain provisions concerning registration as a recognised party entitled to attend and to vote at a General Meeting of Shareholders.

Annual General Meeting of Shareholders

On 27 April 2011 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.

Takeover Directive

The information required by Article 2:391, paragraph 5 of the Dutch Civil Code, as further elaborated in Article 1 of the Decree Implementing Article 10 of the Takeover Directive can be found in the Corporate Governance statement on our corporate website.

Issue and acquisition of shares

Issue of ordinary shares

Under the Articles of Association, shares, or granted rights to subscribe for shares, may only be issued pursuant to a resolution of the General Meeting of Shareholders on a 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 of 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.
Unless specified otherwise in the resolution, this authority is irrevocable. The resolution authorising the Management Board must specify the amount and the class of shares which may be issued must be determined. On 27 April 2011 the General Meeting of Shareholders resolved to designate the Management Board as the corporate body which, subject to the prior approval of the Supervisory Board, is authorized to issue ordinary shares, including the granting of any share subscription rights and to restrict or exclude the pre-emptive rights of shareholders in the case of an issue of ordinary shares. The designation applied to ten percent (10%) of the aggregate nominal value of the outstanding ordinary shares at the time of issue, to be increased with an additional ten percent (10%) if the issue occurs on the occasion of a merger or an acquisition, in the meaning as described above.
The authorisation was provided for a period of 18 months, starting 27 April 2011 and ending 27 October 2012.
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 50% 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 by 10%.
Any shares the company holds in its own capital may not be voted or counted for voting quorum purposes. Without prejudice to the boundaries stipulated by law and the Articles of Association, after a repurchase Wavin will not hold more than 10% of the outstanding capital at the time of the repurchase. Most recently the authority was extended at the Annual General Meeting of Shareholders on 27 April 2011, subject to the prior approval of the Supervisory Board, until 27 October 2012.

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 that must be met before exercising the option right. According to aforementioned agreement, the number of preference shares to be issued may 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 looks after the interests of the company, its associated enterprises and all other stakeholders, such as shareholders and employees.
The Foundation is independent in the sense 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 Enterprise 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.

The Management Board intends to comply with best practices II.1.9. and II.1.10 of the Corporate Governance Code, meaning that it will reply to a request from a shareholder to place an item on the agenda of the shareholders meeting within a maximum period of 180 days. In case of a public offer the Management Board will include the Supervisory Board timely and closely in the process, which, with regard to the non-binding offer of Mexichem, has been the case.

Appointment of the external auditor

At the Annual General Meeting of Shareholders held on 27 April 2011, PricewaterhouseCoopers Accountants N.V. (PwC) was re-appointed as the company's external auditor for a period of one year, expiring at the next Annual General Meeting of Shareholders.

Corporate Governance Statement

According to the Governmental Decree of 20 March 2009 ('Besluit van 20 maart 2009 tot wijziging van het Besluit van 23 december 2004 tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag, ter uitvoering van Richtlijn 2006/46/EG van het Europees Parlement en de Raad van 14 juni 2006, tot wijziging van de Richtlijnen 78/660/EEG, 83/349/EEG, 86/635/EEG en 91/674/EEG betreffende de jaarrekening en de geconsolideerde jaarrekening (PbEU L 224') ('the Decree'), Wavin has published a statement on corporate governance (the 'Corporate Governance Statement') on the corporate website.

case study

reliable

Wavin systems used in this project include:

hot and cold

soil and waste

siphonic roof drain-age

poland

euro 2012 stadium

The new Wroclaw Football Stadium opened in September 2011, ready for its key role as one of four Polish match venues for the Euro 2012 football championships. This architecturally stunning and environmentally innovative stadium is a showcase for Wroclaw, and the city's most significant civic construction for over sixty years.

With a covered area of over four hectares on a sixteen hectare site, the stadium seats 43,000 fans. Known as the 'lantern', its exterior is made of fiber and allows it to be 'painted' with light to match the event.

Wavin was actively involved from the start, in discussion and development meetings with architects and investors, and subsequently with contractors and subcontractors.

Wavin systems are used throughout the stadium, both above and below ground, including polyethylene systems for all water management, Wavin X-Stream and septic tanks for sewer, SiTech low-noise soil and waste systems, Tigris K1 for hot and cold water supply and QuickStream siphonic roof drainage.

"The use of Wavin products allowed us to install efficiently and professionally the sanitary systems in the stadium. Thanks to the fact we have chosen one supplier, we were able to cope with this difficult task in such a short time. Wavin proved to be a reliable partner and fully kept to the very tight delivery schedule, which let us meet our commitments in time," explains Jerzy Zwiech, president of Exprim Wroclaw, the installer on the project.

management board report
risk management

Wavin acknowledges that managing risks is an essential element of doing business and accepting certain risks is a prerequisite for achieving operational and financial objectives, especially in a performance driven company like ours which continuously explores growth opportunities. The objective of the Wavin risk management and internal control framework is to identify, with a reasonable level of assurance, and manage effectively risks to which the business is exposed. The risk management and internal control framework is considered to be in balance with our risk profile, and although such systems can never provide absolute assurance they do contribute towards a more effective and transparent organisation. The adequacy and effectiveness of our framework is reviewed regularly.

risk responsibilities

The Management Board, under the supervision of the Supervisory Board, has overall responsibility for the risk management and control framework within the company. The Management Board regularly assesses Wavin's risk profile and risk control framework including system improvements and their implementations. Regional and operating company management teams are responsible for managing performance as well as underlying risks and mitigating controls, within the guidelines set by the Management Board. The Group Finance department verifies this. It assesses the developments and tests the efficiency of the implemented processes. Material inadequacies are recorded, followed up and corrected. Furthermore, the external auditor assesses the internal controls of financial reporting as far as such an assessment is efficient for their financial statement audit approach. The Supervisory Board's Audit & Investment Committee evaluates the adequacy of Wavin's risk and control framework. There were no significant changes in the company's risk management and internal control framework during 2011 and no major failures were reported. In the December meeting, the Audit & Investment Committee approved a project to further enhance Wavin's risk management and internal control framework.

risk management and internal control framework

An internal risk management and control framework is in place to ensure risks are identified and managed and that objectives are met in compliance with applicable law and regulations. This control framework is based on policy documents, manuals and procedures. During 2011, a new manual was drafted defining the Group control standards for both the primary business processes and the main supporting processes. It will be rolled out in the course of 2012. The main elements of the control framework are:

Company objectives

Company objectives form the basis for the risk management and control framework. These are formulated and communicated to the organisation by the Management Board. All Wavin operating companies must operate in accordance with these objectives and report deviations. The company objectives are reviewed at regular intervals and amended where necessary.

Corporate governance

Wavin's corporate governance policy is based on the best practices as set out in the Dutch Corporate Governance Code (page 38 of this annual report). Wavin endorses the importance of good corporate governance and complies to the vast majority of the rules set by the Code. It has however, been considered in the interest of the company and the stakeholders to deviate from a limited number of best practice provisions. In addition to general Corporate Governance requirements, Wavin's Risk Management and Control framework also contains the following specific components:

Wavin Code of Conduct

The Wavin Code of Conduct sets out a number of ethical values to which Wavin subscribes. It is not all-encompassing but rather formulates minimum ethical standards which are to be interpreted within the framework of local laws and customs. The text of the Code of Conduct is available on the company's website.

Whistle-Blower's procedure

The Whistle-Blower's procedure ensures 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 or her action. The text of the whistle-blower's procedure is available on the company's website.

Disclosure of price-sensitive information policy

All public financial disclosures made by Wavin should be accurate, complete and timely. They should present, in a fair manner and in all material aspects the company's financial condition, results 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 Director Investor Relations and Treasury in fulfilling Wavin's responsibilities regarding the identification and disclosure of material information and the accuracy, completeness and timeliness of the financial statements.

Rules on insider trading

As a listed company, Wavin N.V. has drawn up rules governing the possession of and transactions in shares of Wavin N.V. by any person who works for or on behalf of Wavin as such persons might become privy to confidential information, which may qualify as Inside Information or Price Sensitive Information. To prevent Inside Information from being used in personal investments employees have been instructed how to avoid any kind of entanglement of business and personal interests. Any violations of these regulations may lead to employment sanctions and/or criminal sanctions.

Organisation structure

Within the Wavin Group all internal tasks, responsibilities and authorisations are defined in the organisational structure. A uniform internal authorisation system is in place and consists of individual authorisation schedules which provide a clear insight into the limits of spending allowed per authorised individual employee. Compliance with this system is checked by regular reviews.

Planning 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 with the previous year and tested against the budgeted targets. Regular forecasts are submitted and their impact assessed. This planning and control cycle, which is based on financial and non-financial reporting, enables local management teams and the Management Board to direct and control the operational activities in an efficient manner.

Accounting and Reporting manual

The Accounting and Reporting manual contains a detailed description of the guidelines for management reporting and external financial reporting. This manual also includes a standard format for accounts to ensure consistent and uniform reporting. In addition to the Accounting and Reporting manual there are several other manuals, relating to aspects such as treasury, insurance and capital expenditure.

Quality assurance procedures

Wavin applies quality assurance standards like ISO 9000 and 9001. In accordance with these standards, regular reviews and assessments are undertaken by external certification companies. Wavin also operates a Total Productive Management (TPM) programme with the objective of structurally minimising production losses, including quality defects. This is monitored continuously via internal reviews.

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 regional representatives. This Group is responsible for deploying the policy to the regions and monitoring progress. The standards implemented by Wavin are often more stringent 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 that comply with ISO 14001 or similar standards. These structures are monitored by way of frequent internal audits. For further information regarding the

HSE policy, please see the Corporate Social Responsibility chapter starting on page 58 of this report.

Information management and security measures

Wavin's ability to provide customers with products and services and manage operations continuously depends on the uninterrupted operation of IT systems. The Wavin activities increasingly operate cross borders and across business functions. This requires a uniform and consistent exchange of information. To enable this, Wavin selected a common information system (SAP) that is gradually implemented throughout the company.

Governance structure for monitoring the functioning of the IT systems and to respond to development requirements and extensions to the systems are in place. Technical and infrastructural IT standards to enable information systems to communicate internally and with our trading partners are mandatory. Systems, standards and IT performance are monitored and reviewed quarterly by the IT Steering Committee under the supervision of the Chief Financial Officer. The results are shared with the Audit & Investment Committee of the Supervisory Board annually.

Tax

Wavin has 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 is further enhanced. This results in an intensive exchange of information and preliminary consultations on matters with potentially material tax consequences. Wavin implemented a tax control framework for the Dutch entities which will be reviewed by the Dutch tax authorities in 2012. This form of cooperation fits within Wavin's policy on risk management regarding taxation. In the other jurisdictions in which Wavin operates the company pursues, where possible, a proactive policy in order to minimise any uncertainties regarding the tax positions. The concept of a tax control framework, including tax policies, extended tax monitoring and reporting, and internal tax audits, will be rolled out to other Group entities in the coming years.

Insurance

Wavin has underwritten a general insurance programme to cover risks that may occur despite adequate risk control measures, 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 B.V. 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.

Audit & Investment Committee

The Audit & Investment Committee, which consists of three members of the Supervisory Board, independently monitors the process of risk management on the basis of the supervisory role of the Supervisory Board. The aspects on which the Audit & Investment Committee focuses include the quality of internal and external reporting, the effectiveness of internal controls and the functioning of the external auditor. The Audit & Investment Committee meets three times a year. The CFO, relevant financial officers and the external auditor are invited to attend those meetings. Please see page 43 for more information about the Audit & Investment Committee.

Role of the external auditor

The external auditor carries out the requisite activities for the issue of an auditor's report accompanying the financial statements. 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 financial statements are free of material misstatements. The year-end audit report and management letter have been discussed with the Audit & Investment Committee and have been presented to the Supervisory Board.

Letter of Representation

Each year all operating company managing directors and financial directors sign a detailed statement with regard 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 & Investment Committee.

principal risks

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

Strategic risks	Operational risks	Financial
Geographic exposure	Raw material price volatility	Access to funding
Construction market exposure	Product liability	Fluctuations in exchange rates
Customer concentration	Manufacturing and operations	Volatility in interest rates
		Credit Risks
		Pension Funds

Under the explicit understanding that this is not an exhaustive summary, the major risk factors are described below.

Strategic risks

Geographic exposure

Wavin is dependent on the development of the construction sector in the countries in which we operate. All countries have their own economic cycle influenced by, amongst other factors, mortgage rates, house prices, consumer confidence, urbanisation, the number of housing transactions and changing legislation. 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 approximately 28% of revenue, are subject to greater risks and volatility than more mature markets. Our presence in 25 countries mitigates our exposure to the construction cycle in any single country.

Construction market exposure

Activity levels in construction markets are a major driver for Wavin. The level of activity varies by market depending on many factors including general economic conditions, the availability of credit to finance building activities, development of housing prices, mortgage and other interest rates, unemployment, demographic trends, the weather, and consumer confidence. Wavin is active in the new-build market and in the repair, maintenance and improvement (RMI) market for residential and non-residential developments.

We are also a major player in the infrastructural construction segment. 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% from non-residential and infrastructural construction.

Customer concentration

Amidst the consolidation in the distribution business, Wavin's ten largest customers represented 33% of revenue in 2011 (2010: 28%). The other 67% of revenue was spread amongst a wide customer base. Wavin operates closely together with its distributors to service them optimally through our European presence, comprehensive product range and effective supply chain management. It is company policy to limit inordinate dependency on individual clients. Relationships with key customers are regularly monitored at local and group levels.

Operational risks

Raw material price volatility

In the manufacturing of its products, Wavin uses large quantities of polymers such as polyvinyl chloride, polyethylene, polypropylene and polybutylene. Polymers are subject to price fluctuations not only due to the oil price developments but especially due to the supply and demand situation.

In 2011 Wavin spent € 692.7 million on raw materials, components and trading articles, which represents around 52.2% (2010: 50.6%) of revenue. The price of raw materials typically changes on a monthly basis. Contracts do not protect Wavin from price fluctuations.

As one of the largest purchasers of polymers, Wavin follows developments closely. We use our European market leadership to pass on structural raw material price fluctuations. Historically the company has passed on a significant portion of the fluctuations in polymer prices to its customers, albeit with a certain delay, which has led to short-term impacts on the financial performance. In current markets intensified competition at the low end of the business has stretched the time lag in passing on raw material prices.

Product liability

Wavin develops complex plastic pipe systems which could be affected by design or manufacturing defects or other errors or failures. This is particularly a risk with new or upgraded products or services as 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, over 17% 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 2011, our warranty costs were € 2.0 million (2010: € 1.4 million). Extensive insurance coverage mitigates the financial risks of product defects and warranty.

Manufacturing and operations

Wavin has production plants in 18 countries and sales offices in 7 additional 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 protection. 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 pursuing various initiatives aimed at improving its operating and financial performance. Throughout the Group the company has undertaken a number of optimisation and rationalisation projects, which are focused on integrating complementary sites and facilities, streamlining operations and reducing working capital needs. Careful planning and control and past experience limit the inherent risk of these transition processes. A major part of revenue is generated through products manufactured in our plants. To minimise the risks of property damage and business interruption, high prevention levels are maintained. Extensive insurance coverage mitigates the financial risks of property damage and business interruption.

Financial risks

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

Access to funding

Financing strategies are continuously assessed to ensure sufficient capital for financing long term growth as well as seasonal working capital requirements. Wavin's main source of financing was a syndicated loan facility of € 500 million that expired in October 2011 and was replaced with a € 475 million syndicated loan facility, expiring in April 2013.
This facility was extended and amended in January 2012. The amended syndicated Facility amounts to € 440 million and will mature in April 2015. The € 440 million facility consists of a € 220 million Term Facility and a € 220 million Revolving Credit Facility. Covenant levels have been relaxed, whilst conditions and margins remained unchanged. The amended and extended financing facility provides Wavin with sufficient headroom and flexibility to respond to uncertain market conditions and offers a solid base to execute the Wavin 2015 strategic programme.

Compliance with the financial covenants of the facility is critical as non-compliance would result in a possible cancellation of the facility and drawn amounts might become due and payable immediately. Tight controls regarding costs, cash, working capital and capital investments are in place.
At the end of the year the company was well within the financial ratios agreed with its lenders, with a net debt level of € 227.9 million and a leverage ratio of 2.4.

Fluctuations in exchange rates

Wavin operates internationally and uses the Euro as its reporting currency. In 2011, approximately 60% 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 Kroner as well as the US Dollar could materially affect the company results.
Wavin has defined clear policies regarding foreign exchange exposure. To limit the short term impact of currency fluctuations on our operations our transactional exchange risks are, to a large extent, hedged on a rolling annual basis. For the first three months of the forecasting period we hedge from 60% to 80% of our exposure. For the remaining nine months of the forecasting period, lower hedged exposure is applicable. In 2011 we hedged foreign currency exposure with a total value of close to € 126 million. Translation risks are not hedged but are minimised to the extent possible by using natural hedges.

Volatility interest rates

Interest exposure is mainly related to the multi currency € 475 million committed finance facility. Wavin has to pay variable interest rates for this facility based on interbank offered rates increased with a margin. 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. Until April 2013 the variable interest exposure on € 160 million of outstanding debt is hedged at an average interest rate of 3.8%. Furthermore, the variable interest exposure on € 99 million of outstanding debt is hedged at an average interest rate of 3.6% for the period April 2013 to April 2015. These interest rates exclude the margin payable under the facility agreement, which are restated quarterly based on the leverage ratio. The quarterly measured leverage ratio is reported to the Lending banks. The covenant calculations per year-end and per half year are assessed by our external auditor. Per year-end the external auditor used the audited figures as basis for their assessment.

Credit risks

Wavin operating companies have strict procedures regarding credit and payment terms. These are closely monitored at the local and corporate level. The company realises almost 28% of its sales in emerging economies where payment terms are generally longer than in Western Europe and where the availability of information concerning the financial history of customers is often limited. In 2011 impairment charges for doubtful debts were € 3.0 million (2010: € 3.3 million), compared to substantially lower impairment charges in the years before the credit crisis.
On the balance sheet date 22% of trade receivables were overdue compared with 24% in 2010.
Management of credit risks arising from deliveries to customers is the primary responsibility of the operating companies. Management operates within the bounds of local policies and must act in conformance with the internal control measures. Material credit risks are a specific area of attention of local and Group senior management. In the Netherlands, Belgium, Ireland, Poland and France the credit risk of customers is partly transferred to credit insurance companies. In France and Belgium Wavin is factoring a large part of the trade receivables under non-recourse factoring facilities of € 25 million.

Contribution to pension funds

Wavin operates (limited) defined benefit schemes in four countries and defined contribution plans in several other jurisdictions. In the Netherlands Wavin has a limited defined benefit plan consisting of a multi employer scheme that has an agreed maximum contribution. This maximum contribution is already paid for the last few years. The cover ratio ('dekkingsgraad') of the Dutch pension fund was 104.1 at the end of the year. The wholly owned subsidiaries in Norway, the UK and Ireland operate defined benefit plans and retain a responsibility for payments to the members of the pension fund including in some cases 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 the insolvency of the insurance or reinsurance company connected to the pension arrangement in Germany, Wavin would be liable for the payment of any outstanding lump-sum amount to qualified employees.

Early in 2012, Wavin and the Trustees of the Wavin Plastics Pension scheme in the UK agreed on the revised deficit position per 1 January 2011 and the payment period of this deficit in 5 annual installments of £ 3 million each.
The additional expense in 2012 will be £ 1.7 million and is a consequence of the deficit exceeding the corridor ultimo 2011 (£ 0.8 million) and the lower calculated return on assets (£ 0.9 million).

For more information on the current financial position of Wavin's pension funds, please see note 27 of the Group Financial Statements.

in control statement

Wavin's risk management and control system is designed to safeguard effective and controlled realisation of the company's objectives. In accordance with best practice provision II.1.4 of the Dutch Corporate Governance Code, the Supervisory Board's Audit & Investment Committee has assessed the adequacy of the internal risk management and control system. Based on the activities performed during 2011 and with observance of the restrictions below, in accordance with best practice provision II.1.5, the Management Board believes that the risk management and control systems regarding the financial reporting risks have worked properly during the year, and provide reasonable assurance that the 2011 financial statements do not contain any errors of material importance. The Management Board intends to give as true and fair a picture of Wavin's risk profile as possible. There may, however, be circumstances in which risks occur that have 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 provide 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 on 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, 28 February 2012

The Management Board

H. ten Hove, President & CEO
W.H.J.C.M. Oomens, Executive Vice President & CFO
M.P.M. Roef, Executive Vice President

corporate social responsibility

Wavin's roots lie in the search for a safe and environmentally friendly distribution of drinking water. Over the years we have included sustainability related improvements not only in our offerings to the market, but also in our operating procedures and processes. The current business environment, in which sustainability is high on our customers' agendas, brings many opportunities.

We offer 'Solutions for Essentials' that provide answers to tomorrow's environmental challenges in the construction industry. New standards for the energy-efficiency of buildings are important drivers for our growth in surface heating and cooling. Climate change is leading to a need for our pipe systems and solutions that can handle the rain water cycle, from hard surfaces to reservoirs or ground water.

We believe that our company's long term success will be based on the way we manage not only our business, but also our social and environmental relationships.
Corporate Social Responsibility (CSR) is fully integrated in our Wavin 2015 Strategy and we have defined clear goals and targets.

We aim to:
- Be a leader in the development of sustainable products and solutions which can, in turn, also help our customers achieve their own sustainability targets;
- Develop products and systems that have a minimal impact on the environment throughout their life-cycle: from the sourcing and selection of materials, to the manufacturing process, distribution and end use;
- Remain aware, at all times, of the wellbeing of our employees and of the people who install and use our products and solutions. This means, for instance, that we ensure our products are manufactured, distributed, installed and used safely.

csr reporting in line with gri level a guidelines

Since 2009, our annual sustainability reports have conformed to the Global Reporting Initiative (GRI) guidelines. Our 2011 reporting is in line with GRI level A, and this has been externally assured by an independent auditor to ensure that we have reported on all the relevant aspects of CSR and that the information we have provided is as complete as possible. You can find the GRI reference table online at www.wavin.com. Next year we will apply the Construction and Real Estate Sector guidelines in our sustainability reporting.

working towards a sustainable future

what we achieved in 2011

Sustainability Area	Subject
CO_2 reduction	• Our overall objective is to reduce our carbon footprint – our Green House Gas emissions – to 20% less than in 2008 by 2015. We are on track to reaching this target: between 2008 and 2011 we have already achieved a 10% reduction
Transparency	• Our GRI reporting for 2011 is in line with GRI level A (was B in 2010) as externally verified by SGS • Wavin has been recognised for achieving the fastest improvement in the history of VBDO benchmark aimed at increasing the sustainability of Dutch stock listed companies; Wavin now holds a top 10 position • Continued progress in respect of the Dutch Ministry of Economic Affairs' Transparency benchmark: in 2011 our score was 17% better than 2010 and we ranked 37th out of 500 companies overall and 3rd in the Construction and Maritime sector
Supply Chain	• The further roll-out of our Supplier Code of Conduct as part of our 'responsible suppliers' programme. • The introduction of a monitoring system to verify adherence to the Supplier Code of Conduct • We joined the network of organisations involved in PVC production and processing to improve energy efficiency throughout the supply chain
Energy reduction	• The implementation of new cooling methods for the injection moulding manufacturing process in Italy, which saves approximately 70% energy compared to the old system • The recovery of waste heating from the manufacturing process to heat facilities is now in place in Czechia, the Netherlands, Germany, France, Poland and Denmark • Optimising our air pressure networks in several factories has led to estimated energy savings of up to 20% within the system
Recycling and waste disposal	• A further increase of plastic pipe waste collection schemes in cooperation with customers and local governments • Partnerships with suppliers of recycled materials was broadened to include sharing recycling knowledge and best practices • Recycore® Technology for the production of multi-layer, solid-core pipes made from at least 50% recycled materials was introduced in the UK; the first products for soil and drain applications are on the market • Recycled material usage increased further to 89 kg per produced ton. (2010: 88 kg per ton)
Internal awareness	• The first Group-wide engagement survey, which included sustainability related topics, was held • Specific training sessions on sustainable building certifications such as BREEAM, LEED, DGNB and the Code for sustainable homes for our commercial staff

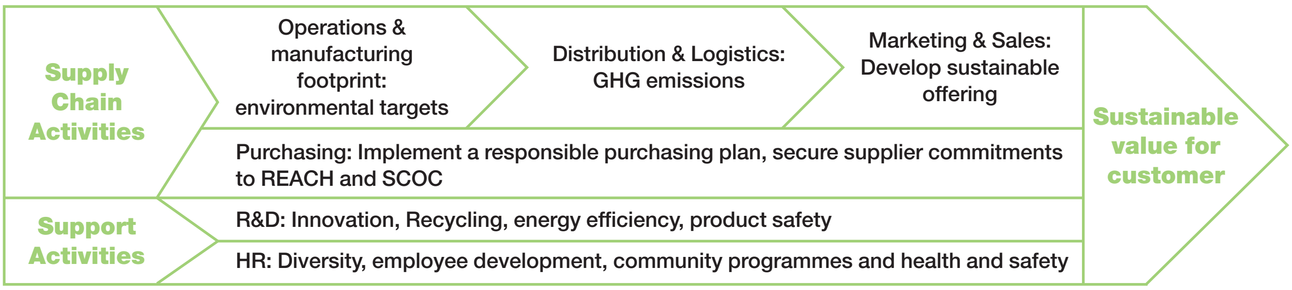
focus for 2012

• Deployment of our sustainability strategy deeper into the organisation	• Investigate renewable energy projects
• Continue rolling-out our 'responsible supplier' programme	• Increase our transparency by reporting according the GRI Construction and Real Estate Sector guidelines
• Continue implementing energy saving projects throughout the Group.	• Further improve our GRI data verification process through external auditing and assurance

on track reaching environmental targets

csr governance

As the chart below shows, our company's governance structure is designed in such a way that sustainability is prioritised in the organisation. In addition to development and career goals all employees including management have CSR related targets in their individual annual objectives. The chart also shows how the different parts of our organisation work together to provide sustainable value for our customers.



Wavin's environmental performance

At Wavin we have formulated a set of environmental reduction targets to be reached by 2015, and we have been measuring our progress in these areas since 2008. These targets are specified in relative figures to eliminate any effect of changes in production volume.

The table below shows the progress we are making towards achieving our 2015 environmental reduction targets. We have already achieved significant progress in terms of our energy, waste and recycling targets in addition to exceeding our water consumption target. However, further reducing our CO_2 emissions will prove a bit more challenging. Nevertheless, we are confident that we will meet all of our targets by 2015.

Environmental targets	**Actual 2011**	**Improvement 2010 – 2011**	Improvement 2008 – 2011	Target 2008 – 2015	Revised Target* 2008 – 2015	Actual 2008
Reduce GHG emissions	**409 kg/ton**	**–5.6%**	–10.0%	–20%	–20%	454 kg/ton
Reduce energy use	**3.5 GJ/ton**	**–6.3%**	– 9.4%	–10%	–10%	3.88GJ/ton
Reduce waste to landfill	**4.7 kg/ton**	**–7.0%**	–36.9%	–10%	–40%	7.49 kg/ton
Increase usag e of recycled materials	**89 kg/ton**	**+0.8%**	+30.0%	+20%	+50%	68 kg/ton
Reduce consumption water	**0.8 m3/ton**	**–39.0%**	–35.1%	–15%	–30%	1.2 m3/ton

* Targets revised in June 2011.

Notes: Due to the sale of Wavin's continental clay facility in the Netherlands, the performance for 2008 – 2010 has been recalculated. The reported environmental performance includes all our manufacturing sites, and their adjacent operating offices, where Wavin has at least 50% of operational control.

environmental results 2011

Greenhouse Gas Emissions

Our company's overall greenhouse gas emissions include direct CO_2 emissions (emissions from our own processes), indirect CO_2 emissions (emissions from the generation of purchased electricity) and emissions of other greenhouse gases (CH_4 and N_2O).

Other air emissions are reported separately:

- Sulpher Dioxide (SO_2): 1,033 tons
- Nitrogen Oxide (NO_x): 403 tons
- Particulate emissions: 22 tons
- Volatile organic compounds: 12 tons

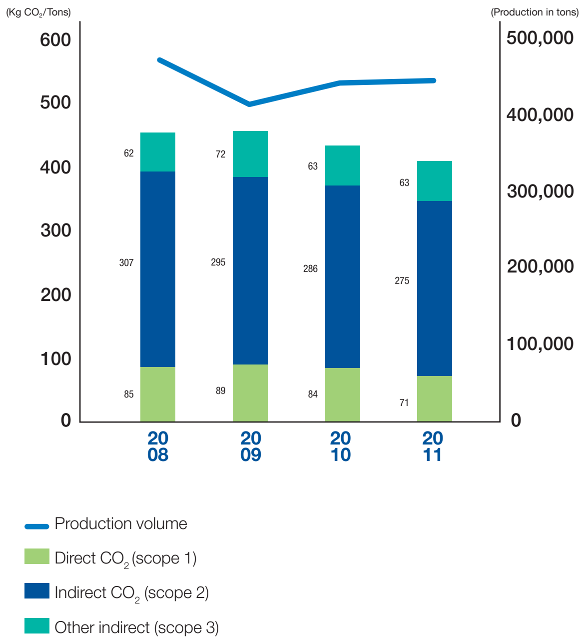
As a result of our efforts in the area of energy efficiency, our Scope 1 and Scope 2 related greenhouse gas emissions have decreased. These Scopes relate to emissions produced by electricity use and fuel consumption for heating (oil and gas) and company transport (petrol and diesel). Scope 3 addresses emissions relating to external logistics (the distribution network), water consumption and waste disposal. We have succeeded in reducing our Scope 1 and Scope 2 emissions still further. Scope 3 emissions have risen slightly due to increased production.

Energy consumption

As far as powering our primary production processes is concerned we depend on electricity for extrusion and injection-moulding and, in the UK, we rely predominantly on gas-fired kilns for the production of our clay products. We only use oil to heat some of our facilities. In 2011 we increased our production volumes, which obviously had an impact on our overall energy consumption. To offset this we implemented a number of energy management programmes that have improved our energy efficiency, which is measured in energy consumption per metric ton of production.

Substantial investments in energy saving measures and projects in 2011 helped us reduce our absolute energy consumption by 5.4% compared with 2010. Vigorously promoting and financing the installation of energy meters

Greenhouse Gas Emissions*

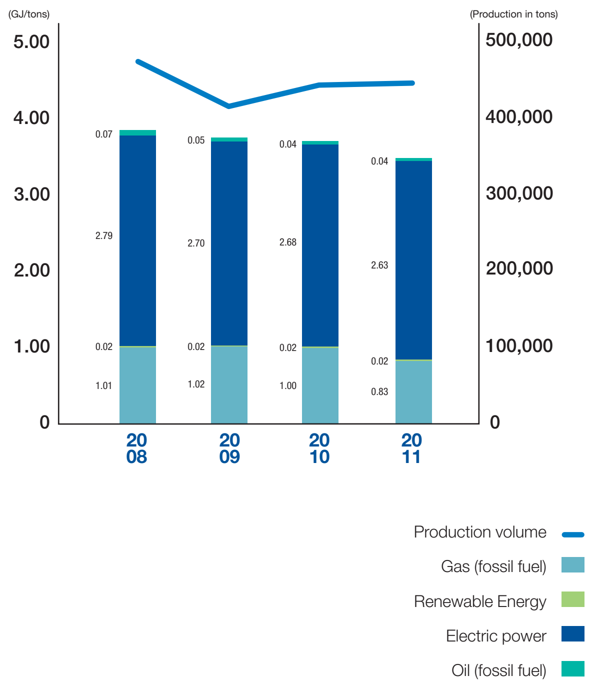


Greenhouse Gas Emissions*				
x 1,000 tons CO_2	2008	2009	**2010**	**2011**
Direct CO_2 (scope 1)	40,330	36,683	**37,173**	**31,638**
Indirect CO_2 (scope 2)	145,137	122,006	**126,459**	**122,725**
Other indirect (scope 3)	29,236	29,846	**27,901**	**28,161**
Total	214,703	188,535	**191,533**	**182,525**

* Figures have been restated to exclude the clay activities sold in 2011.

Note: The reported GHG emissions boundary includes all our manufacturing sites, and their adjacent operating offices, where Wavin has at least 50% of operational control.

Energy consumption*



Energy consumption*

(GJ)	2008	2009	**2010**	**2011**
Direct Total	517,128	453,417	**473,612**	**399,007**
Heating oil	33,866	20,641	**19,445**	**18,005**
Natural Gas	475,659	424,459	**443,352**	**372,871**
Renewable sources - Biogas	7,604	8,318	**10,815**	**8,131**
Indirect Total	1,319,449	1,118,763	**1,188,009**	**1,173,106**
Electriciy	1,319,449	1,118,763	1,188,009	1,173,106
Total	1,836,578	1,572,181	**1,661,621**	**1,572,113**

* Figures have been restated to exclude the clay activities sold in 2011.

at all of our production sites has made understanding and measuring the effects of our energy consumption easier.

Our product portfolio shows a clear trend towards the use of lightweight, multilayer products with a recycled inner core. These products require more complex production processes, which have a negative impact on our energy efficiency. However, from a cradle-to-cradle perspective the benefits from these multilayer products include a reduced dependency on virgin material and a greater use of recycled materials.

Further reductions in energy usage in 2011 can be attributed to lower gas consumption due to the mild winter.

The energy surveys we have conducted at our sites have shown that, our auxiliary systems such as water cooling, central heating and air pressure systems are responsible for more than 25% of our total energy footprint. We are, therefore, accelarating the sharing of best practices within our company and, where possible, within our industry.

Some of the projects we have initiated are:

- The installation of a heat exchanger in our factory in France enabled us to recover the surplus heat generated by the processing of raw materials and use it to heat the facilities. The result was a 15% reduction in gas consumption. This technique has now also been implemented in our factories in Czechia, the Netherlands, Germany, Poland and Denmark. In the future it will enable all our factories to become partially or totally independent of conventional heating methods, thus reducing our overall gas consumption.
- A continued focus on optimising our air pressure systems. In several of our factories conventional compressors are being replaced with variable speed compressors that adjust their energy consumption according to demand. The efficiency of such a system is determined by the quality of the air management system that has been installed. In some cases, such as in the UK, refurbishing the air pressure network achieves estimated energy savings of up to 20% within the system.

Recycled input materials

In 2011 we revised our target for the use of recycled material from 20% to 50% more than in 2008. We have reduced our dependency on raw materials by increasing the quantity of recycled material in our products, for example lightweight, multilayer pipes with a recycled inner core. The percentage of bought-in recycled material used in our production is 9% of total material input. The volume and quality of plastic pipes and fittings available for recycling is, however, limited due to the durability of this material – plastic pipe systems have a projected lifespan of at least 100 years, which means limited availability for replacement. We have, therefore, increased the number of waste collection schemes developed with customers and local governments. These schemes enable us to collect as much plastic pipe waste and other products that can be recycled as possible.

New partnerships with suppliers of recycled materials have proven very effective. We share knowledge and best practices with these suppliers and ensure we have the highest quality recycled materials.

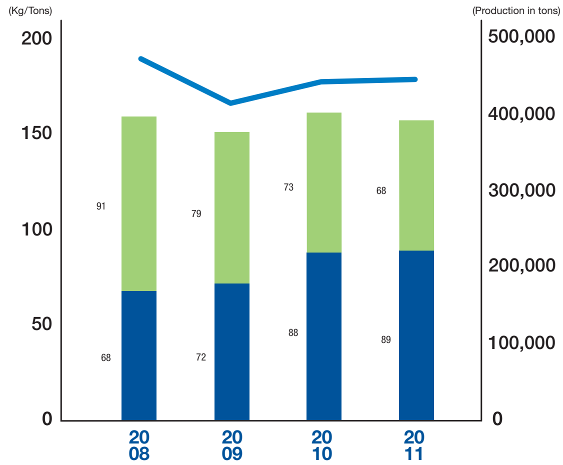
A dedicated team of technical and materials experts are continuing their research into the development and improvement of recycling processes and technologies so we can use as many recycled source materials as possible, while maintaining the quality of the end product.

Waste disposal

Overall our waste disposal amounts to less than 3% of our total production. Our waste management programmes aimed at separating recyclable and non-hazardous waste at source are effective in reducing the amount of non-hazardous waste sent to landfills and increasing our recycling. Out of the total waste of 12,182 tons, 80% was recycled. The remaining 20% was sent to landfill.

By taking environmental aspects into consideration during the product development phase, we also limit the use of environmentally-harmful materials. This comprehensive management of hazardous substances also ensures our employees are not exposed to any unnecessary risks.

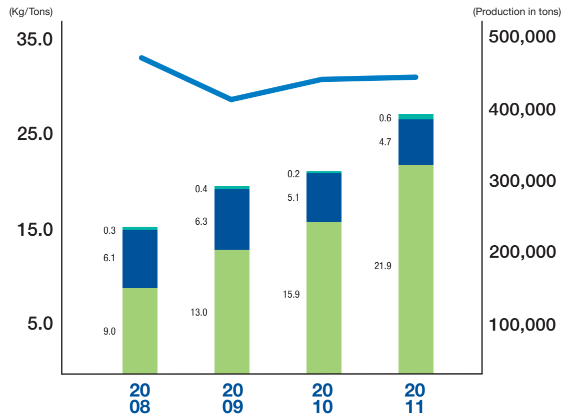
Recycled input materials*



* Figures have been restated to exclude the clay activities sold in 2011.

Production volume
Post-producer recycled own
Recycled bought-in

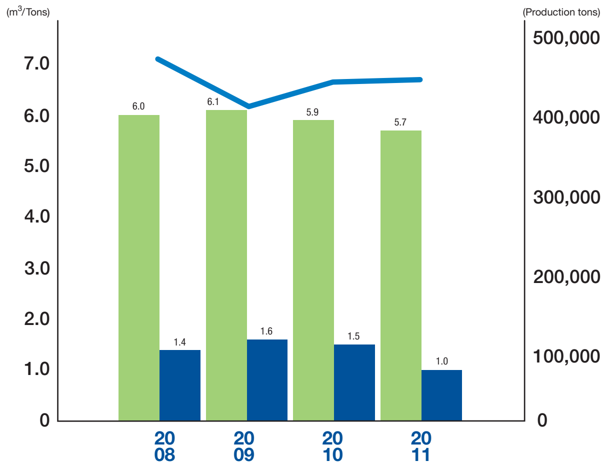
Waste disposal*



* Figures have been restated to exclude the clay activities sold in 2011.

Production volume
Recyclable waste
Non-hazardous waste
Hazardous waste

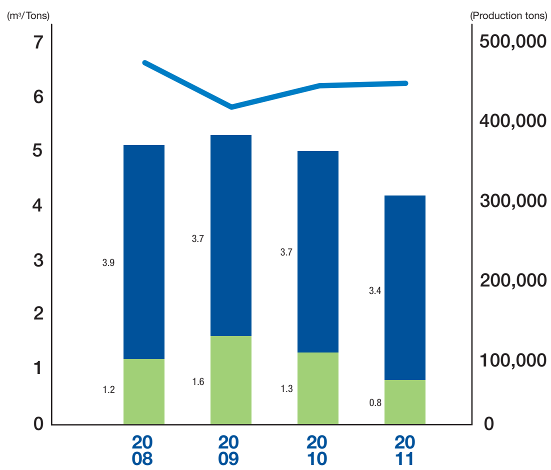
Water consumption*



* Figures have been restated to exclude the clay activities sold in 2011.

Production volume
Ground & Surface water
Water utilities

Water discharge*



* Figures have been restated to exclude the clay activities sold in 2011.

Production volume
Water to sewer
Water to nature

Water consumption and discharge

At Wavin we use water mainly for production and cooling applications. Our aim is to reduce our dependency on energy-intensive sources of water, such as those provided by municipalities, and to promote the use of natural sources such as groundwater. Many of our sites incorporate a closed-loop water system in which water is brought in from natural sources, used for a variety of applications and then recycled by passing through filters and a cooling process. As we were already close to reaching our 2015 target for water in 2010, we decided to set a higher target – a 30% reduction of water consumption compared to 2008. In 2011 we already reached this goal.

Water Source*

x 1,000 m^3	2008	2009	**2010**	**2011**
Water Utilities (Potable)	677	666	**653**	**437**
Ground & Surface Water	2,815	2,522	**2,632**	**2,525**

Water Discharge*

x 1,000 m^3	2008	2009	**2010**	**2011**
Water to sewer	561	670	**558**	**344**
Water to nature	1,852	1,548	**1,641**	**1,541**

* Figures have been restated to exclude the clay activities sold in 2011.

new cooling system for Wavin Italy

In Italy we have implemented new cooling methods for the injection moulding process. During the moulding process both the moulds and the machines need to be cooled, but not necessarily to the same temperature. In 2011, therefore, we started using two chillers and one dry cooler instead of nine chillers. This change allows us to divert the water used for both the moulds and the machine, which saves some 70% on energy usage. The next step, the installation of a new cooling system on the extrusion lines, will take place in early 2012.

Recycore® Technology

Wavin has been investing in Research and Development in the area of sustainability for many years. As a result, during 2011 we were able to launch a new range of three-layer pipes made from at least 50% recycled PVC in the United Kingdom. The new pipe products, made with Recycore® Technology provide the same high-quality performance as their predecessors.

interaction with stakeholders

As Europe's leading plastic pipe system provider our business is directly linked with, and has an impact on, a variety of stakeholders. We communicate actively with employees, customers, suppliers, shareholders, trade organisations, governmental agencies and NGOs and discuss a variety of issues with them, including those directly linked to sustainability.

During our Annual General Meeting of Shareholders the company's performance over the past year – including the sustainability performance – is discussed. CSR related topics also play a role during our Investor Relations meetings with shareholders, potential investors and analysts. During these meetings we focus on sustainability as a driver of business and – depending on the interest of stakeholders – we address issues such as environmental performance, supply chain transparency and safety.

Benchmarking activities, such as the Carbon Disclosure Project and the Dutch Ministry of Economic Affairs' 'Transparency-benchmark', enable us to not only assess our transparency in general, but also in respect of specific issues, such as Green House Gas emissions and supply chain relations. Our efforts in 2011 gained us a 17% improvement of our Dutch Transparency-benchmark score. The VBDO, a Dutch association of investors, which is aiming for sustainable development, has awarded us a special recognition for achieving the fastest growth in their benchmark. Wavin is now ranked in the Top 10 of their sustainability benchmark for Dutch stock exchange listed companies. In 2011 we continued improving our transparency by implementing a GRI data verification process through external auditing and assurance.

Wavin partner in Polymer Science Park

associations

Wavin is an active member of a number of associations and participates in numerous initiatives that focus on improving sustainability within our industry.

- National Trade Associations – Wavin is an active member of the national trade associations in all the countries in which we aim to engage with our peers and work towards common goals – including sustainability. In the Netherlands, for instance, Wavin is a member of the NRK (National Association for Rubber and Plastics). In the United Kingdom, we are a member of the Plastic Pipe Group, a subgroup of the British Plastics Federation.
- TEPPFA – The European Plastic Pipes and Fitting Association is the trade association representing plastic pipe systems manufacturers and national associations in Europe. Wavin plays an active role in many TEPPFA projects, such as an independent study to measure the environmental footprint of various plastic pipe systems based on life-cycle assessment. Plastic pipe systems were compared with alternatives such as steel and concrete. The TEPPFA study's positive results for all the application areas have confirmed the excellent environmental performance of plastic pipes.
- EUPC / EUPR – through its involvement with TEPPFA and the national trade associations, Wavin is a member of the EUPC (EU Plastic Converters) and the EUPR (EU Plastic Recyclers) which discuss sustainability and recycling on a regular basis. We have also been working with EUPR and TEPPFA to compile REACH-compliant safety data sheets for recycled PVC. We have not only contributed our experience and relevant information towards the process, but also provided material composition tests in order to fine-tune these safety data sheets and ensure we remain in compliance with REACH.
- Vinyl Plus – represents the PVC industry's commitment to recycling. Wavin is a leading recycler of PVC in Europe and we have ambitious targets to continue expanding in this area. To do so we are working with our peers, industry experts and suppliers to find areas where we can develop further.

initiatives

- Polymer Science Park – Wavin, in collaboration with DSM, Hogeschool Windesheim and Deltion College, the Municipality of Zwolle and the Province of Overijssel, is working on the launch of an open innovation centre – the Polymer Science Park (PSP) in Zwolle. The aim of the centre is to increase knowledge and skills in the field of (sustainable) plastics and coatings applications, in order to broaden and improve the effectiveness and application of these products. The Polymer Science Park will open in early 2012.

- In 2011 Wavin and four other major organisations involved in the PVC production and processing chain, including AkzoNobel and ShinEtsu, agreed to join forces to improve the overall efficiency of the PVC supply chain. The partners will roll-out energy efficiency measures and activities, such as more use of recycled PVC, which will generate 4.3% in energy savings – the equivalent of 1,500 Terra Joules.

teaming up with the Royal BAM group

Wavin's cooperation with the Royal BAM Group, one of Europe's largest construction companies, is an inspiring example of our stakeholder involvement. BAM, which purchases many of Wavin's products and systems, and Wavin have set up a joint Innovation Taskforce with the aim of finding innovative solutions for sustainability related issues faced by customers. Wavin's development of sewer pipes for trenchless relining of existing (mostly concrete) sewer pipes is one example. These pipes will be inserted using a technique developed by BAM. The VBDO, a Dutch association of investors, which is aiming for sustainable development, has honoured both organisations for their efforts towards making the construction sector's supply chains more sustainable.

sustainable relations with our suppliers

Wavin and Dutch waste collection and processing company Van Werven have developed a system through which PVC can be recycled for new PVC products.

Ton van der Giessen of Van Werven: "By investing in recycling and the re-use of raw materials Wavin is showing that it takes its responsibility as a producer seriously. The company's further investment in the development of new techniques and solutions can only reinforce this. As a supplier of recycled materials Van Werven appreciates Wavin's proactive method and involvement with the entire recycling process. Indeed, it is only with an approach like this that we can achieve a professional level of recycling that is sustainable in the long-run. Without this commitment we would lack continuity in our business."

our suppliers

Our company conducts business in such a way that it complies with all the legislation and widely-accepted standards related to fairness and human decency, including the UN Global Compact, the UN declaration of Human Rights and ILO conventions. Wavin's business principles are laid down in the Wavin Code of Conduct, which outlines the standards of (business) behaviour we expect our employees to adhere to.

Supplier Code of Conduct

We expect our suppliers and their sources within the supply chain to also conform to these requirements. With this in mind we have developed a Supplier Code of Conduct (SCOC), which outlines the standards we expect our suppliers to uphold. These are based on principles outlined in the legislation and widely accepted standards related to corporate responsibility, fairness and human decency. We ask our suppliers to agree to and follow these standards.

Wavin's Supplier Code of Conduct addresses five themes:

- Labour – conduct with regard to forced labour, child labour, anti-discrimination, harassment and abuse, wages and benefits, fair working hours, freedom of association and collective bargaining
- Health and Safety – REACH requirements and safety measures for employees
- Environment – management systems, energy efficiency and recycling measures
- Ethics – restrictions and/or requirements with regards to anti-corruption, gifts, offers of hospitality and unfair business practices
- Management systems – that ensure compliance with all applicable legislation and regulations

In 2011, we continued the roll-out of the SCOC and increased the number of suppliers agreeing to the Code. Within the Netherlands, Belgium, and Germany we targeted a larger group of suppliers, representing 80% of our total expenditure. At year-end 90% had responded positively and we are following up with the remaining 10% to ensure their compliance with our code. New suppliers meeting the requirement of € 20,000 minimum annual spend will be introduced into the programme in 2012. All suppliers that do not meet this minimum requirement, will be asked to read the SCOC and the questionnaire for their own information but there will be no active follow up by Wavin.

At Head Office, we are targeting key suppliers which contribute 35% of our total expenditure. In 2011 a 100% response rate was achieved to the SCOC:
- 65% signed our SCOC
- 22% submitted their own SCOC, all of which we found to be in compliance with our own
- 13% not yet signed and we continue to engage these suppliers on this subject

The expectation is to identify risk areas in our supplier base in relation to key areas covered in the SCOC and discuss these with the suppliers. We want to close any gaps by agreeing to and implementing a corrective action plan. In the unlikely event that our constant engagement does not resolve an unacceptable situation, we will consider moving away from such a supplier. We have also planned three audits with suppliers in China for 2012 to further understand their commitment to the SCOC and extent of their compliance.

social performance

Our People

The expertise, commitment, and wellbeing of our employees are critical to our success. To provide a working environment that fosters a strong team spirit and contributes towards our company's long-term goals we are committed to the following principles:
- We foster positive employee and labour relations, and help our staff achieve their full potential by offering them training and development opportunities
- We promote a safe, healthy and productive work environment
- We ensure a fair and diverse company culture with no social, gender, racial or religious bias

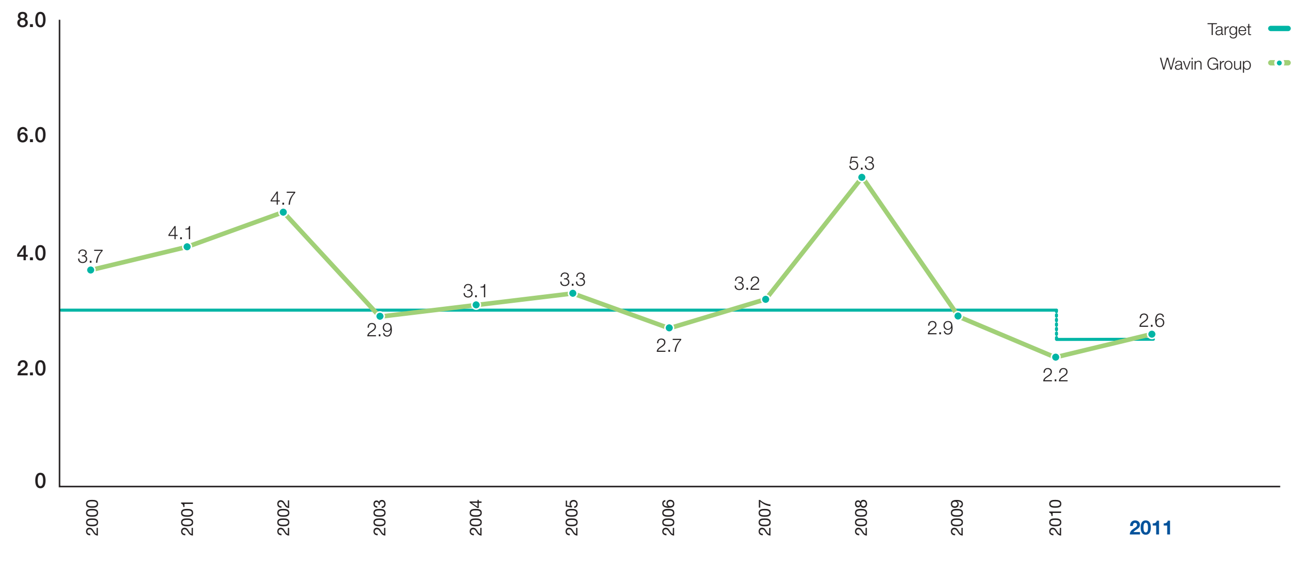
Health and Safety

Health and safety are essential aspects of our business, we have therefore developed guidelines that address work-related health issues. Our progress in implementing these guidelines is benchmarked internally and our policy is to ensure that all business operations are carried out in such a way that they ensure the health, safety and welfare of all our employees and the suppliers and contractors at our sites.

We believe that prevention is the best course of action. Employees at most of our operating sites are offered various programmes and measures that give them access to precautionary healthcare. These include sporting activities, programmes to stop smoking, medical check-ups, flu vaccination programmes, tips on healthy lifestyles and presentations on a variety of health-related topics.

The safety of our workforce is of vital importance, and we are fully committed to minimising risk and maximising safety in the workplace. Our primary objective in this area is to further reduce the number of lost-time incidents (LTIs) per million hours worked. In 2011, like in recent years, we stayed below the previous benchmark of 3.0 LTIs by consistently promoting our internal Health and Safety focus points and monitoring their implementation. We have set ourselves an ambitious industry target to lower the number of Lost Time Incidents to below 2.5.

Lost time incident frequency



human resources

In Human Resources (HR) we focused on the implementation of the new Wavin regional structure (in which the number of regions was scaled down from 6 to 4) and employee engagement during the year. In the South West Europe and North West Europe regions new regional management teams were formed. They were challenged to collaborate across different country borders and cultures. The regional HR teams supported the transition by organising best practise sharing, cultural workshops and language training.
The other two regions, South East Europe and Central & Eastern Europe (including the Baltics), made progress with the further development of a regional approach to manufacturing, supply chain, purchasing and human resources.

workforce per region

On 31 December 2011 the Wavin Group employed 6,221 Full Time Equivalents compared with 6,448 in 2010. The decrease is partly due to the divestment of activities in France and the sale of the continental clay activities. A slight decrease in agency workers and a normal turnover of employees who were not replaced because of a hiring freeze also contributed to a lower headcount. The table below shows the workforce of the new regions at the end of 2011.
The vast majority of our workforce, 89% of the total, have a permanent contract, 3% have a temporary contract and 7% are agency workers. Approximately 18% of the Wavin workforce is female. 96% of employees on the payroll work fulltime. The percentage of part-time workers is highest in the Netherlands and Belgium (7%).

Employment type by gender (year-end)

	Full Time	Part Time
Male	99%	1%
Female	84%	16%

Workforce per region	**2011**	**2010**	2009
North West Europe	**1,661**	**1,649**	1,692
South West Europe	**1,903**	**1,971**	1,879
South East Europe	**1,104**	**1,204**	1,092
Central & Eastern Europe	**1,304**	**1,356**	1,317
Overseas and Other	**249**	**268**	258
Total	**6,221**	**6,448**	6,238

first group-wide engagement survey held

engagement survey

In June the first Group-wide employee engagement survey was held to assess the current levels of engagement among all employees and to measure the level of understanding of the Company's strategy. Around 4,400 colleagues participated, 76% of those invited, which is considered to be high for a first time. The overall engagement score was 77%, which confirmed the strong commitment of Wavin employees. Two main themes emerged from the survey: the speed of executing and implementing change within Wavin and a difference in understanding our company's long term strategy and goals between (senior) management and non-management. Wavin has formulated Group actions to improve in these areas. In the last quarter of 2011 local workshops were organised to inform employees of survey outcomes and to plan local actions.

labour and management relations

68% of all employees are covered by collective labour agreements and 3% are partly covered. In some countries in Eastern Europe collective agreements at a national or industry level do not exist, whereas in other countries blue collar workers are fully covered by industry agreements but management is not (Scandinavian countries and the UK). In countries where collective agreements are not available, high standards are applied to employee / employer relations.

people development

Management development and leadership development at Wavin focus on attracting, developing and retaining the right managers and leaders needed to realise current and future business goals. In order to achieve this we provide challenging career opportunities and encourage vertical and/or horizontal career moves. Our guiding principles are: we build on capabilities, provide challenges and new job experiences and believe respectful relationships are key for motivation and engagement.

performance management and annual appraisal

Performance management and individual development are the key elements of the annual appraisal process for all our employees and managers. The annual appraisal of senior managers is called Career Dialogue. This career dialogue includes: a review of realised objectives for the previous year, scoring on behavioural competencies against the Wavin leadership framework, the setting of objectives for the next year and individual development planning. Our efforts to train management to carry out high-quality career dialogues has resulted in clearer objective setting in-line with the Wavin 2015 strategic targets. More attention is being paid to individual development planning as well. At the employee and middle management levels annual appraisals are performed in local formats. In 2011 82% of employees on our payroll received an official appraisal; the same as in 2010.

internal succession and international assignments

Our efforts in this area are closely linked to our basic belief in leadership development. As in previous years we made an effort to effectively balance internal appointments with external recruitment when filling vacancies for senior managers.
The target for 2015 is to sustain an internal succession rate of 70% for these senior vacancies. The Company achieved an average internal succession rate of 71% over the three year period 2009 – 2011, compared with 63% over the previous three-year period. Setting up the new regional structure created many new or additional job opportunities.
In 2011 outflow at the senior management level (approx.140 positions), excluding those managers who retired during the year, was 9% (2010: 6%). During the year 10 (7%) of our senior managers were based outside their home country to work on international and cross-border assignments.
We believe this is an excellent way to achieve synergies within the Group and nurture individual development, knowledge sharing and the exchange of best practices.

2015 goal: 15% women in senior management

new employees and employee new turnover

In 2011 new employees accounted for 10% of the workforce, of which 24% were female.
In the year, 5% of total workforce left Wavin voluntarily, 3% was dismissed, 1% retired and long-term disability leave was well below 1%.

management potentials

We continued identifying and developing young management potentials for senior management positions and charting individual capabilities and ambitions. Assigning the right job opportunities to these talents is an on-going priority. In 2011 72 young management potentials were identified, compared with 71 in 2010. In 2011 22% of this group was promoted to higher positions in the company. We believe the pool of management potentials should be around 70 people (equals 50% of the number of senior managers) in order to provide us with the right number of successors for senior management positions.
As in previous years regional management and Corporate HR held staff-planning meetings during which organisational, succession and individual development issues were discussed.

Wavin has an in-house management development programme called 'Unrivalled Through Others'. In October 2011 a group of 15 people attended this intensive six day course.
The programme combines classroom training with a practical Wavin case study, this year on Surface Heating & Cooling systems, to give the participants more awareness, skills and knowledge of Wavin's business, as well as of the Wavin management competence areas. The participants were challenged to reflect on their personal leadership style and make a personal development plan, while lectures and business cases covered all functional areas. Senior managers were actively involved.

training and education

We aim to know our employees' ambitions and capabilities and support and stimulate their development. We continued our individual development planning efforts and provided training programmes. Group wide e-language learning started on 1 May 2011. During the year employees attended a wide variety of internal and external education programmes for an average of 2 days per employee, the same as in 2010.
The table below gives a breakdown of training by management level and gender.

Average hours of training in 2011

	Executives		Senior Management		Others	
	Male	Female	Male	Female	Male	Female
Total employees in category	19	0	112	9	4,623	929
Total training hours	157	0	1,711	111	76,611	15,606
Total training hours on specific Human Rights subjects: CSR, Sustainability, HSE, Code of Conduct, Business Ethics	10	0	196	19	17,545	1,310

diversity and equal opportunity

Wavin consciously embraces diversity in the workforce. We believe that employees with different personal and professional backgrounds bring new perspectives and ideas to the business. As the company develops new business areas diversity will bring added-value.
Women accounted for 19% of Wavin's headcount at the end of the year.
The principles of equality are embedded in the Wavin Code of Conduct. No discrimination against any employee on the basis of gender is tolerated. Consequently, fair and equal pay for men and women is self-evident.

composition of governance bodies

On the level of the Executive Committee and Management Board, 44% of the members have a nationality other than Dutch. People with responsibilities outside their home country are regarded as non-local. In this definition the locations of the regional headquarters (UK, Poland, Italy and the Netherlands) are considered the home country. On senior management level the proportion of non-locals is 10%. At the levels below senior management many employees work together in cross-border project teams.

women in senior management positions*

Wavin firmly believes that discrimination on the grounds of gender, religion, ethnicity, sexual orientation, handicap and age should be banned and has incorporated this belief in its Code of Conduct. Wavin companies comply with all relevant local legislation regarding employment and discrimination. Our goal for 2015 is that 15% of our senior managers are women.
As the table below shows this figure was 6.5% in 2011, almost the same as in 2010. In 2011 25% of our new recruits were female, which shows that we are moving in the right direction.

Year	Headcount	Women	%
2007	157	8	5.1%
2008	159	10	6.3%
2009	158	11	7.0%
2010	**148**	**10**	**6.8%**
2011	**139**	**9**	**6.5%**

* Includes senior and executive levels.

parental leave

In 2011, 156 employees were entitled to take parental leave for new born or adopted children and all eligible women and 8 out of 10 men did. This lead to a total of 142 (91%). 110 people (77%) returned to work after parental leave in 2011; here we have to take into account a roll-over effect from employees that took parental leave in 2010.

incidents of discrimination

The process for reporting incidents of discrimination comprises the Wavin Group Code of Conduct, the Wavin Group Whistle Blower's procedure and, in many cases, a local confidential counsellor. During 2011 two incidents were reported. In one case a review of the incident led to the accused employee being dismissed. A legal ruling regarding the other case is still pending.

human rights

During the reporting year none of Wavin operating companies was the subject of a human rights review. A formal procedure for dealing with potential human rights grievances and complaints is in place in six countries. No official grievances were filed.

representative consultation

Wavin companies have formal processes in place to ensure employees and their representative bodies are informed and consulted about relevant issues. In cases of significant operational changes, Wavin complies to local notice periods. A European Consultative Council was established several years ago to provide a forum for discussing cross-border company issues with the Management Board. During 2011 there was close cooperation between the consultative bodies and executives regarding the engagement survey.

Wavin-Unicef partnership: Providing Essentials for Children

In November 2011 Wavin and UNICEF Netherlands signed a new contract under the Providing Essentials for Children (PE4C) partnership to provide water and sanitation and improve hygiene practices in Bhutanese schools. The Kingdom of Bhutan is nestled in the Himalayas and is famous for its unspoiled culture, Gross Happiness Index and Buddhist traditions. Challenging geographical conditions and recent natural disasters like earthquakes and floods do, however, mean that there are still a lot of schools and communities that lack access to clean drinking water and up-to-date sanitation.

By the end of 2012 the project will have provided sanitation facilities for around 5,000 children at nearly 40 schools. Water facilities will be built at 26 schools and 4 schools will receive rainwater harvesting systems. To safeguard the programme's long-term effectiveness various people (including teachers and health coordinators) will receive training to improve knowledge and practices related to health, nutrition and hygiene. Wavin supports the project with products, expertise and money.

Wavin and Unicef expect to achieve the same positive results in Bhutan as it has in the previous projects in Mali, Papua New Guinea and Nepal. Thousands of children have already benefited from the PE4C project: because they no longer have to walk miles to reach the nearest water source, they have time to go to school.

More information can be found on www.providingessentialsforchildren.com.

PROVIDING ESSENTIALS FOR CHILDREN

assurance statement

SGS United Kingdom Ltd's statement on sustainability activities in the Corporate Social Responsibility (CSR) and HR section of Wavin's Annual Report for 2011

nature and scope of the assurance/verification

SGS United Kingdom Ltd was commissioned by Wavin to conduct an independent assurance of the Corporate Social Responsibility (CSR) and HR Section of the Annual Report 2011. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text and 2011 data in accompanying tables contained in this report.

The information in the Annual Report 2011 of Wavin and its presentation are the responsibility of the directors and the management of Wavin. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the Wavin CSR and HR Section of the Annual Report 2011.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all Wavin's stakeholders.

This report has been assured at a high level of scrutiny using our protocols for:

- evaluation of content veracity and data in the CSR and HR sections of the Annual Report 2011
- evaluation of the Annual Report 2011 inclusive of the CSR and HR section against the Global Reporting Initiative Sustainability Reporting Guidelines G3.1 (2011)

The assurance comprised a combination of pre-assurance research, documentation and record review and interviews with relevant employees at the Head Office in Zwolle, The Netherlands and documentation and record review at four Wavin facilities as follows:

- Chippenham, United Kingdom
- Loken, Norway
- Hardenberg, The Netherlands
- Varennes, France

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

statement of independence and competence

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS United Kingdom Ltd affirm our independence from Wavin, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with IEMA (Environmental Auditor) and IRCA (Certified Sustainability Assurance Practitioners).

verification/assurance opinion

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the CSR and HR sections of the Wavin Annual Report 2011 verified is accurate, reliable and provides a fair and balanced representation of Wavin's sustainability activities in 2011.

The assurance team is of the opinion that the Report can be used by the Wavin's Stakeholders and that Wavin has chosen an appropriate level of assurance for this stage in their reporting.

company profile
report from the ceo
management board report
csr and hr
remuneration report
supervisory board report
financial statements
other information
additional information

Global Reporting Initiative Reporting Guidelines G3.1 (2011) Conclusions, findings and recommendations

In our opinion, Wavin's Annual Report 2011 meets the content and quality requirements of the Global Reporting Initiative G 3.1 (2011) Application Level A+.

Principles

In our opinion the content and quality of the report adheres to the ten GRI Principles.

Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- Wavin would benefit from reviewing the stakeholder mapping processes to identify those stakeholders that are perhaps not evident
- Wavin should review the approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group
- Consider the balance of the report as a part of future report development

Standard Disclosures

All the standard disclosures required for reporting at an application level A+ were included or referenced in the report.

Indicators

All core indicators have been addressed or explained.

Signed:

For and on behalf of SGS United Kingdom Ltd

Jan Saunders

UK Systems and Services Certification Business Manager

February 2012

www.sgs.com

case study

consultancy

Wavin systems used in this project include:

siphonic roof drainage

soil and waste

italy

the tuscan hospital group

A major hospital building programme in Italy will provide over 1,700 beds in the Tuscan cities of Lucca, Massa, Pistoia and Prato. Environmental awareness, patient comfort and building efficiency are recurrent characteristics of every design, and Wavin is contributing directly to achieving these goals in all four locations.

All building activity is managed under a single contract by the regional health authority, and in order to maximize project efficiency, the main contractors chose partners who could meet the full range of requirements.

Wavin was recognised as one of the very few potential suppliers of all roof dispersal and internal drainage systems, including those required for all clean and waste water management.

Wavin's QuickStream siphonic roof drainage system ensures that rainwater can be efficiently dispersed and retained for re-use in irrigation and flushing, while the near-silent SiTech system enables low-noise waste water discharge so patients and staff are not disturbed. Low maintenance costs on all systems were also important and Wavin won here, too.

For Leonardo Alderighi, CEO of prime contractor Alderighi Impianti S.p.A.: ‘Wavin was involved from the start, providing the highly specialised consultancy we required. It was essential that the practical implementation of roof and internal systems could be implemented without modification to the overall building design, and with Wavin’s expertise we achieved this.’

Wavin’s consultancy extended beyond planning and scoping. Wavin staff were available to provide full support to the build and install teams, ensuring that every job was completed without error, on time and on budget.

remuneration report

remuneration policy

The remuneration policy applies to all senior managers, including Management Board, high level managers of all operating companies and corporate managers. However, this remuneration report only covers the relevant information of the remuneration for the Management Board.
The remuneration of the Management Board members is approved by the Supervisory Board following the recommendation of the Remuneration, Appointment & Corporate Governance Committee. The remuneration policy of the Management Board was formally adopted in the General Meeting of Shareholders in 2007. 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.

Determination of the remuneration for each individual Management Board member is a responsibility of the full Supervisory Board. The Supervisory Board has delegated this authority to the RA&CG Committee. Pursuant to this delegation of authority, and acting within the principles of the remuneration policy, the RA&CG Committee determines the remuneration packages for the members of the Management Board, including base salary, pension rights, short-term annual incentive and long-term incentive awards. The Remuneration Policy entitles the Supervisory Board to make variable remuneration adjustments and recoveries at any time. Adjustments may and/or recoveries will be applied amongst others in case of business related extraordinary circumstances and/or incorrect financial or other data.
The Management Board is entitled to do the same for the senior managers of all operating companies and corporate managers. In the reporting year there were no adjustments and/or recoveries.

objective

The primary objective of the remuneration policy is to motivate, 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 and balances short-term operational performance with the longer-term objectives of Wavin. The levels of remuneration for the Management Board are aligned with external comparable benchmark data and are in line with the remuneration of other senior managers at Wavin. The Remuneration Policy conforms to relevant corporate governance guidelines and statutory requirements. Levels of remuneration are reviewed at least once per year. The RA&CG Committee periodically seeks external remuneration expert advice.

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 should ensure that competitiveness with the external market is maintained.

The remuneration package of the Management Board members consists of:
- a fixed base salary, which is reviewed annually;
- a short-term 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.

To ensure external comparability and internal alignment, Wavin follows the Hay methodology for job grading. Instead of using a self-defined peer group the remuneration position is compared with surveyed board compensation levels in the Netherlands, called ‘The Hay Boardroom Total Remuneration Guide’. The latest edition of this Top Executive database (reference year 2011) holds information on 368 senior executives and 110 companies.

In 2010 we reported that the modest compensation increase in recent years had resulted in a below market compensation package for Management Board members. We proposed to analyse the package in 2011 and submit a proposal to the Annual General Meeting of Shareholders in 2012 to correct this situation. This thorough analysis confirms that the remuneration of the Management Board is indeed still lagging the market. This counts for the fixed base salary and especially for the short term and long term variable elements.
The RA&CG Committee recommendations to correct the situation were supported by the Supervisory Board. It was decided however, given the uncertainty of the market and economy, to postpone the submission of a proposal to amend the variable elements to the Annual General Meeting of Shareholders in 2013.
For 2012 the Remuneration Policy remains unchanged.

base salary

The fixed base salaries of the Management Board members are determined on the basis of performance and experience and are benchmarked against the surveyed trend-line market median level for fixed base compensation.

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 fixed base salary compared to the relevant external market.

Per 1 July 2011 the fixed base salary of Mr. Oomens was increased with 7.7% and the fixed base salary of Mr. Roef with 8.3%. These increases partly closed the gap with the market. The same delayed review date of 1 July instead of 1 January was applied as for most of our senior managers throughout the company since 2009. No fixed base salary increase was determined for Mr. Ten Hove given his recent salary increase when he was appointed as CEO.

variable remuneration

Members of the Management Board are entitled to a short-term annual incentive (STI) and a share based annual long-term incentive plan (LTIP). The Supervisory Board determines these incentives after thorough scenario-analyses and with due regard for the pay differentials within the company. In respect of LTIP share price projections, four levels of company performance and three levels of market performance are modelled.

Short term annual incentive (STI)

The STI is dependent on the achievement of financial performance targets and individual financial and/or non-financial objectives determined at the beginning of each calendar year. During its meeting of December 2010 the Supervisory Board approved the 2011 financial performance targets for the total Group as follows: profit (40% weight), cash flow (20% weight), revenue growth (30% weight) and standard profit contribution in Surface Heating Cooling & Storm Water Management (10% weight). The financial performance targets were based on the 2011 operational plan objectives, which are not disclosed for reasons of commercial confidentiality. These account for 80% of the incentive. A further 20% depends on the achievement of certain individual objectives. The financial targets and individual objectives are determined by the RA&CG Committee based on past performance and the mid- and long-term strategic objectives of the company. The targets support the realisation of long term value creation.

After the closing of each financial year the RA&CG Committee approves the audited outcome of actual achievements versus the pre-set financial and individual targets. The RA&CG Committee has the right to change targets as a result of unforeseen circumstances. This was not the case in 2011.

In 2011, the annual incentive opportunity for the Management Board members ranged from 0% to 75% of their annual fixed base salary, with a target of 50%. Target incentives are reached when the financial and individual goals are fully met.

Based on the financial performance and the individual objectives, the RA&CG Committee determined a 2011 individual short-term incentive for the Management Board members of 25% to 29% of their fixed base salary.

Long term incentive plan (LTIP)

Management Board members as well as other senior managers may, on a voluntary basis, elect to invest annually up to 50% of their individual annual bonus in Wavin shares. This LTIP focuses participants on creating long term shareholder value by encouraging share ownership and aligning their interests with those of shareholders.

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 must, however, still be retained for the full five-year lock-up period as referred to above. 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.

The LTIP was introduced in 2008 and in 2011 an evaluation was performed. We looked at the effectiveness of the plan, the benefit value against the median level in the relevant market and trends in long term executive remuneration. As mentioned before, it was decided to postpone the submission of a proposal for a revisit of the current LTIP to the Annual General Meeting of Shareholders.

pensions

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

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

Mr. Oomens has an additional pension arrangement as of the date he joined Wavin to partly compensate for missed back service in his previous career. Mr. Oomens received an amount of € 10,000 paid to an insurance company.

More information on the 2011 remuneration of the individual Management Board members can be found on page 159 – 161 of this report.

case study

high-speed

Wavin systems used in this project include:

cable ducting

france

national rail network

The French national rail network, SNCF, manages 32,000 km of track with some 14,000 train services operating daily. These include the world famous high-speed TGV.

Less well-known, is the IT network which runs parallel to the track, carrying all the train management and communication data needed to enable a safe and efficient rail service.

The introduction of smaller diameter optical fiber allowed SNCF to run additional cables through the original ducting, creating new network opportunities. This requires that the new fiber bundles can be separated within the duct.

An operation of this scale needs to be carried out with maximum efficiency, at minimum cost and disruption. SNCF chose the Wavin Novospeed micro-duct system as the only possible solution. The installed rail network had manholes placed at every 2.4 km and the Wavin solution would allow three 10 mm Novospeed micro-ducts to be blown over this distance using compressed air.

SNCF estimated that the Wavin solution reduced the overall cost of installation by 40%. Contractor efficiency was critical and Wavin taught the contractors how to install the new Novospeed micro-ducts.
With the right training and the right product, SNCF were able to take full advantage of new data network capacity quickly and at acceptable cost.

supervisory board report

introduction

Within Wavin, the year 2011 was characterised by the rapidly deteriorating market circumstances, the implementation of a new strategy and operational structure, operational problems in the South West Europe region, safeguarding the continuity of the financial resources of the company and an unsolicited non-binding offer for all the outstanding shares of the company by Mexichem. Managing these complex factors demanded high standards of management and high standards of supervision as well. In this chapter the Supervisory Board explains how it has fulfilled its supervising role and responsibilities.

the year under review

In 2011, the Supervisory Board met a total of 11 times.
7 of these meetings were held in accordance with a pre-set schedule. Additional meetings were fully dedicated to the unsolicited non-binding offer from and subsequent discussions with Mexichem. Due to a potential conflict of interest described on page 42, Mr. Kottman did not participate in (parts of) the meetings where the offer was discussed.
The Management Board and the Company Secretary attended all meetings with the exception of one meeting in executive session.

During the regular meetings both Boards reviewed the ordinary course of business and discussed a number of important projects which are described below.
In between meetings there has also been contact on an ad-hoc basis between individual members of the Supervisory Board and between individual members of the Supervisory Board and members of the Management Board.
The Chairman of the Supervisory Board and the President of the Management Board held several meetings by telephone and in person. The Chairman of the Supervisory Board acts as the prime point of contact within the Supervisory Board. The President of the Management Board regularly updated him on current and the general affairs of the company.
In 2011 the Chairman of the Supervisory Board also held individual meetings with all members of the Management Board and the people directly reporting to them.

General items

In 2011, each full Supervisory Board meeting included a review of the financial and operational performance of the company and the outlook. Other regular subjects on the agenda were acquisition prospects, divestment opportunities, Wavin's IT program, the auditor's management letter, major capital investment proposals, investor relations and innovation in products, systems and services. The risk exposure of the business and the internal risk management

Attendance of the individual Supervisory Board members is shown in the following overview:

	1/3	19/4*	27/4	22/6	23/8	19/10	18/11	25/11	5/12*	15/12	20/12*
Kottman	√	√	√	√	√	√	√/X**	X**	X**	√/X**	X**
Hill	√	√	√	√	√	√	√	√	√	√	√
Ruijter	√	√	√	√	√	√	√	√	√	√	√
Stymne	√	√	√	√	√	√	√	√	√	√	X
Kuiper	N.A.***	N.A.***	N.A.***	√	√	√	√	√	√	√	√
Van den Hoek	√	√	√	N.A.***	N.A.***	N.A.***	N.A.***	N.A.***	N.A.***	N.A.***	N.A.***

* Meeting by conference call.

** Due to potential conflict of interest.

*** Mr van den Hoek was ineligible for reappointment per the AGM on 27 April 2011, Mr. Kuiper was appointed at this meeting.

and control systems were other subjects. Finally press releases on (semi-)annual financial results were discussed, amended and approved.
More information on these discussions can be found further on in this report. Almost all of these subjects were discussed on basis of memoranda and/or presentations by the Management Board. In preparation for the meetings of the full Supervisory Board, the relevant documents were pre-discussed in one of the Supervisory Board committees. The chairmen of the two committees provided an overview of these discussions in the Supervisory Board meetings.

Important issues in 2011

The implementation of the strategy update presented in 2010 and the associated new corporate structure received special attention throughout the year. The Supervisory Board is pleased that this process was tackled energetically.
The results are becoming clear and gave us in 2011 the conviction that with this strategy Wavin is capable of operating independently. We have found that even in difficult market conditions, Wavin on its own can operate successfully.
But of course the Supervisory Board and the Management Board keep an eye on other opportunities to (faster) realise the Wavin strategy. The unsolicited bid by Mexichem was assessed by us in this light. The outcome of this assessment and the subsequent negotiations was that the Wavin Boards support the bid under the current circumstances. The combination of Wavin and Mexichem creates a global market leader. Mexichem's support of the Wavin strategy and the offer to invest in it, will give Wavin a strong position in the consolidation process in the European market. The safeguards for maintaining and further developing the strengths of Wavin give the Supervisory Board confidence in the continuity of our business activities.

In 2011, market conditions deteriorated at a rapid pace.
A declining economy, a continued tough construction market and high raw material costs which could not immediately be passed on to the market and grim competition, forced us to implement further cost reductions and restructuring measures. At each meeting of the Supervisory Board this has been the subject of intense debate.

The Supervisory Board is convinced that in the commodity oriented market segments stringent efficiency measures should result in a lower cost base.
The region South West Europe suffered operational setbacks in 2011, and the Supervisory Board closely monitored the situation. In one of the meetings, the Regional Director gave an analysis of the problems and recommended measures, the realisation of which the Supervisory Board will closely monitor.
The financing facilities Wavin secured in 2009 provided sufficient headroom to run the business. However, given the continued weak market conditions, the Management Board - after prior approval of the Supervisory Board – secured the continuity of funding for the long-term through an extension of the arrangement. The Supervisory Board is pleased that this safeguard was realised.

Other items in 2011

The March 2011 meeting was largely devoted to the discussion about the 2010 results, the annual accounts, critical accounting policies, profit allocation and highlights of the auditor's report.
The Supervisory Board resolved to propose the appointment of Mr. Roef as a new member of the Management Board and to appoint Mr. Kuiper as a new member of the Supervisory Board to the AGM. Finally, the Supervisory Board appointed Mr. Kottman as its new chairman as per the AGM of 27 April 2011.
This March meeting took place in the presence of the company's external auditor with whom the comments and assessment, as formulated in PricewaterhouseCoopers Accountants N.V. (PwC)'s audit report of 2010 were discussed. On the basis of an evaluation by the Audit & Investment Committee, the Supervisory Board concluded that the external auditor is independent of Wavin. The Supervisory Board resolved to propose to the AGM to re-appoint PwC as the external auditor of the company for 2011. In the conference call on 19 April 2011 the Supervisory Board approved the Q1 2011 results and the associated press release. Prior to the AGM on 27 April 2011 the Supervisory Board held a meeting in which a number of potential acquisitions were discussed and reviewed.

The future composition of the Supervisory Board committees was also discussed in this meeting as well as a new version of the Annual Agenda for the Supervisory Board.
It is the policy of the Supervisory Board to have at least one meeting per year in one of Wavin's regions. In 2011 the June meeting took place in Adana (Turkey) and included a visit to the offices and plant where the Supervisory Board was updated on the local business and production activities. During this meeting the Regional Director of the South East Europe region and the Managing Director of Wavin Turkey were invited to present and discuss developments in their region. Other items that were discussed included a review of market positions in all European countries the company is present in and a peer group comparison.

In the August 2011 meeting, the Supervisory Board discussed the Half Year results, management development and succession planning and the finalisation of the sale of Euroceramic to Wienerberger.

The October 2011 meeting was mostly dedicated to the Q3 results and restructuring plans in the South West Europe region. Other items on the agenda were Operational Excellence and the competitive landscape. The Supervisory Board extensively reviewed the finance facility of the company and authorised the Management Board to start negotiating a potential extension and amendment of the current facility given the uncertain economic outlook.
On 18 November 2011 an extraordinary Supervisory Board meeting was held in order to discuss the non-solicited offer from Mexichem. Prior to this meeting the chairman of the Supervisory Board, Mr. Kottman, had informed both boards about his potential conflict of interest with regard to this issue due to the fact that he is also the chairman of the Supervisory Board of Delta Lloyd, a company which holds close to 8% of the shares in Wavin through some of its investment funds. In accordance with the Articles of Association of Wavin, the subject was discussed in the absence of Mr. Kottman. The Supervisory Board subsequently decided that Mr. Kottman will not be present nor take part in the discussion or decision-making on the abovementioned subject.
The Vice-chairman of the Supervisory Board, Mr. Hill took over the chair and led the discussions with regard to Mexichem. In the meeting the background and proposal of Mexichem as well as the potential strategic rationale were discussed and it was decided that, taking into account the interest of all stakeholders, discussions should be initiated. Finally a Steering Committee was established, ensuring short communication lines between both Boards. The Steering Committee existed of 2 members of the Management Board and 2 members of the Supervisory Board and met at least once a week during the process.
After the initial discussions with Mexichem an additional Supervisory Board meeting was held on 25 November 2011 in which the Supervisory Board was updated on the status of the discussions. The valuation of the company, potential alternatives and next steps were also discussed.

On 5 December 2011 the Supervisory Board discussed the status of the discussions with Mexichem, valuation of the company and conditions for granting Mexichem access to due diligence.

In the regular December meeting the Supervisory Board discussed the company budget for 2012 as well as a number of restructuring measures and the status of the re-financing process. The Stoplist and the additional positions of the members of the Management Board were also reviewed.
In absence of Mr. Kottman the Supervisory Board was updated on the status of the discussions with Mexichem.
At the subsequent meeting in executive session, the Supervisory Board evaluated the functioning of the Management Board as well as the performance of the individual members. On the basis of the reporting of the Remuneration, Appointment & Corporate Governance ('RA&CG') Committee, the Board discussed the succession planning of each of the members of the Management Board and other senior management functions. The Supervisory Board favours internal appointments if a suitable candidate is available. It was concluded that this is the case for most positions.

We also evaluated the functioning of our own Board, the committees and the individual members, as well as the possible need for further training and/or education.
The evaluation was conducted based on assessment questionnaires completed by all individual Supervisory Board members, the members of the Management Board and the Company Secretary. No material problems or weaknesses were identified.
The Chairman of the Supervisory Board and the CEO each year meet with the Dutch Central Works Council to discuss topics brought forward by the members of the Works Council. This year the meeting took place on 15 December 2011 and the subjects that were discussed included the consequences of a potential acquisition by Mexichem, the economic crisis in Europe and the consequences for Wavin as well as the progress of the 'Wavin 2015' strategy.

Profile of the Supervisory Board

In the meeting in June 2011 the Supervisory Board discussed the profile for the Supervisory Board.
The profile was updated in 2009 in order to comply with corporate governance developments and can be found on the corporate website. It contains specific requirements on expertise and competences of the Supervisory Board as a whole and of its individual members.
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, including items like age, nationality and gender. With regard to gender the Supervisory Board has set an initial target of at least 20% female members.
The Supervisory Board has concluded that the required skills are present in the current composition and that the current composition of the Supervisory Board meets the criteria as specified in the Profile.

Changes in the composition of the Supervisory Board

Due to the fact that he reached the end of his term, Paul van den Hoek stepped down as a member of the Supervisory Board and thus as its chairman after the AGM of 2011. He has been Chairman of the Supervisory Board for 12 years. Wavin is very grateful for his contribution. With his experience and managerial strength and wisdom Paul van den Hoek played an eminent role during the long period in which Wavin experienced significant changes and developments, including its stock listing in 2006.
For the vacancy created by the departure of Mr. P.C. van den Hoek we first defined the profile of his successor. Given the composition of the Supervisory Board of Wavin and strategy for the coming years, it was decided to search for an experienced manager with a professional background in manufacturing, operations and supply chain management.
A candidate with experience in a listed international company would thereby be preferred. With the aid of an executive search firm the recruiting process finally led to the nomination of Mr. A. Kuiper for appointment as a member of the Supervisory Board. He was subsequently appointed at the 2011 AGM. Aad Kuiper is President & CEO EMEA Operations at Hunter Douglas and Vice-President at Hunter Douglas N.V. (for more information please refer to page 42 of this report.

Independence and conflicts of interest

With regard to the independence of the members of the Supervisory Board, as required under best practice III.2.1 of the Dutch Corporate Governance Code, the Supervisory Board states that all Supervisory Board members are considered to be independent from 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 Wavin was in compliance with Best Practices III.6.1, III.6.2 and III.6.3 of the Dutch Corporate Governance Code. There was one occurrence with a potential conflict of interest, when Mexichem made an unsolicited non-binding offer for the company. In accordance with the rules for the Supervisory Board Mr. Kottman notified the Boards that a potential conflict of interest existed due to the fact that he was the chairman of the Supervisory Boards of both Wavin N.V. and Delta Lloyd N.V, being a substantial shareholder of Wavin. In absence of Mr. Kottman the Supervisory Board discussed and subsequently decided that Mr. Kottman would not take part in the decision-making on this project nor would he receive any information on the process.

supervisory board committees

In accordance with the Corporate Governance code Wavin has an Audit, a Remuneration and a 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 page 43 and 44.

Report of the Audit & Investment Committee

During the year under review the Audit & Investment Committee consisted of Mr. B. Hill (Chairman), Mr. R.A. Ruijter as financial specialist and Mrs. B. Stymne Göransson. There were no changes in the composition of the Audit & Investment Committee.

The Audit & Investment Committee approves all medium-sized investments with a value of between € 1 million and € 2.5 million. 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.

In 2011 the Audit & Investment Committee met three times. At these meetings the CFO and/or other members of the Management Board as well as the Corporate Director Finance were present. The individual committee members attended all meetings.

During the March 2011 meeting the annual accounts and financial statements of 2010, as well as PwC's audit report 2010, were reviewed and discussed with the external auditor. A number of items were addressed, amongst others impairment calculations, the situation with regard to the pension funds in the individual countries, the tax positions in the individual countries and tax provisions and control observations. The Committee evaluated the performance of the external auditor and concluded that PwC's performance was adequate. As a consequence the Supervisory Board subsequently decided to propose PwC as the external auditor for 2011 to the AGM.

In August 2011 the PwC report on the outcome of the 2010 Statutory Audits at all operating companies was discussed, the half year 2011 results and the H1 2011 Interim Financial Statements were reviewed. Additionally a number of issues were discussed, such as tax planning, pension funds and treasury. The first half year results were assessed by PwC and the report of factual findings was discussed. The follow up on the management letter 2010 issues was addressed. Wavin's funding and the financing costs were assessed and the Management Board informed the A&I Committee of its intention to request an amendment of the conditions of the financing facilities from the banking syndicate. Finally capital investments spent and committed up to and including June 2011 were highlighted.

In the December meeting the result of the interim audit performed by the external auditor was reported to the Audit & Investment Committee. The majority of the findings related to IT. The auditor reported that management made good progress in resolving the IT control deficiencies reported last year. The IT control deficiencies still open in 2011 are related to lack of automated controls, which risks are offset by manual compensating controls. Actions are in place to increase the number of automated controls especially in the uniform SAP environment that is currently operating in 6 countries. Initiatives for improvement of the Risk and Control Framework were presented and progress made regarding this business control framework discussed.
The status and roll-out schedule of this ConnectIT programme was reviewed and the plan to complete the roll-out in the coming years was presented.
Finally, the investment spend and preliminary budget 2012 was approved.

Internal audit function

In the December meeting the Audit & Investment Committee also performed its annual evaluation of the need for an internal audit department with the Management Board and the external auditor. In line with earlier years, it was concluded that, considering the nature of Wavin's operations and the involvement of internal and external experts in addition to the use of tools like SAP GRC, an internal audit function is not necessary at this time. Improvements of Wavin's control environment can be achieved by better documentation of the control activities in combination with strong administration and management information systems, regular visits from regional and central management and intensive external audits using native speaking audit personnel at the operations.

After a thorough evaluation, the Audit & Investment Committee concluded that the company applied audit, internal control and risk management systems that enable the company to deliver a statement of 'being in control' in accordance with the best practices of the Dutch Corporate Governance Code, providing reasonable assurance that the financial reporting does not contain any material inaccuracies. Risk management and control systems cannot, however, ever absolutely guarantee that all risks are managed adequately and that the company's objectives will be realised under all circumstances. In that context the Audit & Investment Committee refers to the Risk Management paragraph starting on page 50 of this annual report. The Audit & Investment Committee was satisfied with the quantity and quality of information provided by the Management Board and the manner in which recommendations made have been followed up.

Report of the Remuneration, Appointment & Corporate Governance Committee

During the year under review the Remuneration, Appointment & Corporate Governance Committee ('RA&CG Committee') met three times in the presence of the CEO and the Corporate HR Director of the company on the invitation of the Committee. Until the AGM in April 2011 the RA&CG Committee consisted of Mr. P.C. van den Hoek (chairman) and Mr. R. Kottman. As per 27 April 2011 the members of the RA&CG Committee are Mr. R. Kottman (chairman) and Mr. A. Kuiper. The individual committee members attended all meetings.

In March 2011 the main topics were the variable pay proposals for the 2010 incentive and the individual targets for the 2011 incentive of the Management Board members, the appointment of Mr. Kuiper as a member of the Supervisory Board and composition of the various Board committees.

In the August 2011 meeting the RA&CG Committee discussed amongst others the review of the remuneration programme for Hay 8+ staff, including the Long Term Incentive Plan. Although it was concluded that adjustments are appropriate, it was also concluded that the macro-economical circumstances do not make it opportune to make such adjustments at this moment. At this meeting, the employment agreements of the individual Management Board members were also discussed and it was decided that the terms of these agreement should be harmonised.

In the December 2011 meeting the Committee assessed the performance of the individual Management Board members and determined the personal targets for 2012. Other items that were discussed included the determination of the 2012 base salary of the Management Board members which will be implemented in July 2012 and the Group incentive targets for 2012.

Remuneration Report regarding the Management Board

The remuneration report regarding the Management Board can be found on page 80 of this annual report.

Methods of the Supervisory Board

The Supervisory Board operates within the corporate governance framework and the internal and external regulatory requirements for Supervisory Boards of listed companies.
We believe however, that the interpretation of the duties and responsibilities in practice is also determined by our own perception of our role, which we find is under constant development. Monitoring, controlling and critically observing the business obviously remains important, but increasingly we are giving our job more content through a greater commitment to the creation of the strategy, involvement in major operational decisions as well as ensuring the continuity of funding and monitoring the implementation of large projects. In order to fulfil this broader role, we are informed more extensively by the Management Board and also ask for additional information.
In a "two-tier" structure this development requires attention, care and transparency. The broader interpretation of a supervisory role must have its limits where it comes within the scope of the responsibilities of the Management Board.
Partly because of this, the inherent tension between the mental independence towards the Management Board on one side and the broader involvement in the processes that the Management Board deals with on a daily basis on the other side has been thoroughly discussed as a separate issue in the evaluation of our performance. We have concluded that there are no problems in that area.
The supervising task of the Supervisory Board also includes monitoring good relations between the Management Board and the shareholders. The Management Board and Supervisory Board actively inform themselves on the views of shareholders and are open to engagement, albeit within the formal and procedural constraints, connected to our listed status. On behalf of the Supervisory Board the Chairman performs this role.

The Secretary of the Supervisory Board

The Company Secretary (Stan Beckers) is also the secretary of the Supervisory Board. This was chosen because the dual position brings added value by the knowledge of what is happening in both boards and the required procedures of decision making.
The Company Secretary coordinates the usual tasks associated with the Supervisory Board. He is also responsible for supporting the individual members of the Supervisory Board, but works mostly with the Chairman of the Supervisory Board in order to achieve the proper functioning of the Board.

financial statements

The Financial Statements for the year 2011 were audited by PricewaterhouseCoopers Accountants N.V. (PwC), who issued an unqualified opinion which is printed on page 167 of this annual report. The Management Board has drawn up and the Audit & Investment Committee has reviewed the Financial Statements. Based on its recommendations and after a further review and discussions the Supervisory Board recommends that the Financial Statements for the year 2011 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 Annual General Meeting of Shareholders discharges the Management Board and the Supervisory Board for their respective management and supervision during the year under review.
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.

changes in the composition of the management board

Mr. Roef was appointed as a member of the Management Board at the Annual General Meeting of shareholders on 27 April 2011. Mr. Roef's previous position was Managing Director North West Europe and he was appointed for a period of 4 years. In accordance with the Dutch Corporate Governance Code and upon unfair dismissal he is entitled to compensation equal to 12 months base salary except in the situation that his employment agreement terminates because of him reaching the age of 65.
A full financial report, containing detailed information on the remuneration packages of the individual Management Board members, can be found on pages 159 – 161.

Appreciation

The Supervisory Board is grateful to the shareholders for their confidence in the company.
We also express our appreciation to the Management Board who we believe has shown successful leadership in challenging circumstances. The strength of the company lies with the skills, experience and ambition of all staff of Wavin. The Supervisory Board thanks them for their efforts during the past year.

Zwolle, 28 February 2012

The Supervisory Board

R.H.P.W. Kottman, Chairman
B.G. Hill, Vice-Chairman
R.A. Ruijter
B. Stymne Göransson
A. Kuiper

case study

expertise

Wavin systems used in this project include:

hot and cold

soil and waste

siphonic roof drainage

the netherlands
zuidbroek care facility

The Zuidbroek care facility is a modern development, which echoes the layout of the traditional agricultural communities of the Apeldoorn area.

Arranged around a central ‘farmyard’, the complex provides a mix of accommodation, designed to meet the different levels of independence of its elderly residents. In all, there are around one hundred living units spread over four interlinked buildings, with easily accessible communal areas.

Wavin systems have been used exclusively in all above and below ground applications. Above ground, De Leeuw Installaties were contracted to provide both roof drainage and all hot and cold systems.

For Aardjan Caron, director at De Leeuw Installaties, it was the quality of advice and support which made the difference. ‘Wavin does not behave like many traditional product companies. As the systems we deploy to manage essential resources become more sophisticated, we need expert knowledge and advisory services to be part of the way we do business together.’

Wavin calculation tools were particularly valuable. For both the QuickStream siphonic roof drainage system as well as the Tigris K1 hot and cold infrastructure, Wavin was able to provide a clear picture of exactly which components were needed, and in what quantities.

financial statements

consolidated balance sheet

As at 31 December (€ x 1,000)	NOTE	2011	2010
Assets			
Property, plant & equipment	17	326,545	344,267
Intangible assets	18	484,234	488,129
Investments in associates	19	21,583	21,072
Other financial non-current assets	20	1,751	884
Deferred tax assets	21	8,910	9,586
Total non-current assets		843,023	863,938
Inventories	22	153,242	171,938
Trade and other receivables	23	269,424	266,494
Income tax receivable		1,997	2,462
Cash and cash equivalents	24	76,633	55,748
Assets classified as held-for-sale	6	2,888	314
Total current assets		504,184	496,956
Total assets		1,347,207	1,360,894
Equity			
Issued capital		20,313	20,313
Share premium		422,847	422,847
Reserves		(26,012)	(13,786)
Retained earnings		156,032	141,384
Total equity attributable to equity holders of the Company	25	573,180	570,758
Non-controlling interest		7,735	8,188
Total equity		580,915	578,946
Liabilities			
Interest-bearing loans and borrowings	26	287,532	295,357
Employee benefits	27	12,919	13,647
Provisions	29	11,390	17,470
Deferred tax liabilities	21	87,082	101,161
Other non-current liabilities	30	11,942	7,161
Total non-current liabilities		410,865	434,796
Bank overdrafts	26	16,952	16,498
Employee benefits	27	580	519
Provisions	29	8,525	8,832
Income tax payable		4,974	4,721
Trade and other payables	31	324,094	316,582
Liabilities classified as held-for-sale	6	302	–
Total current liabilities		355,427	347,152
Total liabilities		766,292	781,948
Total equity and liabilities		1,347,207	1,360,894

The notes on page 103 to 153 are an integral part of these consolidated financial statements.

consolidated income statement

For the year ended 31 December (€ x 1,000)	NOTE	2011 RECURRING	2011 NON-RECURRING*	2011 TOTAL	2010 RECURRING	2010 NON-RECURRING*	2010 TOTAL
Total revenue	8	1,327,060	–	1,327,060	1,231,252	–	1,231,252
Cost of sales		(1,038,442)	(781)	(1,039,223)	(938,959)	(1,117)	(940,076)
Gross profit (loss)		**288,618**	**(781)**	**287,837**	**292,293**	**(1,117)**	**291,176**
Other operating income	9	6,442	2,106	8,548	3,296	1,261	4,557
Selling and distribution expenses		(146,228)	(1,197)	(147,425)	(142,050)	(3,016)	(145,066)
Administrative expenses		(90,337)	(3,554)	(93,891)	(90,075)	(2,457)	(92,532)
Research and development expenses		(7,985)	(3)	(7,988)	(7,961)	(28)	(7,989)
Other operating expenses	10	(9,209)	(2,338)	(11,547)	(11,180)	(1,023)	(12,203)
Result from operating activities		**41,301**	**(5,767)**	**35,534**	**44,323**	**(6,380)**	**37,943**
Finance income		3,328	–	3,328	1,725	–	1,725
Finance expense		(31,561)	–	(31,561)	(35,864)	–	(35,864)
Net finance costs	13	(28,233)	–	(28,233)	(34,139)	–	(34,139)
Share in profit of associates	19	2,439	–	2,439	2,196	–	2,196
Result on sale of subsidiaries		–	2,046	2,046	–	–	–
Profit (loss) before income tax		**15,507**	**(3,721)**	**11,786**	**12,380**	**(6,380)**	**6,000**
Income tax benefit (expense)	15	(4,773)	11,014	6,241	(3,516)	4,616	1,100
Profit (loss) for the period		**10,734**	**7,293**	**18,027**	**8,864**	**(1,764)**	**7,100**
Attributable to:							
Equity holders of the Company		9,596	7,537	17,133	7,564	(1,739)	5,825
Non-controlling interest		1,138	(244)	894	1,300	(25)	1,275
Profit (loss) for the period		**10,734**	**7,239**	**18,027**	**8,864**	**(1,764)**	**7,100**

* For the definition of non-recurring items made to paragraph (aa) of the Significant accounting policies.
For details on the non-recurring items reference is made to note 14 of the Group Financial Statements.

Basic earnings per share (€ x 1)	NOTE	2011	2010
Basic earnings per share (weighted average)	16	0.34	0.11
Diluted earnings per share (weighted average)	16	0.34	0.11

The notes on page 103 to 153 are an integral part of these consolidated financial statements.

consolidated statement of comprehensive income

For the year ended 31 December (€ x 1,000)	NOTE	2011	2010
Profit for the period		**18,027**	7,100
Other comprehensive income			
Exchange rate differences on translating foreign operations		(15,192)	12,231
Fair value changes cash flow hedges	13	584	2,014
Income tax relating to components of other comprehensive income	15	(111)	(485)
Other comprehensive income (expense) for the period, net of income tax		**(14,719)**	13,760
Total comprehensive income (expense) for the period		**3,308**	20,860
Attributable to:			
Equity holders of the Company		3,387	19,349
Non-controlling interest		(79)	1,511
Total comprehensive income (expense) for the period		**3,308**	20,860

The notes on page 103 to 153 are an integral part of these consolidated financial statements.

consolidated statement of changes in equity

As at 31 December (€ x 1,000)	NOTE	ISSUED CAPITAL	SHARE PREMIUM	LEGAL AND STATUTORY RESERVE	TRANSLATION RESERVE	HEDGING RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance at 1 January 2010		20,313	422,847	9,454	(24,720)	(10,705)	134,464	551,653	6,964	558,617
Profit (loss) for the period		–	–	2,196	–	–	3,629	5,825	1,275	7,100
Other comprehensive income										
Exchange rate differences on translating foreign operations		–	–	–	12,041	(46)	–	11,995	236	12,231
Fair value changes cash flow hedges, net of tax	30,31	–	–	–	–	1,529	–	1,529	–	1,529
Reclassification		–	–	(460)	–	–	460	–	–	–
Total comprehensive income (expense) for the period		–	–	1,736	12,041	1,483	4,089	19,349	1,511	20,860
Contributions by and distributions to owners										
Treasury shares purchased		–	–	–	–	–	(777)	(777)	–	(777)
Treasury shares issued		–	–	–	–	–	351	351	–	351
Long term incentive plan	28	–	–	–	–	–	182	182	–	182
Dividends declared to non-controlling interest		–	–	–	–	–	–	–	(489)	(489)
Dividends received from associates		–	–	(3,075)	–	–	3,075	–	–	–
Non-controlling interest on acquisitions	7	–	–	–	–	–	–	–	202	202
Transactions with owners, recorded directly in equity		–	–	(3,075)	–	–	2,831	(244)	(287)	(531)
Balance at 31 December 2010		20,313	422,847	8,115	(12,679)	(9,222)	141,384	570,758	8,188	578,946
Balance at 1 January 2011		**20,313**	**422,847**	**8,115**	**(12,679)**	**(9,222)**	**141,384**	**570,758**	**8,188**	**578,946**
Profit (loss) for the period		–	–	2,439	–	–	14,694	17,133	894	18,027
Other comprehensive income										
Exchange rate differences on translating foreign operations		–	–	–	(14,210)	(9)	–	(14,219)	(973)	(15,192)
Fair value changes cash flow hedges, net of tax	30,31	–	–	–	–	473	–	473	–	473
Reclassification		–	–	1,388	–	–	(1,388)	–	–	–
Total comprehensive income (expense) for the period		–	–	3,827	(14,210)	464	13,306	3,387	(79)	3,308
Contributions by and distributions to owners										
Treasury shares purchased		–	–	–	–	–	(1,549)	(1,549)	–	(1,549)
Treasury shares issued		–	–	–	–	–	332	332	–	332
Long term incentive plan	28	–	–	–	–	–	252	252	–	252
Dividends declared to non-controlling interest		–	–	–	–	–	–	–	(478)	(478)
Dividends received from associates		–	–	(2,307)	–	–	2,307	–	–	–
Non-controlling interest on acquisitions	7	–	–	–	–	–	–	–	104	104
Transactions with owners, recorded directly in equity		–	–	(2,307)	–	–	1,342	(965)	(374)	(1,339)
Balance at 31 December 2011		**20,313**	**422,847**	**9,635**	**(26,889)**	**(8,758)**	**156,032**	**573,180**	**7,735**	**580,915**

The notes on page 103 to 153 are an integral part of these consolidated financial statements.

consolidated statement of cash flows

For the year ended 31 December (€ x 1,000)	NOTE	2011	2010
Profit for the period		18,027	7,100
Adjustments to reconcile to cash flow from operating activities			
Depreciation, amortisation and impairment	17,18	58,994	60,026
Long Term Incentive Plan	28	252	182
Capitalised withholding tax		(4,126)	–
Net finance costs	13	28,233	34,139
Result on sale of property, plant and equipment and intangible fixed assets	9,10	(1,886)	(655)
Share in profit of associates	19	(2,439)	(2,196)
Result on sale of subsidiaries	7	(2,046)	–
Income tax expense (benefit)	15	(6,241)	(1,100)
Operating profit before changes in working capital and provisions		**88,768**	**97,496**
Changes in other receivables and other payables		2,525	(6,191)
Changes in working capital		10,954	(33,962)
Changes in provisions and employee benefits		(1,159)	1,934
Cash generated from operations		**101,088**	**59,277**
Interest paid		(27,896)	(29,802)
Income taxes paid		(5,348)	(3,057)
Net cash from operating activities		**67,844**	**26,418**
Investments in property, plant & equipment paid		(40,220)	(36,022)
Investments in intangible assets paid		(11,268)	(7,168)
Proceeds from sold property, plant and equipment and intangible assets		1,322	5,622
Dividends received from associates		2,307	3,075
Proceeds from sale of subsidiaries		16,889	–
Acquisitions of consolidated companies, net of cash acquired		(5,254)	142
Net cash used in investing activities		(36,224)	(34,351)
Treasury shares purchased		(1,549)	(777)
Treasury shares issued		332	351
New / (repayment of) interest-bearing loans and borrowings		(10,597)	4,094
Use / (repayment) of credit facility		3,377	–
Dividends paid to shareholders of non-controlling interest		(478)	(489)
Net cash from (used in) financing activities		(8,915)	3,179
Net increase (decrease) of cash and cash equivalents		**22,705**	**(4,754)**
Cash and cash equivalents at 1 January	24	55,748	58,626
Effect of exchange rate fluctuations on cash held		(1,820)	1,876
Cash and cash equivalents at 31 December	24	**76,633**	**55,748**

The notes on page 103 to 153 are an integral part of these consolidated financial statements.

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 2011 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates covering the period 1 January 2011 up to and including 31 December 2011. There have been some changes to the Group structure in 2011 compared to 2010. In 2011 the Company acquired the PE Water business for below ground applications from KWH Pipe Sverige AG in Sweden and divested Kulker SAS in France and Euroceramic in the Netherlands and Germany. In addition the Group decided to cease its activities in Spain. For details of the Group we refer to the list of participations on page 165 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 by the Management Board and Supervisory Board on 28 February 2012 and are subject to approval by the General Meeting of Shareholders on 25 April 2012.

(b) Basis of measurement

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

- Derivative financial instruments;
- Investments held for trading;

The methods used to measure fair values are discussed in note 3.

(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 estimates are revised and in any future periods affected.

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 and applicable accounting policies:

Note 7	Business combinations / acquisition of subsidiaries
Note 15	Utilisation of tax losses
Note 18	Key assumptions used in discounted cash flow projections
Note 18	Recoverability of capitalised development costs
Note 27	Measurement of defined benefit obligations
Note 29 and 34	Provisions and contingencies

3. Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration a de facto control model in which the ability in practice to control another entity exists and no other party has the power to govern.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Determining the fair values requires significant judgements on future cash flows to be generated.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees are expensed as incurred.

Acquisitions between 1 January 2004 and 1 January 2010

For acquisitions between 1 January 2004 and 1 January 2010, goodwill represents the excess of cost of the acquisition over the Group's interest in the recognised amount (generally at fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When excess fair value was negative, a bargain purchase gain was recognised immediately in the income statement. Transaction costs that the group incurred in connection with the business combinations were capitalised as part of the cost of acquisition.

Acquisitions prior to 1 January 2004

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2003. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework.

Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net asset of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities 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.

(iii) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for in accordance with the equity method or as an available for sale financial asset depending on the level of influence retained.

See page 165 for the outline of the company's principal direct and indirect participations.

(iv) Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds 20-50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, 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 the 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.

(v) 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

The accounting policies, presentation and estimations 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 2010.

The amendments to standards and interpretations which are effective for the year 2011, have no impact on the financial statements of Wavin.

(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 the currency of the primary economic environment in which the entity operates, which 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.

Foreign currency translation differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

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

	2011 31 DECEMBER	2010 31 DECEMBER	2011 AVERAGE	2010 AVERAGE
Pound Sterling	0.8353	0.8608	0.8666	0.8577
Polish Zloty	4.4580	3.9750	4.1154	3.9921
Danish Krone	7.4342	7.4535	7.4500	7.4463
Norwegian Krone	7.7540	7.8000	7.7903	7.9997
Czech Koruna	25.7870	25.0610	24.5637	25.2133
Turkish Lira	2.4432	2.0694	2.3335	1.9949
Hungarian Forint	314.5800	277.9500	278.9087	274.9866
US Dollar	1.2939	1.3362	1.3908	1.3262

(iii) Hedge of a net investment in foreign operation

In case the Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Groups functional currency, foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operation are recognised in other comprehensive income to the extent that the hedge is effective and are presented in the translation reserve within equity. To the extent that the hedge is ineffective, such differences are recognised in the income statement. Upon disposal, the relevant exchange differences in the translation reserve are released to the income statement as part of the gain or loss on disposal.

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 as well as trade and other liabilities.

Non-derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in the income statement when incurred. 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 operating a notional cash pool system for cash management of group companies. The positive and negative positions under the cash pool system are netted. As a consequence the finance income and finance expense related to this system are also presented on a net basis.

Accounting for financial income and expense is disclosed in accounting policy (ab).

Held-to-maturity investments

If the Group has the ability and 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 losses.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial 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.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3 (l)) 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.

Other

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

(ii) Derivative 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 enters into hedge contracts in order to minimise the effects of foreign currency and interest rate fluctuations in the income statement (for further details we refer to note 4).

Derivatives that can be used are interest rate swaps, fx-forward contracts, fx-swaps and fx-options. Transactions are entered with a limited number of counterparties with sound credit ratings. Foreign currency and interest rate hedging operations are governed according to the treasury policy which is 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 are, if available, their quoted market price at the balance sheet date. For the fair value calculation of interest rate swaps we refer to note 3 (ah)(ii).

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 a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to 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 when net investment hedge accounting is applied. 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 re-issued, the amount received is recognised as an increase in equity. Transactions related to treasury shares are included in retained earnings.

(e) Property, plant & equipment

(i) Owned assets

All items of property, plant & equipment are stated at cost less cost reducing subsidies received from the government (see note 3 (s)), accumulated depreciation (see section (iv) Depreciation) and impairment losses (see note 3 (l)). Costs include expenditures that are directly attributable to the acquisition of the asset, including capitalised borrowing costs for qualifying assets.

Assets that are being constructed or developed for future use are classified under property, plant & equipment in progress and stated at cost until construction or development is completed. 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 & equipment comprises major components that have different useful lives, they are accounted for as separate items of property, plant & equipment. The cost of replacing a component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. Where possible the carrying amount of the replaced component is derecognised. Day to day maintenance costs of property, plant & equipment are expensed in the period in which they occur.

Gains and losses on the sale of property, plant & 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 assumes substantially 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 and impairment losses. Other leases are operating leases which are not recognised in the balance sheet and are recognised in the income statement on a straight-line basis over the term of the lease.

(iii) Subsequent expenditure

The cost of replacing part of an item of property, plant & 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 & 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 & 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:

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

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

(f) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition we refer to note 3 (a).

Goodwill is stated at cost less accumulated impairment charges (see note 3 (l)). Goodwill 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.

(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. The fair value of an acquired brand name is estimated using generally accepted valuation methods such as the relief from royalty method. Brand names have an indefinite 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 reduce 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 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. Acquired customer relations and distribution networks are stated at fair value at acquisition date less accumulated amortisation (see below) and impairment losses (see note 3 (l)).

(iv) Other assets from business combinations

The previously unrecognised assets in an acquired company such as order portfolios are recognised at the fair value on acquisition date. These other intangible assets acquired through business combinations are amortised over their individual useful life of which the range is one 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. These 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, an appropriate part of overhead costs and capitalised borrowing costs for qualifying projects. 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 3 (l)).

(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 3 (l)). 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 and distribution networks	4 to 10%
Other assets from business combinations	20 to 50%
Licenses	20%
Capitalised development costs	20%
Software	20 to 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 resulting from temporary differences between financial statements and fiscal valuations are capitalised as deferred tax assets as long as it is probable they will 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 will probably 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.

(j) Inventories

Inventories are stated at the lower of cost (see note 3 (x)) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business, less the estimated selling costs. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing it to their existing location. 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 recognised initially at fair value. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method less impairment losses (see note 3 (l)). Discounted drafts with recourse are accounted for as debtors with the corresponding liability in interest-bearing loans and borrowings.

(l) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each balance sheet date to determine whether there is objective evidence that it should be impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset. All individual significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment. If any such indication exists, the asset's recoverable amount is estimated. Losses are recognised in the income statement and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment to decrease, the decrease in impairment loss is reversed through the income statement.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than other current investments (see note 3 (i)), inventories (see note 3 (j)) and deferred tax assets (see note 3 (h)) 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 goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. The CGUs do not exceed the level of operating segments as used for the segment reporting. Impairment losses are recognised in the income statement.
Impairment losses recognised in respect of CGUs 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.

(iii) 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 fair value less cost to sell and value in use. In assessing the value in use, the estimated cash flows are discounted to their net present value using an average pre-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 CGU to which the asset belongs. For the purpose of impairment testing, goodwill is allocated to the CGU or group of CGUs which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The Group's corporate assets are allocated to the CGUs. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(iv) 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

Non-current assets, or disposal groups comprising assets and/or liabilities, 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 re-measured 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 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 re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant & equipment once classified as held-for-sale are not amortised or depreciated. In addition, equity accounting of associates ceases once classified as held-for-sale.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash in bank accounts and call deposits with original maturities of three months or less. 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 and taking into account the restrictions agreed under our Forward Start Facility to distribute cash dividends.

(p) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value net of transaction costs incurred, with any difference between initial carrying amount and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Subsequent to initial recognition the interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.
Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and are amortised using the effective interest method during the period of the borrowings.

(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 benefits that employees have earned in return for their service in the current and prior periods. The benefits are 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 high quality corporate bonds that have maturity dates approximating the terms of the obligations. The calculations are made by qualified actuaries using the projected unit credit method.

Actuarial gains and losses that arise in calculating our obligation in respect of a plan, are recognised to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligations or the fair value of plan assets. That portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan.

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. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

(iii) Other non-current employee benefits

This relates to non-current legal or constructive obligations as incorporated in (collective) labour agreements, company regulations, etc. (such as jubilee allowances, long term incentives, allowances for non-current service, medical, sickness and disability, 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 employee 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

To senior management (including the Management Board) a share-based payment award is granted. This equity-settled share plan is based on certain performance conditions.

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

At each balance sheet date the Group assesses its estimates of the number of share and option rights that are expected to vest. The amount recognised as an expense is adjusted, when necessary, to reflect the number of awards for which the non-market performance and service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and performance conditions at the vesting date.

(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. For grants that compensate the Group for the costs of an asset we refer to note 3(e).

(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

A tax provision is recognised when tax exposures are identified within the Group.

(iv) Others

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 recognised as deferred tax liability as long as they are expected to result in a cash outflow. No deferred tax liabilities are taken into account when it is probable that no profit taxes will be paid due to available losses carried forward.

(v) Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, trade and other payables are measured at amortised cost using the effective interest method.

(w) Revenue

Revenue is derived from the goods 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, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. The timing of the transfer of risks and rewards depends on the individual delivery conditions. For the revenue of sales of goods these conditions are generally met at the time the product is delivered to the customer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue at the same time the sales are recognised.

(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 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 expense

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, costs related to acquisitions which cannot be capitalised, liquidation losses and the effects of the adjustment of income tax rates. 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 expense

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 expense comprises interest expense on borrowings, amortisation of fees relating to the arrangement of 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. 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 of 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 except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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 used 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.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The accruals for tax liabilities are adequate for all open tax years based on the Group's assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

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's 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, which comprise matching shares and performance options granted to eligible employees.

(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. Drawings and repayments under the revolving credit facility in which the turnover is quick and the maturities are short, are included on a netted basis.

(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 segment), or providing related products (business segment), which is subject to risks and rewards that are different from those of other segments. The operating segment's performance is assessed and operating and financial results are reviewed regularly by the Management Board to take decisions about resources to be allocated to the segment. For each operating segment reliable financial information is available.

The Group's format for segment reporting is based on geographic segments. In addition the Company assesses the revenue of business segments.

(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 described 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 networks and customer relations, patents and trademarks acquired in a business combination is estimated using generally accepted valuation methods. The fair value of property, plant & 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 cost to sell as well as a reasonable profit margin based on the effort required to complete and sell the inventories.

The fair values of these assets 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 provides better evidence about the fair value of any asset or (contingent) liability at acquisition date, the estimates are adjusted.

(ii) Financial instruments

The fair value of forward exchange contracts 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 granted matching shares 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 related to the grant are not taken into account 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 27.

(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 2011, and have not been applied in preparing these consolidated financial statements.

None of these is expected to have a material effect on the consolidated financial statements of the Group, except for:

- Amendment IAS 19 Employee Benefits, which is expected to become mandatory for the Group's 2013 consolidated financial statements could change the recognition in the income statement and measurement of result of operating activities. In addition actuarial gains and losses have to be recognised in Other Comprehensive Income. A first high level assessment shows that this amendment will have a material impact on the reported result of operating activities, EBITDA, reported comprehensive income and the valuation of the employee benefit obligation. A detailed investigation is currently performed. The Group will decide in 2012 whether it will early adopt this standard or not.
- IFRS 9 Financial Instruments, which is expected to become mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets and liabilities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined yet.
- Amendment IAS 1 presentation, which is expected to become mandatory for the Groups 2013 consolidated financial statements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined yet.
- IFRS 13 Fair value measurement, which is expected to become mandatory for the Groups 2014 consolidated financial statements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined yet.

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 into internal risk management and control systems aimed at the adequate and effective control of these identified exposures. The Company regularly reviews the control systems to assess their adequacy. We feel 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 and reviews the adequacy of the risk management framework in relation to the risks faced by the Group and its procedures to control and to monitor compliance with the Group's risk management policies. We refer to page 50 of the annual report for a description of major risk factors such as strategic, operational and financial risks.

This note covers the Group's policies and procedures for controlling credit risk, liquidity risk and currency risk.

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. The Management Board monitors the debt to equity ratio and return on capital employed closely.

Periodically the Management Board evaluates the need to purchase own shares on the market. Primarily the shares are intended to be used for issuing shares for the Group's Long Term Incentive Plan (see note 28). The Group does not have a defined share buy-back plan. Buy and sell decisions are made on a specific transaction basis by the Management Board after approval by the Supervisory Board.

Wavin has set clear targets for its level of borrowings in relation to results (leverage) and interest cost (interest coverage). Tight control of working capital management resulted in a decrease of working capital mainly as a result of lower inventory levels despite increased raw material prices. Spending on investments increased by € 8.3 million to € 51.5 million in 2011. This increase was balanced by the proceeds from divestment of two subsidiaries amounting to € 16.9 million. In addition the Group acquired assets through a business combination for an amount of € 5.3 million. As a result of decreasing working capital needs net debt decreased by € 28.2 million compared to last year, ending on € 227.9 million (31 December 2010: € 256.1 million).

The Company is largely financed through a € 475 million forward start facility which started in October 2011 with a maturity date of April 2013. The facility consists of a term loan and revolving facilities. This facility has been extended and amended in January 2012. The amended Forward Start Facility amounts to € 440 million and will mature in April 2015. The amended and extended facility provides Wavin with sufficient headroom and flexibility to respond to uncertain market conditions and offers a solid base to execute the Wavin 2015 strategic program (for further details we refer to note 38).

The Company operated well within the bank covenants. Per 31 December 2011 our leverage ratio was 2.4, well below the allowed ratio of 3.0. Over the year our interest coverage ratio was 4.2 compared to a minimum agreed ratio of 2.8. Both ratios were measured on a quarterly basis in 2011. For quantitative details regarding debt covenants we refer to note 26. Wavin expects even in continuing challenging trading conditions to be compliant with the covenants.

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 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 33% (2010: 28%) 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 Company realises approximately 28% (2010: 27%) 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, which makes 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 condition. Sales might 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 € 327.1 million (2010: € 322.4 million).

The Group has strict policies regarding credit and payment terms which are closely monitored at local and corporate level. Credit limits are established for most of the customers. These limits are periodically reviewed. Transactions with customers that fail to meet the Group's credit policy are intensively monitored. This risk assessment could result in a (temporary) situation that these customers may only transact with the Group on a prepayment basis. In the Netherlands, Belgium, Ireland, Poland and France our credit risks are partly insured. In France and Belgium we have a non-recourse factoring facility of € 25.0 million in total of which € 21.2 million was used as per December 2011.

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. Trade receivables amounted to € 252.5 million in 2011 which is in line with last year despite higher sales to emerging markets where payment terms are longer than in mature markets.

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 impairment. The aging of the trade receivables and (the allocation of the) allowance for impairment at the reporting date were as follows:

(€ x 1,000)	2011		2010	
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Not past due	195,790	1,822	190,524	833
Past due 0 – 30 days	25,686	577	27,572	831
Past due 31 – 90 days	11,610	1,056	12,249	987
Past due 91 – 180 days	4,313	260	6,471	641
Past due 180 – 360 days	4,576	1,233	5,537	1,774
More than 1 year	10,564	7,417	9,959	7,562
Total trade receivables	**252,539**	**12,365**	**252,312**	**12,628**

The share of overdue trade receivables decreased compared to last year. At balance sheet date 22% of trade receivables was overdue against 24% last year. Impairment charges for doubtful debts amounted to € 3.0 million, € 0.3 million below last year.

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

(€ x 1,000)	2011	2010
Balance at 1 January	12,628	11,234
Acquisitions/divestments	(254)	–
Charged to income statement	4,806	4,333
Released to income statement	(1,840)	(1,020)
Utilisation	(2,467)	(2,095)
Effect of movements in exchange rates	(508)	176
Book value at 31 December	**12,365**	**12,628**

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 (minimum at investment grade) 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 secured to finance long term growth, capital expenditures, seasonal working capital requirements, expected operational expenses and to service financial obligations. The Company is largely financed through a € 475 million forward start facility which started in October 2011 with a maturity date of April 2013. The facilities consist of a term loan and revolving facilities. This facility has been extended and amended in January 2012. The amended syndicated facility amounts to € 440 million and will mature in April 2015. The amended and extended facility provides Wavin with sufficient headroom and flexibility to respond to uncertain market conditions and offers a solid base to execute the Wavin 2015 strategic program (for further details we refer to note 38). Wavin expects even in continuing challenging trading conditions to be compliant with the covenants. In case Wavin cannot meet the target ratio's defined for the leverage ratio and interest coverage ratio the facility might, if so requested by the majority of the lenders, be cancelled at once and borrowings under the facility may become due and payable immediately. The covenant calculations per year end and per half year are assessed by our external auditor. Per year end the external auditor used the audited figures as basis for their assessment.

In addition to the Forward Start Facility, Wavin has several committed and 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 exposure of the financial liabilities is limited by the availability of the financial assets of the Group for an amount of € 76.6 million (2010: € 55.7 million) in cash and cash equivalents.

Currency risks

Wavin operates in different countries and uses the Euro as its reporting currency. Revenues 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 2011, approximately 60% (2010: 59%) 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, the Czech Koruna and the US Dollar 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. It is policy 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 forecasted cash flow transactions. In 2011 forward exchange contracts and currency swaps were used to hedge a.o. cash flows in Euro countries which have Pound Sterling, Polish Zloty, Danish Krone, Norwegian Krone, Swedish Krone, Czech Koruna and Turkish Lira as functional currency and cash flows in US Dollar in countries which use the Turkish Lira as functional currency. Over the longer term permanent changes in foreign exchange rates might have an impact on profit. The appreciation of most currencies against the Euro resulted in a transactional foreign exchange profit of € 0.4 million (2010: € 1.0 million loss).

Exposure to currency risk

The Group's exposure to foreign currency transaction risk per 31 December based on the notional amounts was:

(€ x 1,000) 2011	EUR	GBP	PLN	DKK	NOK	CZK	TRY	USD
Other non-current investments	232	–	–	–	–	–	–	–
Trade and other receivables	23,682	1,601	26	522	54	203	–	6,504
Cash and cash equivalents	16,126	355	23	–	1	–	–	3,286
Bank loans	(2,289)	–	–	–	–	–	–	–
Trade and other payables	(58,616)	(1,127)	(123)	(633)	(20)	(194)	(38)	(11,557)
Bank overdrafts	(1,797)	(279)	(537)	(462)	(364)	(453)	(147)	–
Total	**(22,662)**	**550**	**(611)**	**(573)**	**(329)**	**(444)**	**(185)**	**(1,767)**

(€ x 1,000) 2010	EUR	GBP	PLN	DKK	NOK	CZK	TRY	USD
Other non-current investments	432	–	–	–	–	–	–	–
Trade and other receivables	23,377	1,414	123	(133)	25	(278)	2,034	8,643
Cash and cash equivalents	9,156	376	(4)	482	275	117	–	2,898
Bank loans	(2,800)	–	–	–	–	–	–	–
Trade and other payables	(53,705)	915	37	808	(38)	(32)	–	(9,196)
Bank overdrafts	5,863	(577)	–	–	–	–	–	(3,742)
Total	**(17,677)**	**2,128**	**156**	**1,157**	**262**	**(193)**	**2,034**	**(1,397)**

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

The Company amongst others, partly hedges the Euro exposure of non-Euro countries. Ultimo 2011 the Euro exposure hedged amounted to € 36.4 million (2010: € 37.5 million). This hedge is not included in the schedule above.

Sensitivity analysis

A strengthening or weakening of the Euro against the principal currencies at 31 December 2011 would have had an impact on equity and the income statement. Based on the foreign currency exposure ultimo year the impact of 5% strengthening of the local functional currencies against Euro and the other principle currencies would result in the amounts shown below, independently defined for each currency. This analysis assumes that all other variables, in particular interest rates, remain unchanged. The analysis is performed on the same basis for 2010.

(€ x 1,000)	2011 PROFIT OR LOSS/EQUITY	2010 PROFIT OR LOSS/EQUITY
Euro	1,133	884
Pound Sterling	(28)	(106)
Polish Zloty	31	(8)
Danish Krone	29	(58)
Norwegian Krone	16	(13)
Czech Koruna	22	10
Turkish Lira	9	(102)
US Dollar	88	70

A 5% weakening of the local functional currencies against Euro and the other principle currencies at 31 December would have had the equal but opposite effect on 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. The effect of the Euro exposure hedges in non-Euro countries is not included in the analyses above.

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 ratios 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's credit facility has an interest rate based on variable inter-bank offered rates. To limit the exposure to a rise in interest rates, the Group has entered into interest rate swaps, which converts the variable rates into fixed rates. At 31 December 2011, the Group had effective interest rate swaps outstanding with a total notional amount of € 160 million (2010: € 259.8 million). Until April 2013 the variable interest exposure on € 160 million is hedged at an average interest rate of 3.8% (2010: 3.9%). Furthermore, the Group has entered into forward starting interest rate swaps for the period April 2013 – October 2015 with a total notional amount of € 98.9 million (of which € 23.9 million is denominated in Pound Sterling) at an average interest rate of 3.6% (2010: 3.7%). The Group also had interest rate swaps with a fair value of € 1.4 million outstanding per 31 December 2010 for which no hedge relation existed anymore. In 2011 these swaps were settled. Therefore the Group's sensitivity to interest rate movements is limited. The fair value of the financial instruments per 31 December 2011 amounts to a € 11.7 million liability (2010: € 13.9 million liability), which fully relates to effective hedges.

The average payable fixed interest rate under the interest rate swaps of 3.8% excludes the margin payable under the facility agreement. The applicable margin is based on the leverage ratio. The margin is restated on a quarterly basis, following the covenant reporting to the banking syndicate. The average margin for 2011 was 2.5% (2010: 3.3%).

Debt profile

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

(€ x 1,000)		FACE VALUE
	2011	**2010**
Fixed rate instruments		
Financial liabilities	(160,000)	(259,780)
Total	**(160,000)**	**(259,780)**
Variable rate instruments		
Financial assets	76,633	55,748
Financial liabilities	(151,611)	(63,836)
Total	**(74,978)**	**(8,088)**

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 derivates (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would in principle not affect profit or loss.
The instruments that had become ineffective due to the refinancing in 2009 have been settled in 2011.

It is estimated that a change of 100 basis points in interest rates would have increased or decreased equity by € 3.5 million (2010: € 7.2 million) due to changes in the fair value of interest rate swaps and net profit by nil (2010: € 0.5 million) as in 2011 all interest rate swaps qualify as effective hedges.

Sensitivity analysis for variable rate instruments

As 54.3% of the Group's debt has been hedged (2010: 85.4%) it is estimated that a general increase in interest rates of 1.0% would have an impact of € 1.0 million on the Group's profit before tax (2010: limited).

This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged. The analysis for 2011 is performed on the same basis as for 2010.

Fair values

The fair value of assets and liabilities 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 2011. 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 valued at amortised cost.

The fair value of financial assets and liabilities per 31 December 2011 is equal to the carrying amounts shown in the balance sheet except for the Forward Start Facility of which the fair value is € 7.1 million above the carrying amount, representing the capitalised fee costs.

5. Segment reporting

Based on the Group's management and internal reporting structure the Group defined five geographic segments. The geographic segments are based on the location of the customers. For each of these segments the Group's Management Board reviews internal management reports on a monthly basis.

The Group acknowledges the following geographic segments:

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

Performance is measured mainly on segment Ebitda (operating profit before depreciation, amortisation and non-recurring items), as included in the internal management reports. Ebitda is used to measure performance as management believes that such information is the most relevant in evaluating the performance of certain segments relative to other entities that operate within the industry.

Inter-segment pricing is determined at an arm's length basis. Segment results, assets and liabilities include items directly attributable to the region 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 & equipment, and intangible assets other than assets acquired through business combinations, like goodwill and brand names.

The income statement and balance sheet segmentation of the regional segmentation is as follows:

Geographic segmentation income statement

(€ x 1,000)	NOTE	NORTH WEST EUROPE	SOUTH WEST EUROPE	CENTRAL & EASTERN EUROPE	SOUTH EAST EUROPE	OVERSEAS AND OTHER	CONSOLI-DATED
2011							
Total external revenue	8	489,010	355,978	226,854	196,810	58,408	1,327,060
Result from operating activities		19,498	(11,248)	18,797	3,416	5,071	35,534
Non-recurring operational results	14	26	(63)	(580)	(1,223)	(3,927)	(5,767)
Recurring result from operating activities		19,472	(11,185)	19,377	4,639	8,998	41,301
Depreciation and amortisation (recurring)	17,18	17,373	16,883	9,719	5,475	7,274	56,724
Ebitda		**36,845**	**5,698**	**29,096**	**10,114**	**16,272**	**98,025**
2010							
Total external revenue	8	405,820	370,130	198,985	197,806	58,511	1,231,252
Result from operating activities		11,654	5,471	17,217	2,464	1,137	37,943
Non-recurring operational results	14	(1,468)	(2,411)	(213)	(708)	(1,580)	(6,380)
Recurring result from operating activities		13,122	7,882	17,430	3,172	2,717	44,323
Depreciation and amortisation (recurring)	17,18	17,563	17,847	11,339	5,807	7,209	59,765
Ebitda		**30,685**	**25,729**	**28,769**	**8,979**	**9,926**	**104,088**

Geographic segmentation balance sheet and other key figures

(€ x 1,000)	NOTE	NORTH WEST EUROPE	SOUTH WEST EUROPE	CENTRAL & EASTERN EUROPE	SOUTH EAST EUROPE	OVERSEAS AND OTHER*	ELIMINATION**	CONSOLI-DATED
2011								
Segment assets		301,865	407,315	187,555	154,305	841,227	(566,643)	1,325,624
Investment in associates	19	25	1	–	–	21,557	–	21,583
Total assets		**301,890**	**407,316**	**187,555**	**154,305**	**862,784**	**(566,643)**	**1,347,207**
Total liabilities		**194,977**	**320,654**	**132,685**	**82,470**	**282,988**	**(247,482)**	**766,292**
Acquired through business combinations		5,254	–	–	–	–	–	5,254
Capital expenditure	17,18	14,707	17,300	8,715	5,372	6,309	–	52,403
Number of employees per year end (x1)	12	1,770	1,795	1,343	774	259	–	5,941
2010								
Segment assets		292,352	408,981	193,498	166,773	765,118	(486,900)	1,339,822
Investment in associates	19	56	–	–	–	21,016	–	21,072
Total assets		**292,408**	**408,981**	**193,498**	**166,773**	**786,134**	**(486,900)**	**1,360,894**
Total liabilities		**210,644**	**301,172**	**153,120**	**83,534**	**207,056**	**(173,578)**	**781,948**
Acquired through business combinations		–	–	60	–	–	–	60
Capital expenditure	17,18	13,868	15,975	5,663	3,498	4,676	–	43,680
Number of employees per year end (x1)	12	1,772	1,941	1,328	768	280	–	6,089

* 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.

** Intercompany positions within the region have been eliminated.

Business segmentation
The Management Board also monitors the sales performance of the identified business segments. The Group comprises seven segments, which are divided in two specific sectors.

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

Below Ground: This sector includes below ground pipe systems for rain and storm water management and foul water discharge as well as systems for cable ducting and water and gas distribution.

(€ x 1,000)		REVENUE
	2011	2010
Hot & Cold	275,826	272,049
Soil & Waste	170,081	159,820
Other Building Systems	45,186	49,380
Above Ground	**491,093**	**481,249**
Foul Water Systems	420,021	372,804
Water Management	147,168	142,115
Cable Ducting	60,407	53,263
Water & Gas	180,838	156,223
Below Ground	**808,434**	**724,405**
Unallocated	27,533	25,598
Total revenue	**1,327,060**	**1,231,252**

The unallocated revenue includes amongst others, the sale of raw materials and services rendered.

6. Assets held-for-sale

The assets and liabilities per 31 December classified as held-for-sale can be specified as follows:

(€ x 1,000)	2011	2010
Property, plant & equipment	2,178	314
Intangible assets	163	
Inventories	547	–
Total assets	**2,888**	**314**
Deferred tax liabilities	234	–
Trade and other payables	68	–
Total liabilities	**302**	**–**

The assets classified as held-for-sale per 31 December 2010 have not been sold. Based on current views following the economic situation these assets have been impaired to scrap value.

The assets classified as held-for-sale per 31 December 2011 include our remaining activities in Sully sur Loire in France which have been sold to RYB S.A. early 2012. In addition a former production facility of Euroceramic in the Netherlands which was not included in the sale of our clay activities on the European continent (see note 7) has been classified as held-for-sale in 2011. A portion of this land has been sold early 2012 at a price above the book value. The sale of the remaining plot of land is in process. However due to the current economic situation it might take more than a year to sell this asset. It is expected that all assets held-for-sale will be sold at a selling price above the current book value.

7. Acquisitions and divestments of subsidiaries

Acquisitions

On the 1st of January 2011 the acquired assets from KWH Pipe Sverige AG (KWH), relating to the PE Water business for below ground applications, were transferred. The purchase price of these assets was satisfied in cash.
This acquisition was deemed immaterial in respect of IFRS 3 disclosure requirements. This acquisition contributed € 14.2 million to revenue. The purchase price allocation resulted in a negative goodwill of € 1.0 million which has been included in the income statement as non-recurring income (see note 14).

Fair value adjustments according to IFRS 3

In 2011 no adjustments to the provisional accounting in 2010 were made.

Divestments

In 2011 two subsidiaries were divested in line with the 'Wavin 2015 strategy' to reduce complexity and to focus on leading local positions in plastic pipe systems and solutions. The assets of these subsidiaries were not classified as held-for-sale at 31 December 2010.

In July 2011 the Group s old its clay activities on the European Continent (Euroceramic) to Steinzeug GmbH. This divestment resulted in a profit before tax of € 2.2 million. The contribution of these activities in 2011 and 2010 can be specified as follows:

(€ x 1,000)	2011	2010
Revenue	11,926	10,870
Expenses	(13,015)	(10,915)
Result from operating activities	**(1,089)**	**(45)**
Net finance income	(77)	46
Income tax expense	23	(173)
Net profit from operating activities	**(1,143)**	**(172)**
Result on divestment	2,239	–
Profit for the period	**1,096**	**(172)**

As per 30 June Wavin sold Kulker SAS, a local subsidiary of Wavin France, to RYB S.A. This divestment resulted in a loss before tax of € 0.2 million. The contribution of these activities in 2011 and 2010 can be specified as follows:

(€ x 1,000)	2011	2010
Revenue	8,715	7,064
Expenses	(8,037)	(6,667)
Result from operating activities	**678**	**397**
Net finance income	11	6
Income tax expense	(229)	(134)
Net profit from operating activities	**460**	**269**
Result on divestment	(193)	–
Profit for the period	**267**	**269**

In 2011 these activities generated a cash outflow from operating activities of € 0.7 million compared to a cash inflow in 2010 of € 1.3 million.

As none of the divested activities represents a major line of business within the Group we have not classified the divestments as discontinued operations and have therefore not adjusted the comparative figures.

Effect of divestment on the financial position of the Group

The effect of the divestment of clay activities on the European Continent and Kulker SAS on the financial position of the Group can be specified as follows:

(€ x 1,000)	2011
Property, plant & equipment	8,019
Intangible assets	104
Other non-current assets	24
Inventories	6,646
Trade and other receivables	8,171
Cash and cash equivalents	499
Total assets	**23,463**
Employee benefits	1,038
Provisions	27
Deferred tax liabilities	1,342
Trade and other payables	6,622
Total liabilities	**9,029**
Net assets	**14,434**

8. Revenue

(€ x 1,000)	2011	2010
Sale of goods	1,318,111	1,219,987
Other revenues	8,949	11,265
Total revenue	**1,327,060**	**1,231,252**

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

Of the total revenue € 122.1 million was realised in the Netherlands and € 1.2 billion was realised outside the Netherlands (2010: € 116.1 million respectively € 1.1 billion).

9. Other operating income

(€ x 1,000)	2011	2010
Gain on sale of land and buildings	1,030	1,194
Gain on disposal of other tangible fixed assets	143	276
Capitalised withholding tax	2,206	–
Negative goodwill on acquisitions	986	–
Other rental and service income	430	492
Other income	3,753	2,595
Total	**8,548**	**4,557**

Gain on sale of land and buildings of € 1.0 million relates to the profit realised with the sale of property in the UK and France. The negative goodwill relates to the acquisition of the KWH activities and is the result of the purchase price allocation (see note 7).

As in the foreseeable future the Dutch companies are expected to come into an income tax paying position, an amount of € 2.2 million of foreign withholding taxes which was withheld in previous years has been capitalised.

In addition the Dutch companies received a social security premium refund related to previous years, which is included in other income.

10. Other operating expenses

(€ x 1,000)	2011	2010
Loss on disposal of other tangible fixed assets	(273)	(815)
Amortisation of assets acquired through business combinations	(4,637)	(6,250)
Taxes, other than income tax	(3,254)	(2,702)
Impairment goodwill	(731)	(46)
Other expenses	(2,652)	(2,390)
Total	**(11,547)**	**(12,203)**

Expenses related to the amortisation of assets acquired through business combinations represent the amortisation of acquired intangible assets such as order portfolios, customer contracts, customer relations and distribution networks. These expenses decreased compared to last year as some identified intangible assets related to a.o. the acquisition of Hepworth in 2005 were fully written off in the course of 2010 and 2011. For further details see note 18 of the Group Financial Statements.
Taxes, other than income tax, amongst others relate to real estate tax. The impairment of goodwill relates to a foreseen capital increase in our subsidiary in Spain following our obligation to acquire the third party share in order to finalize the liquidation process.

11. Personnel expenses

(€ x 1,000)	NOTE	2011	2010
Salaries and wages		(204,609)	(210,128)
Social security contributions		(34,074)	(34,478)
Contributions to defined contribution plans		(1,864)	(2,992)
Expenses related to defined benefit plans	27	(11,480)	(12,631)
Other personnel expenses		(12,358)	(9,861)
Total recurring personnel expenses		(264,385)	(270,090)
Expenses share appreciation rights / LTIP	28	(252)	(182)
Total		**(264,637)**	**(270,272)**

Following restructuring measures taken in recent years salary costs decreased. Other personnel expenses increased due to the increased number of agencies throughout the year.
Total average full time equivalents increased in 2011 by 21 to 6,623 (see note 12).

12. Personnel employed

The total average full time equivalent (FTE) of employees and the number of employees are as follows:

	2011	2010
Average full time equivalents	**6,623**	**6,602**
Number of employees at 31 December	**5,941**	**6,089**

Of the average number of FTEs, 766 are based in the Netherlands and 5,857 FTEs are based outside the Netherlands (2010: 816 FTEs and 5,786 FTEs respectively).

The divestment of subsidiaries and restructuring measures resulted in a decrease of staff which was offset by a higher number of agencies in some other countries due to increasing sales and production activities. On a like for like basis average FTE amounted to 6,593, a decrease of 9 FTEs.

13. Finance income and expense

Recognised in the income statement

(€ x 1,000)	2011	2010
Interest income on bank deposits	1,908	395
Fair value revaluation gains	1,420	1,330
Total finance income	3,328	1,725
Interest expense	(31,142)	(34,843)
Exchange rate differences	(419)	(1,021)
Total finance expense	(31,561)	(35,864)
Total net finance costs recognised in profit or loss	**(28,233)**	**(34,139)**

Net financing costs were € 28.2 million compared to € 34.1 million last year following the reduced margins under the syndicated finance facility and a lower average net debt position during the year.

As a result of the recapitalisation in 2009 the level of outstanding interest instruments exceeded the drawings under the Amended Credit Facility and became ineffective. As a consequence the change in fair value of these instruments is recorded through the income statement instead of equity. In 2011 these swaps have been settled.

Recognised in other comprehensive income

(€ x 1,000)	2011	2010
Fair value changes financial instruments	584	2,014
Income tax on finance income (expense) recognised in other comprehensive income	(111)	(485)
Total net finance costs recognised in comprehensive income	**473**	**1,529**

The decrease of fair value changes of financial instruments is due to the expiration of interest instruments with a notional amount of € 99.8 million. This effect is largely off-set by an increase in the fair value of the present interest instrument portfolio as a result of decreasing interest rates per 31 December 2011.

14. Non-recurring income and expense

Non-recurring income and non-recurring expenses in 2011 can be specified as follows:

(€ x 1,000)	NOTE	2011	2010
Restructuring costs	29	(4,725)	(6,814)
Profit on sale of property, plant & equipment	9	1,030	860
Negative goodwill on acquisitions	7	986	–
Acquisition costs		–	(221)
Other	28	(3,058)	(205)
Total non-recurring results from operating activities		**(5,767)**	**6,380**
Profit on sale of subsidiaries		**2,046**	–
Tax rate adjustments	15	2,699	1,244
Non-recurring tax benefits		8,315	3,372
Total non-recurring income tax		**11,014**	**4,616**
Total		**7,293**	**(1,764)**

Restructuring costs in 2011 relate to announced restructurings mainly in the North West Europe and South East Europe regions and the closure of our activities in Spain. The profit on sale of land and buildings relates to the profit realised with the sale of property in the UK and France. The negative goodwill relates to the acquisition of the KWH activities and is the result of the purchase price allocation (for further details we refer to note 7). Other non-recurring expenses include impairment charges on land which is partly classified as held-for-sale and expenses for external support related to the unsolicited conditional offer received from Mexichem S.A.B. de C.V.

Non-recurring tax benefits include the release of a tax provision for capital gain tax of € 6.8 million related to the sale of associates in 2006. The income included on the line tax rate adjustments reflects mainly the effect on the deferred tax liabilities following the reduction of the corporate income tax rate in the UK from 28% to 25%.

15. Income tax expense

Recognised in the income statement

(€ x 1,000)	2011	2010
Current year	(5,203)	(5,451)
Utilisation of / (addition to) not capitalised compensable losses	(334)	(794)
Adjustments for prior years	(696)	1,756
Current tax income (expense)	**(6,233)**	**(4,489)**
Release capital gain tax	6,812	–
Identified tax exposures	(2,346)	–
Tax provision	**4,466**	**–**
Origination and reversal of temporary differences	2,657	853
Changes in tax rate	2,699	1,244
Benefit from tax losses recognised	2,652	3,492
Deferred tax income (expense)	**8,008**	**5,589**
Total income tax recognised in the income statement	**6,241**	**1,100**

Total income tax recognised in the income statement was positively affected by significant one-off tax benefits for a total amount of € 7.2 million, including the release of a provision for capital gain taxes for an amount of € 6.8 million related to the profit realised on the sale of associates in 2006. The change of the corporate income tax rate, a.o. in the UK from 28% to 25% resulted in a release of the deferred tax liabilities with € 2.7 million. These benefits offset an addition to the tax provision for identified tax exposures in the Group for an amount of € 2.3 million.
In addition losses incurred in some emerging markets for which no tax recovery was taken into account were partly compensated by the utilisation of some non-capitalised tax losses carried forward.

Recognised in other comprehensive income

(€ x 1,000)	2011 BEFORE TAX	2011 TAX (EXPENSE) BENEFIT	2011 NET OF TAX	2010 BEFORE TAX	2010 TAX (EXPENSE) BENEFIT	2010 NET OF TAX
Exchange differences on translating foreign operations	(15,192)	–	(15,192)	12,231	–	12,231
Fair value changes financial instruments	584	(111)	473	2,014	(485)	1,529
Total	**(14,608)**	**(111)**	**(14,719)**	**14,245**	**(485)**	**13,760**

Reconciliation of effective tax rate

	2011 %	2011 € x 1,000	2010 %	2010 € x 1,000
Profit before tax		11,786		6,000
Profit on sale of subsidiaries		(2,046)		–
Share of profit of associates		(2,439)		(2,196)
Adjusted profit before tax		7,301		3,804
Income tax using the Dutch tax rate	25.0%	(1,825)	25.5%	(970)
Effect of taxes in foreign jurisdictions	(12.4%)	907	(8.6%)	326
Non-taxable income / (non-deductible expenses)	2.2%	(163)	(16.2%)	617
Movements in tax provisions through the income statement	(61.2%)	4,466	0.0%	–
Tax rate adjustments	(37.0%)	2,699	(32.7%)	1,244
Utilisation of / (addition to) not capitalised compensable losses	4.6%	(334)	20.9%	(794)
Recognition of previously not recognised tax losses	0.0%	–	(2.9%)	112
Other effects	(6.7%)	491	(14.9%)	565
Total	**(85.5%)**	**6,241**	**(28.9%)**	**1,100**

Non-taxable income includes losses related to the closure of foreign operations.

16. Earnings per share

Basic earnings per share

The basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary shareholders of € 17.1 million (2010: € 5.8 million) and the average number of outstanding shares in 2011 of 50,628,686 (2010: 50,690,035) respectively the diluted average number of outstanding shares in 2011 of 50,841,924 (2010: 50,815,227). The number of ordinary shares outstanding per 31 December 2011 is 50,579,009 (2010: 50,668,360).

The earnings per share are as follows:

(€ x 1 unless otherwise stated)	2011	2010
Net profit attributable to ordinary shareholders (€ x 1,000)	17,133	5,825
Recurring net profit attributable to ordinary shareholders (€ x 1,000)	9,596	7,564
Basic earnings per share (weighted average)	0.34	0.11
Diluted earnings per share (weighted average)	0.34	0.11
Basic recurring earnings per share (weighted average)	0.19	0.15
Diluted recurring earnings per share (weighted average)	0.19	0.15
Basic earnings per share (year end)	0.34	0.11
Diluted earnings per share (year end)	0.34	0.11
Basic recurring earnings per share (year end)	0.19	0.15
Diluted recurring earnings per share (year end)	0.19	0.15

Outstanding number of shares

The change in outstanding number of shares can be specified as follows:

(shares × 1)	2011	2010
Issued ordinary shares at 1 January	50,782,132	50,782,132
Treasury shares at 1 January	(113,772)	(70,744)
Outstanding ordinary shares at 1 January	50,668,360	50,711,388
Effect of shares issued	46,649	31,972
Effect of shares purchased	(136,000)	(75,000)
Outstanding ordinary shares at period end	50,579,009	50,668,360
Treasury shares at 31 December	203,123	113,772
Issued shares at 31 December	50,782,132	50,782,132
Outstanding ordinary shares at reporting date (diluted)	**50,812,605**	**50,813,405**
Issued ordinary shares at reporting date (diluted)	**51,015,728**	**50,927,177**

Weighted average number of shares

(shares × 1)	2011	2010
Weighted average number of outstanding ordinary shares at period end	**50,628,686**	**50,690,035**
Weighted average number of outstanding ordinary shares at period end (diluted)	**50,841,924**	**50,815,227**

The dilution of ordinary shares of 213,238 shares (2010: 125,192 shares) relates to the granted matching shares and performance options as part of the Long Term Incentive Plan (see note 28). As the granted options for 2008 and 2009 are not expected to meet the vesting conditions no dilution is taken into account with respect to these options.

17. Property, plant & equipment

(€ x 1,000)	NOTE	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER ASSETS	UNDER CONSTRUC-TION	TOTAL
Cost						
Balance at 1 January 2010		279,898	717,995	74,198	10,839	1,082,930
Investments		3,714	22,021	1,870	8,964	36,569
Transfer to assets classified as held-for-sale	6	509	18	205	–	732
Disposals and divestments		(1,785)	(11,185)	(2,545)	–	(15,515)
Effect of movements in exchange rates		4,136	11,812	752	210	16,910
Balance at 31 December 2010		**286,472**	**740,661**	**74,480**	**20,013**	**1,121,626**
Balance at 1 January 2011		286,472	740,661	74,480	20,013	1,121,626
Acquisitions through business combinations	7	3,256	1,643	152	–	5,051
Investments		6,057	33,149	2,731	(750)	41,187
Transfer to assets classified as held-for-sale	6	(2,239)	(7,926)	(137)	–	(10,302)
Divestments		(7,248)	(8,968)	(391)	(685)	(17,292)
Disposals		(3,191)	(7,741)	(1,995)	–	(12,927)
Effect of movements in exchange rates		(3,532)	(7,762)	(695)	(311)	(12,300)
Balance at 31 December 2011		**279,575**	**743,056**	**74,145**	**18,267**	**1,115,043**
Depreciation						
Balance at 1 January 2010		(125,164)	(543,588)	(64,395)	–	(733,147)
Depreciation charge for the year		(8,868)	(34,447)	(3,825)	–	(47,140)
Transfer to assets classified as held-for-sale	6	(458)	(48)	(196)	–	(702)
Disposals and divestments		1,145	10,326	2,511	–	13,982
Effect of movements in exchange rates		(1,340)	(8,369)	(643)	–	(10,352)
Balance at 31 December 2010		**(134,685)**	**(576,126)**	**(66,548)**	**–**	**(777,359)**
Balance at 1 January 2011		(134,685)	(576,126)	(66,548)	–	(777,359)
Depreciation charge for the year		(8,109)	(33,929)	(3,010)	–	(45,048)
Transfer to assets classified as held-for-sale	6	982	7,285	122	–	8,389
Impairment losses	14	(1,400)	–	–	–	(1,400)
Divestments		1,098	7,925	358	–	9,381
Disposals		2,891	7,604	1,983	–	12,478
Effect of movements in exchange rates		774	3,815	472	–	5,061
Balance at 31 December 2011		**(138,449)**	**(583,426)**	**(66,623)**	**–**	**(788,498)**
Carrying amounts						
At 1 January 2010		154,734	174,407	9,803	10,839	349,783
At 31 December 2010		**151,787**	**164,535**	**7,932**	**20,013**	**344,267**
At 1 January 2011		151,787	164,535	7,932	20,013	344,267
At 31 December 2011		**141,126**	**159,630**	**7,522**	**18,267**	**326,545**

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

(€ x 1,000)	2011	2010
Cost of sales	(36,273)	(37,476)
Research & development expenses	(240)	(211)
Administrative expenses	(7,506)	(9,379)
Other operating expenses	(1,029)	(74)
Total depreciation	**(45,048)**	**(47,140)**
Recurring	(44,909)	(47,034)
Non-recurring	(139)	(106)

Impairment losses
The impairment losses of € 1.4 million relate to land which is partly classified as held-for-sale.

Acquisitions through business combinations
Acquisitions through business combinations in 2011 reflect the acquisition of the assets from KWH Pipe Sverige AG relating to the PE Water business for below ground applications (see note 7).

Divestments
Disposals and divestments include the sale of clay activities on the European Continent (Euroceramic) and Kulker SAS, a local subsidiary of Wavin France (see note 7).

Leased plant and machinery
The Group has no material financial lease agreements.

Security
At 31 December 2011 properties with a carrying amount of € 22.9 million (2010: € 30.9 million) were subject to a registered debenture to secure bank loans (see note 26).

Assets under construction
Assets under construction of € 18.3 million (2010: € 20.0 million) are mainly related to investments in production equipment and installations.

Capitalised borrowing costs
Like in 2010 no borrowing costs were capitalised as the assets under construction per 31 December 2011 and investments in 2011 did not classify as qualifying assets.

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 2010		156,117	220,636	121,293	72,470	570,516
Acquisitions through business combinations	7	–	–	60	–	60
Additions		–	–	–	3,173	3,173
Internally developed assets		–	–	–	3,938	3,938
Disposals and divestments		–	–	(696)	(323)	(1,019)
Effect of movements in exchange rates		3,677	3,446	1,718	399	9,240
Balance at 31 December 2010		**159,794**	**224,082**	**122,375**	**79,657**	**585,908**
Balance at 1 January 2011		159,794	224,082	122,375	79,657	585,908
Acquisitions through business combinations	7	–	–	226	–	226
Additions		731	–	–	7,314	8,045
Internally developed assets		–	–	–	3,171	3,171
Transfer to assets classified as held-for-sale	6	(163)	–	–	–	(163)
Divestments		(104)	–	–	(85)	(189)
Disposals		–	–	–	(668)	(668)
Effect of movements in exchange rates		(2,098)	(377)	116	(358)	(2,717)
Balance at 31 December 2011		**158,160**	**223,705**	**122,717**	**89,031**	**593,613**
Amortisation						
Balance at 1 January 2010		(4,414)	–	(35,936)	(45,005)	(85,355)
Amortisation charge for the year		–	–	(6,298)	(6,542)	(12,840)
Impairment goodwill		(46)	–	–	–	(46)
Disposals and divestments		–	–	696	323	1,019
Effect of movements in exchange rates		(76)	–	(196)	(285)	(557)
Balance at 31 December 2010		**(4,536)**	**–**	**(41,734)**	**(51,509)**	**(97,779)**
Balance at 1 January 2011		(4,536)	–	(41,734)	(51,509)	(97,779)
Amortisation charge for the year		–	–	(4,637)	(7,178)	(11,815)
Impairment goodwill	7	(731)	–	–	–	(731)
Divestments		–	–	–	85	85
Disposals		–	–	–	668	668
Effect of movements in exchange rates		(79)	–	(207)	479	193
Balance at 31 December 2011		**(5,346)**	**–**	**(46,578)**	**(57,455)**	**(109,379)**
Carrying amounts						
At 1 January 2010		151,703	220,636	85,357	27,465	485,161
At 31 December 2010		**155,258**	**224,082**	**80,641**	**28,148**	**488,129**
At 1 January 2011		155,258	224,082	80,641	28,148	488,129
At 31 December 2011		**152,814**	**223,705**	**76,139**	**31,576**	**484,234**

Acquisitions through business combinations

Acquisitions through business combinations in 2011 reflect the acquisition of the assets from KWH Pipe Sverige AG relating to the PE Water business for below ground applications (see note 7). The 2010 figure reflects the establishment of a sales organisation in the Czech Republic with Gebr. Ostendorf – OSMA zpracování plastu.

Divestments

Disposals and divestments include the sale of clay activities on the European Continent (Euroceramic) and Kulker SAS, a local subsidiary of Wavin France (see note 7).

Impairment testing

Determination of value in use

Goodwill and other intangible assets with indefinite useful lives are tested for impairment per cash generating unit in the fourth quarter or whenever an impairment trigger exists.

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 this cash generating unit. The five geographic segments are the main cash generating units and the recoverable amount of these cash generating units is based on value-in-use calculations. The operating plan for the coming year is the starting point for the projections for the determination of the value in use. These projections include forecasts for the growth of revenue, added value and direct and indirect costs and assumptions regarding developments in capital expenditure and investments in working capital. In our projections we assume that after the crisis the growth of our business will pick up again as the fundamentals for growth have not changed (more single unit housing, substitution of traditional materials, energy efficiency of buildings, more comfort, changed climate / rainfall, infiltration and attenuation needs, etc.). Yearly, Wavin invests considerably in product and process development which should drive sales growth (ambition is +2% on top of market growth), especially of the higher margin sub-segments water management (infiltration) and hot & cold (surface heating and cooling). In our forecasts, we assume sales will recover to pre-recession levels in a period of seven years and results in a period of ten years. The increase is supported by expected market recovery and the impact of efficiency improvement projects and certain cost reduction programmes that have been implemented in recent years.

We have extended our projections beyond five years as we expect further growth in the next five years to come to a steady state. Beyond the projection period of ten years, results are extrapolated using an assumed growth rate that does not exceed 2% in mature markets and 2.5% in the emerging markets.

In the projection period we have forecasted an annual revenue growth of the Group of 3 – 4% per year with different growth assumptions per cash generating unit. This growth in combination with a better use of the direct and indirect workforce and asset base results in improved EBITDA margins.

Projected cash flows are discounted using a specific discount rate per cash generating unit, taking country risk premiums into account. The pre-tax discount rates used range from 9.6% to 12.6% (2010: 8.8% to 11.9%).

The average pre-tax discount rate for the Group was 10.7% (2010: 9.5%). The discount rate increased compared to last year despite a decrease of the risk-free interest rate. The current historical low risk free interest rate does not reflect a long term required return on investments. As a consequence we have decided to use a normalised risk free interest rate for cost of equity, which is above the current level.

Impairments

For 2011 the calculation of the value in use of the various cash generating units in comparison to the carrying amount resulted in no impairments.

Sensitivities

The determined values in use are sensitive to variations in estimates and assumptions. Therefore we have performed sensitivity analysis on the base case assumptions. We have concluded that a reduction of the base case added value margin with 200 basis points results in negative excess values for the South West Europe region of € 13.4 million and for the South East Europe region of € 3.0 million.

A 200 basis points higher pre-tax discount rate compared to the discount rate used in the base case will not lead to a materially different outcome of the impairment test although the headroom for some regions is limited.

As our model assumes a recovery of revenue to pre-crisis levels also sensitivity analysis have been executed on the revenue growth rates of the cash generating units.

The first sensitivity which includes a 25% lower growth rate of revenue in combination with a lower increase of direct as well as indirect costs for the projection period and a lower level of investments on net turnover (NTO) for the years 2017 and further, still results in positive excess values for the South West Europe region and the South East Europe region, being the regions with the least headroom, even if the residual cash flow growth would be reduced by 0.5% (sensitivity 2).

A 50% lower growth rate of revenue (sensitivity 3) in combination with a reduction of the residual growth rate (sensitivity 4) would result in the impairment charges as included in the tables underneath.

(€ × million, unless otherwise stated)

South West Europe

	2011-2021 NTO GROWTH*	RESIDUAL CASH FLOW GROWTH	EXCESS FAIR VALUE
Sensitivity 1: 25% lower growth rates of NTO in combination with lower growth of costs and investments compared to base case	3.2%	2.0%	57
Sensitivity 2: Sensitivity 1 with a reduction in the residual cash flow growth	3.2%	1.5%	35
Sensitivity 3: 50% lower growth rates of NTO in combination with lower growth of costs and investments compared to base case	2.2%	2.0%	(32)
Sensitivity 4: Sensitivity 3 with a reduction in the residual cash flow growth	2.2%	1.5%	(48)

* Compounded average growth rate.

(€ × million, unless otherwise stated)

South East Europe

	2011-2021 NTO GROWTH*	RESIDUAL CASH FLOW GROWTH	EXCESS FAIR VALUE
Sensitivity 1: 25% lower growth rates of NTO in combination with lower growth of costs and investments compared to base case	4.5%	2.5%	16
Sensitivity 2: Sensitivity 1 with a reduction in the residual cash flow growth	4.5%	2.0%	12
Sensitivity 3: 50% lower growth rates of NTO in combination with lower growth of costs and investments compared to base case	3.3%	2.5%	(13)
Sensitivity 4: Sensitivity 3 with a reduction in the residual cash flow growth	3.3%	2.0%	(16)

* Compounded average growth rate.

The North West Europe region as well as the Central Eastern Europe region have sufficient headroom available to cover revenue growth reduction of more than 50% in combination with a reduction of the residual growth rate with 0.5%.

Closure Spain

In 2011 the Group announced the closure of Spain and as a consequence has to acquire the third party share. The related goodwill of € 0.7 million has been impaired.

Amortisation charge

Intangible assets not being goodwill and brand names are amortised over the estimated economic lifetime. If an impairment indicator exists, an impairment test 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)	2011	2010
Cost of sales	(180)	(175)
Research & development expenses	(1,853)	(1,524)
Administrative expenses	(5,145)	(4,891)
Other operating expenses	(4,637)	(6,250)
Total	**(11,815)**	**(12,840)**
Recurring	(11,815)	(12,731)
Non-recurring	–	(109)

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

(€ x 1,000)	2011	2010
North West Europe	43,318	43,705
South West Europe	42,900	42,122
Central & Eastern Europe	51,046	53,819
South East Europe	12,412	12,668
Overseas and Other	3,138	2,944
Total	**152,814**	**155,258**

As a result of exchange rate devaluations especially of the Polish Zloty and Czech Koruna the carrying amount of goodwill decreased by € 2.2 million.

Brand names
The carrying amount of brand names can be specified as follows:

(€ x 1,000)	2011	2010
North West Europe	60,987	60,911
South West Europe	113,640	111,574
South East Europe	20,738	21,528
Central & Eastern Europe	24,631	26,360
Overseas and Other	3,709	3,709
Total	**223,705**	**224,082**

As a result of exchange rate appreciation of the Pound Sterling the carrying amount of the brand names for the South West Europe Region increased. This was more than off-set by the devaluation of the Polish Zloty and Turkish Lira, resulting in a decrease in the carrying amount of brand names by € 0.4 million.

The carrying amount of brand names can be allocated as follows to each CGU:

(€ x 1,000)	BRAND NAME	2011	2010
South West Europe	Hep_2O	61,977	60,146
South West Europe	Warmafloor	617	598
South East Europe	Chemidro	3,000	3,000
South East Europe	Pilsa	2,251	2,658
Wavin Group	Wavin	155,860	157,680
Total		**223,705**	**224,082**

Customer relations and other assets from business combinations
The carrying amount of other assets from business combinations represents the recognised assets consisting mainly of order portfolio and customer contracts which meet the conditions for recognition under IFRS 3. In case of a triggering event an impairment test is performed by estimating the recoverable amount based on its value in use.

Other intangible assets
Development costs
The carrying amount of development costs represents the capitalised expenses related to new internally developed products and production processes. In case of a triggering event an impairment test is performed by estimating the recoverable amount based on its value in use.

The additions in development costs amount to € 3.1 million including an amount of € 0.3 million (2010: € 0.4 million) of capitalised borrowing costs during the period ended 31 December 2011 using an average interest rate of 6.5% (2010: 7.1%).

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 € 7.3 million (2010: € 4.2 million) are mainly related to the further roll-out of the Group-wide IT platform.

Other

In addition to development costs and software the carrying amount of other intangible assets includes capitalised expenses related to licenses, trademarks, patents etc.

19. Investments in associates

The investment in associates for the year amounts to € 21.6 million. In 2011 the Group received dividends of € 2.3 million from its investments in associates. Non of the Groups associates are publicly listed entities and consequently do not have published price quotations.

The Groups investment in associates relates mainly to our 40% (2010: 40%) shareholding in GF Wavin AG (Switzerland). The (100%) key figures of GF Wavin AG are:

(€ x 1,000)	ASSETS	LIABILITIES	EQUITY	REVENUE	PROFIT/LOSS
2011					
GF Wavin AG	75,932	25,466	50,466	83,864	5,915
2010					
GF Wavin AG	84,836	35,612	49,224	74,730	5,523

The decrease in assets, equity and liabilities is for a significant part the result of working capital reduction.

20. Other financial (non-current and current) assets

(€ x 1,000)	2011	2010
Non-current investments		
Guaranteed deposit	232	262
Financial instruments	433	177
Other non-current investments	1,086	445
Total non-current investments	**1,751**	884
Total current investments	**–**	–

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 4. The increase of other non-current investments mainly relate to the reclassification of a specific trade receivable for which mortgages have been granted to Wavin.

21. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are attributable to:

(€ x 1,000)	2011		2010	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Intangible assets	88	78,041	86	81,232
Property, plant & equipment	714	26,680	523	31,392
Financial assets	1	1,131	1	1,240
Inventories	1,096	741	1,032	1,079
Other current assets	622	474	1,610	351
Tax losses carried forward	19,063	–	11,873	–
Provision for employee benefits	1,998	40	2,131	16
Other provisions	1,119	340	1,269	–
Interest-bearing loans and borrowings	29	–	209	202
Other liabilities	5,194	649	5,884	681
Tax assets / liabilities	**29,924**	**108,096**	**24,618**	**116,193**
Set off tax assets and liabilities	(21,014)	(21,014)	(15,032)	(15,032)
Net tax assets / liabilities	**8,910**	**87,082**	**9,586**	**101,161**

Unrecognised deferred tax assets

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

(€ x 1,000)	2011	2010
Deductible temporary differences not capitalised	169	119
Tax losses carried forward not capitalised	8,985	9,361
Withholding taxes not capitalised	–	4,052
Total unrecognised deferred tax assets	**9,154**	**13,532**

The tax assets are not 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 not capitalised losses carried forward in some Eastern European Countries.

There are no time restrictions on the utilisation of not capitalised tax losses carried forward for an amount of € 9.0 million. As the Dutch companies are expected to come into an income tax paying position, foreign withholding taxes which were withheld in previous years have been capitalised in 2011.

Movement in temporary differences during the year

(€ x 1,000)	BALANCE AT 1 JANUARY	ACQUISITIONS/ DIVESTMENTS	RECOGNISED IN THE INCOME STATEMENT	RECOGNISED DIRECTLY IN EQUITY	USED FOR PURPOSE	EFFECT OF MOVEMENTS IN FOREIGN EXCHANGE	BALANCE AT 31 DECEMBER
2011							
Intangible assets	81,146	59	(3,144)	(613)	–	505	77,953
Property, plant & equipment	30,869	(1,133)	(3,266)	(23)	–	(481)	25,966
Financial assets	1,239	–	(63)	(35)	–	(11)	1,130
Inventories	47	(5)	(405)	–	–	8	(355)
Other current assets	(1,259)	–	1,014	–	–	97	(148)
Tax losses carried forward	(11,873)	–	(7,857)	–	662	5	(19,063)
Provision for employee benefits	(2,115)	112	–	–	–	45	(1,958)
Other provisions	(1,269)	–	473	–	–	17	(779)
Interest-bearing loans and borrowings	(7)	–	(24)	–	–	2	(29)
Other liabilities	(5,203)	–	460	175	–	23	(4,545)
Tax (assets) liabilities	**91,575**	**(967)**	**(12,812)**	**(496)**	**662**	**210**	**78,172**
2010							
Intangible assets	81,957	–	(2,150)	498	–	841	81,146
Property, plant & equipment	29,770	–	683	106	–	310	30,869
Financial assets	1,448	–	(267)	36	–	22	1,239
Inventories	314	–	(240)	–	–	(27)	47
Other current assets	(943)	–	(321)	–	–	5	(1,259)
Tax losses carried forward	(9,688)	–	(3,403)	–	1,456	(238)	(11,873)
Provision for employee benefits	(2,167)	–	100	–	–	(48)	(2,115)
Other provisions	(1,181)	–	(62)	–	–	(26)	(1,269)
Interest-bearing loans and borrowings	133	–	(136)	–	–	(4)	(7)
Other liabilities	(5,852)	–	207	492	–	(50)	(5,203)
Tax (assets) liabilities	**93,791**	**–**	**(5,589)**	**1,132**	**1,456**	**785**	**91,575**

22. Inventories

(€ x 1,000)	2011	2010
Raw materials and consumables	27,202	31,803
Finished products and merchandise	115,693	130,625
Other inventories	10,347	9,510
Total	**153,242**	**171,938**
Inventories stated at net realisable value	**1,850**	**4,271**

Despite increasing raw material prices, stock reduction measures resulted in a decrease of stock value compared to last year. At 31 December 2011 the provision for obsolete stocks amounted to € 14.4 million (2010: € 16.0 million). The addition to the provision for obsolete stocks amounted to € 1.2 million (2010: € 0.3 million), which was included in cost of sales. In the current year the provision for obsolete stocks was used for an amount of € 2.8 million (2010: € 2.7 million).

In 2011 raw materials, consumables and changes in finished goods recognised as cost of sales amounted to € 707.4 million (2010: € 622.8 million). This increased charge reflects the higher activity level and higher raw material prices compared to last year.

23. Trade and other receivables

(€ x 1,000)	NOTE	2011	2010
Trade receivables	4	240,174	239,684
Amounts receivable from associates		24	51
Other receivables and prepayments		29,226	26,759
Total		**269,424**	**266,494**

Trade receivables are shown net of an allowance for doubtful debts of € 12.4 million (2010: € 12.6 million) arising from the possible non-payment by customers.
The impairment loss recognised in the current year was € 3.0 million (2010: € 3.3 million) and for an amount of € 2.5 million (2010: € 2.1 million) trade receivables were actually written off. The Group's exposure to credit and currency risks and the allocation of the allowance for doubtful debts at the reporting date is disclosed in note 4.

24. Cash and cash equivalents

(€ x 1,000)	2011	2010
Bank balances	76,530	55,638
Cash	103	110
Total	**76,633**	**55,748**

Due to the seasonality of the business most cash is generated towards the end of the year. This cash flow cannot completely be used for the repayment of debt given the maturity of the drawings under the Forward Start Facility and the funding requirements for the building up of working capital at the beginning of the following year.
At 31 December the bank balances were freely available.

25. Equity

In the year under review 30,773 shares were sold to the Management Board and senior management as part of the Long Term Incentive Plan (see note 28). In addition 15,876 matching shares related to the LTIP 2008 vested in the first six months of 2011. All these shares were deducted from the treasury shares.

In 2011 the Company purchased 136,000 company shares with a nominal value of € 0.40 per share.
Per 31 December 2011 the Company holds 203,123 shares (31 December 2010: 113,772 shares) as treasury shares to cover current and future obligations under the Long Term Incentive Plan of the Company.

Changes in equity classified as other comprehensive income include the changes in the hedging reserve which consists 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 all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Of the shareholders' equity of € 573.2 million, an amount of € 9.6 million (2010: € 8.1 million) is not available for distribution subject to relevant provisions of the Company's Articles of Association, local accounting principles and legal requirements.

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

26. Interest-bearing loans and borrowings

(€ x 1,000)	2011	2010
Non-current liabilities		
Interest-bearing loans and borrowings	287,532	295,357
Total non-current liabilities	**287,532**	**295,357**
Current liabilities		
Discounted drafts	1,350	945
Unsecured bank overdra fts	15,602	15,553
Total current liabilities	**16,952**	**16,498**

Wavin's main source of financing was a syndicated loan facility of € 500 million that expired in October 2011 and was rolled over to the Forward Start Facility of € 475 million. The Forward Start Facility will expire in April 2013. The Forward Start Facility has been extended and amended in January 2012.

Non-current bank loans per 31 December 2011 relate to the Forward Start Facility. The total facility is a bullet facility repayable in full in April 2013. Under the revolving facility funds are drawn and repaid in line with the short term financing needs. Per 31 December 2011 the drawings under the Forward Start Facility amounted to a face value of € 294.7 million (31 December 2010: € 304.0 million) and are secured.

The current portion of interest-bearing loans and borrowings consists of money market loans that the Group holds per 31 December 2011.

Terms and debt repayment schedule*

	NOTE	2011				2010			
		EFFECTIVE INTEREST RATE	YEAR OF MATURITY	FACE VALUE (€ X 1,000)	CARRYING AMOUNT (€ X 1,000)	EFFECTIVE INTEREST RATE	YEAR OF MATURITY	FACE VALUE (€ X 1,000)	CARRYING AMOUNT (€ X 1,000)
Secured bank loans									
Syndicated Loan Facility**				–	–	5.91%	2013	304,041	292,280
Forward Start Facility**		5.52%	2013	294,659	287,532			–	–
Unsecured bank loans									
Other unsecured loans				–	–	2.56%	2012	3,077	3,077
Unsecured bank overdrafts		8.36%	2012	15,602	15,602	5.43%	2011	15,553	15,553
Discounted drafts		1.63%	2012	1,350	1,350	1.33%	2011	945	945
Secured bank overdrafts				–	–			–	–
Cash and cash equivalents	24	misc.	2012	(76,633)	(76,633)	misc.	2011	(55,748)	(55,748)
Total				**234,978**	**227,851**			**267,868**	**256,107**

* For details on financial instruments we refer to note 4.

** The effective interest rate of the Syndicated Loan Facility and Forward Start Facility is excluding the effect of the ineffective interest rate swaps and commitment fee.

The key terms of the € 475 million Forward Start Facility were:

- Facility start date was 16 October 2011;
- Facility consisted of a € 237.5 million committed term loan facility and a € 237.5 million committed multi currency revolving credit facility;
- For the term loan and revolving facility: repayment in one amount at maturity date of 16 April 2013 (remaining duration of 1.3 years);
- The interest rate was based on interbank offered rates like Euribor/Libor/Wibor/Pribor increased with a margin. This margin was based on a margin grid depending on the leverage ratio. The margin amounts to a maximum of 400 basis points and a minimum of 175 basis points. The margin was recalculated on a quarterly basis;
- The commitment fee amounted to 35% of the applicable margin;
- Comprehensive security package was in place (see note 34);
- The financial covenants were tested on a quarterly basis.

The aggregate tangible assets and the aggregate Ebitda of the identified guarantors of the facility should represent at least 70% of the consolidated tangible assets and consolidated Ebitda. The leverage ratio as defined in the Forward Start Facility is defined as: Total net debt divided by result from operating activities before depreciation, amortisation, non-recurring restructuring expenses and non-recurring gains or losses on the sale of fixed assets, including income of associates and excluding profit attributable to non-controlling interest. The interest coverage ratio is defined as: result from operating activities before depreciation, amortisation, non-recurring restructuring expenses and non-recurring gains or losses on the sale of fixed assets, including income of associates and excluding profit attributable to non-controlling interest, divided by the net interest expenses, including all interest and other financing charges in the nature of interest.

The term loans are fully drawn and from the revolving facility € 57.6 million (2010: € 53.0 million) is drawn.

Covenant ratios per 31 December can be specified as follows:

	2011		2010	
	ACTUAL	REQUIRED	ACTUAL	REQUIRED
Leverage ratio	2.4	< 3.0	2.3	< 3.7
Interest coverage ratio	4.2	> 2.8	3.7	> 2.3

Wavin was in compliance with the agreed ratios as defined in the Forward Start Facility.
In January 2012 we agreed with the lending banks to extend and amend our existing financing facility. The amended syndicated arrangement amounts to € 440 million and will mature in April 2015. The € 440 million facility consists of a € 220 million Bullet Term Facility and a € 220 million Revolving Credit Facility. The conditions and margins remain unchanged to the existing facility. Maturity has been extended with two years to April 2015.

For the amended syndicated facility the covenant levels have been relaxed, The maximum leverage ratio and minimum interest coverage ratio under the amended facilities vary in line with the seasonality of the business for the different time periods and can be specified as follows:

Testing date	LEVERAGE RATIO	INTEREST COVERAGE RATIO
2012 Q1	< 3.95	> 2.80
2012 Q2	< 3.95	> 2.80
2012 Q3	< 3.75	> 3.25
2012 Q4	< 2.90	> 3.50
2013 Q1	< 3.75	> 3.50
2013 Q2	< 3.75	> 3.50
2013 Q3	< 3.50	> 3.75
2013 Q4	< 2.60	> 4.00
2014 Q1	< 3.30	> 4.00
2014 Q2	< 3.30	> 4.00
2014 Q3	< 3.10	> 4.00
2014 Q4	< 2.50	> 4.00
2015 Q1	< 2.75	> 4.00

The key terms of the € 440 million Syndicated Loan Facility are:

- Facility consisting of a € 220 million committed term loan facility and a € 220 million committed multi currency revolving credit facility;
- For the term loan and revolving facility: repayment in one amount at maturity date of 16 April 2015 (remaining duration of 3.3 years);
- The interest rate is based on interbank offered rates like Euribor/Libor/Wibor/Pribor increased with a margin. This margin is based on a margin grid depending on the leverage ratio. The margin amounts to a maximum of 275 basis points and a minimum of 175 basis points. The margin is recalculated on a quarterly basis;
- The commitment fee amounts to 35% of the applicable margin;
- Comprehensive security package in place (see note 34);
- The financial covenants are tested on a quarterly basis.

The aggregate tangible assets and the aggregate Ebitda of the identified guarantors of the facility should represent at least 75% of the consolidated tangible assets and consolidated Ebitda.The threshold for specific indebtness has been revised under the amended syndicated facility.

In addition to the group facility, the Group has mostly uncommitted bilateral credit facilities with several banks for an amount of € 68.6 million (2010: € 123.7 million) of which € 15.6 million was drawn per 31 December 2011 (2010: € 19.2 million). In addition to the credit facilities Wavin has a € 25 million committed non-recourse factoring agreement in place of which € 21.2 million was used as per 31 December 2011.

The transaction costs related to the Forward Start Facility of € 475 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 and consultancy fees (due diligence, non-audit services, etc.).

27. Employee benefits

(€ x 1,000)	2011	2010
Present value of unfunded obligations	11,703	12,602
Present value of funded obligations	426,945	399,392
Total present value of obligations	438,648	411,994
Fair value of plan assets	(428,006)	(417,803)
Unrecognised actuarial gains and (losses)	(6,343)	15,833
Effect of asset ceiling	9,200	4,142
Total employee benefits	**13,499**	**14,166**
Non-current	12,919	13,647
Current	580	519

Unfunded obligations

Unfunded obligations consist of service awards and jubilee commitments qualifying as other long term benefit plans, which are recognised in the Dutch, German, French, Irish, Polish, Italian and Turkish operating companies.

Liability for defined benefit obligations

Wavin has defined benefit pension plans in Norway, Ireland, the UK, and The Netherlands. All other pension arrangements are defined contribution plans. Other defined benefit obligations are in place in Germany, France and Italy.

In the UK and Ireland the pension liabilities are covered by company pension funds. The Company is liable for the deficits of these funds. Plan assets of these funds do not include investments in the Company. After the periodic actuarial calculation it was concluded that the Wavin Plastics Pension Scheme in the UK and the Wavin Ireland Pension Scheme have a deficit. It has been agreed with the trustees that in the coming 5 years Wavin UK will pay GBP 3.0 million additional contribution to the Wavin Plastics Pension Scheme, starting as of 2012. With the Irish trustees Wavin Ireland agreed to pay € 0.5 million additional contribution in the coming 10 years, starting as of 2012. For the Hepworth Building Products Pension Scheme and for the Irish Executive Pension Scheme additional contributions have been agreed starting as of 2010 and 2011 (with a total additional contribution of € 0.6 million per year).

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 plan 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 have the ambition to change the current defined benefit plan into a collective defined contribution plan.

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

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

(€ x 1,000)	2011	2010
Liability for defined benefit obligations at 1 January	411,994	393,460
Effect of movements in foreign exchange	5,172	4,884
Contributions received	3,354	3,427
Movements to defined benefit plans	12	–
Divestments of subsidiaries	(11,754)	–
Benefits paid by the plan	(16,766)	(15,994)
Actuarial gains (losses) not recognised	17,383	(4,155)
Actuarial gains (losses) recognised through profit or loss	–	–
Movement to liabilities held-for-sale	–	–
Service costs and interest	29,253	30,372
Liability for defined benefit obligations at 31 December	**438,648**	**411,994**

Plan assets

Movements in the plan assets were:

(€ x 1,000)	2011	2010
Fair value of plan assets at 1 January	417,803	360,554
Effect of movements in foreign exchange	4,233	3,678
Contributions paid into the plan by participants	3,354	3,427
Contributions paid into the plan by the Group	9,682	12,312
Divestments of subsidiaries	(8,870)	–
Benefits paid by the plan	(15,543)	(14,933)
Expected return on plan assets	22,470	21,019
Actuarial gains (losses) not recognised	(5,123)	31,746
Fair value of plan assets at 31 December	**428,006**	**417,803**

Plan assets consist of the following:

	2011	2010
Equity securities	41%	47%
Government bonds	56%	47%
Property	0%	0%
Other	3%	6%
Total fair value of plan assets	**100%**	**100%**

Expense recognised in the income statement

(€ x 1,000)	2011	2010
Current service costs	7,709	8,921
Interest on obligation	21,544	21,451
Expected return on plan assets	(22,470)	(21,019)
Actuarial (gains) losses to the extent recognised	(361)	302
Effect of asset ceiling	5,058	2,977
Expense recognised in the income statement	**11,480**	**12,632**

In the UK and Ireland the unrecognised actuarial losses per 31 December 2011 have exceeded the corridor. This will result in an increase of the expense for employee benefits recognised in the 2012 income statement of approximately € 2.2 million.

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

(€ x 1,000)	2011	2010
Cost of sales	5,323	5,211
Selling and distribution expenses	4,796	5,272
Administrative expenses	1,361	2,149
Total	**11,480**	**12,632**
Actual return on plan assets	**17,254**	**18,720**

Actuarial gains and losses not recognised

(€ x 1,000)	2011	2010
Actuarial gains and (losses) not recognised at 1 January	15,833	(19,409)
Effect of movements in foreign exchange	(1,293)	(961)
Divestments of subsidiaries	1,984	–
Recognised during the period	(361)	302
Not recognised during the period on the liabilities	(17,383)	4,155
Not recognised during the period on the assets	(5,123)	31,746
Actuarial gains and (losses) not recognised at 31 December	**(6,343)**	**15,833**

Principal actuarial assumptions at the balance sheet date

(% – expressed as weighted average)	2011	2010
Discount rate at 31 December	5.2	5.3
Expected return on plan assets at 31 December	4.8	5.5
Future salary increases	3.1	2.9
Future pension increases	2.1	1.9

The overall expected long term rate of return on assets is 4.8%. 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 € 13.1 million to its defined benefit pension plans in 2012. For other benefit plans the contribution for 2012 by the Group is expected to be € 0.1 million.

Assumptions regarding future mortality are based on published statistics and mortality tables. In the Netherlands Pensionfund Owase applied as per 31 December 2011 the most recent mortality table 'AG Prognosetafel 2010-2060', adjusted for differences between the total population and the working population (experience factor 2011).
The current longevities underlying the values of the liabilities in the defined benefit plans are as follows:

	2011		2010	
	NETHER-LANDS	UK	NETHER-LANDS	UK
Longevity at age 65 for current pensioners				
Males	21.5	21.0	21.4	20.7
Females	24.0	24.0	23.9	23.6
Longevity at age 65 for current members aged 45				
Males	23.0	23.0	23.0	21.8
Females	24.8	26.0	24.8	24.6

Historical information

The difference between the actual and expected return on plan assets was a loss of € 5.2 million, a loss of € 2.3 million in 2010, a gain of € 2.8 million in 2009, a loss of € 62.4 million in 2008 and a loss of € 14.4 million in 2007.

The historical data breakdown of the deficit in the plan and experience adjustments is as follows:

(€ x 1,000)	2011	2010	2009	2008	2007
Present value of the defined benefit obligation	438,648	411,994	393,460	337,250	372,282
Fair value of plan assets	(428,006)	(417,803)	(360,554)	(299,342)	(368,783)
Deficit in the plan	**10,642**	**(5,809)**	**32,906**	**37,908**	**3,499**
Adjustments due to experience	(13,902)	15,969	35,588	(68,763)	(5,656)
Adjustments due to change in assumptions	24,305	11,108	(36,890)	28,826	(1,427)
Total adjustments	**10,403**	**27,077**	**(1,302)**	**(39,937)**	**(7,083)**

28. Share-based payments

According to the Long Term Incentive Plan (LTIP) eligible employees can, on a voluntary basis, elect to invest part of their individual annual incentive in Wavin shares. The investment is limited to 50% of the individual's gross annual incentive. The minimum investment, if an employee elects to invest, is set at 10% of the gross annual incentive.
The employee 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. Only employees who participated and remain in service during the vesting period of 3 years will become entitled to receive the matching shares.

The total number of performance options to be granted is dependent on the realisation of an Ebitda growth realised during the four years vesting period and the number of employees that is still employed at the time of vesting.
Only employees who participated and remain in service during the vesting period of 4 years will become entitled to receive the performance options. The purchased shares and the matching shares are subject to a mandatory lock-up period of five years following the date of grant. In 2011 eligible employees purchased 30,773 shares (2010: 31,410 shares) resulting in a future grant of 15,395 matching shares and a maximum of 92,319 performance options.

The terms and conditions relating to the grants of the Long Term Incentive Plan are as follows:

	NUMBER OF INSTRUMENTS GRANTED	VESTING CONDITIONS	YEAR OF VESTING	YEAR OF EXPIRY (OPTIONS) / HOLDING PERIOD (SHARES)
Conditional performance options granted in 2008	104,897	4 years' service and Ebitda growth target	2012	2015
Conditional performance options granted in 2009	96,456	4 years' service and Ebitda growth target	2013	2016
Conditional performance options granted in 2010	94,104	4 years' service and Ebitda growth target	2014	2017
Conditional performance options granted in 2011	92,319	4 years' service and Ebitda growth target	2015	2018
Total performance options*	**387,776**			
Conditional matching shares granted in 2009	16,095	3 years' service	2012	2014
Conditional matching shares granted in 2010	15,705	3 years' service	2013	2015
Conditional matching shares granted in 2011	15,395	3 years' service	2014	2016
Total conditional shares	**47,195**			

* At 15% or more average annual Ebitda growth over the years 2008 up to and including 2011, over the years 2009 up to and including 2012, over the years 2010 up to and including 2013 resp over the years 2011 up to and including 2014 the maximum number of performance options will be granted.

The number of the granted shares and options are as follows:

	2011			2010		
	WEIGHTED AVERAGE EXERCISE PRICE (€)	NUMBER OF PERFOR-MANCE OPTIONS	NUMBER OF MATCHING SHARES	WEIGHTED AVERAGE EXERCISE PRICE (€)*	NUMBER OF PERFOR-MANCE OPTIONS	NUMBER OF MATCHING SHARES
Outstanding at 1 January	14.09	283,300	47,246	1.93	1,529,880	254,980
Granted during the period		92,319	15,395		752,445	125,429
Vested during the period		–	(15,876)		–	–
Forfeited during the period		(26,215)	(3,069)		(57,996)	(9,666)
Effect of reverse stock split		–	–		(1,941,029)	(323,497)
Outstanding at 31 December	**13.05**	**349,404**	**43,696**	14.09	283,300	47,246
Exercisable at 31 December	**–**	**–**	**–**	–	–	–

* Weighted average exercise price per 31 December 2010 is affected by the reverse stock split and granted options in 2010.

The fair value of the matching shares is determined using the Black-Scholes model. 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 is determined using a binominal tree valuation methodology.

The input used in the measurement of the fair values at grant date of the Long Term Incentive Plan is as follows:

(€ × 1.– unless other wise stated)	2011	2010	2009	2008
Fair value of matching shares at grant date*	10.73	11.04	4.80	20.08
Fair value performance option at grant date*	4.25	3.60	1.20	5.12
Share price at grant date*	10.83	11.20	6.16	24.05
Exercise price at grant date*	10.83	11.20	6.40	23.76
Expected volatility (weighted average %)	42%	40%	40%	35%
Option life (expected weighted average in years)	5.70	5.76	6.17	5.83
Expected dividends	0.05	0.03	0.14	0.46
Risk-free interest rate (% based on government bonds)	3.14%	2.93%	3.28%	3.70%

* The values and price for the years 2008-2010 have been adjusted for comparison reason to reflect the effect of the rights issue in 2009 and reverse stock split in 2010.

The effect of forfeitures is remeasured at each reporting date and at settlement date.

The expenses related to the Long Term Incentive Plan can be summarised as follows:

(€ x 1,000)	2011	2010
Expense arising from shares granted in 2008	43	75
Expense arising from shares granted in 2009	22	22
Expense arising from shares granted in 2010	51	41
Expense arising from options granted in 2010	45	44
Expense arising from shares granted in 2011	39	–
Expense arising from options granted in 2011	52	–
Total expense recognised as personnel costs	**252**	182
Total unrecognised value of liability for vested benefits	**–**	–

As options granted in 2008 and 2009 are not expected to meet the vesting conditions no expenses are taken into account.

29. Provisions

(€ x 1,000)	WARRANTY	RESTRUC-TURING	TAX PROVISIONS	OTHER PROVISIONS	TOTAL
Balance at 1 January 2011	**3,544**	**4,242**	**8,670**	**9,846**	**26,302**
Divestments	(27)	–	–	–	(27)
Provisions made during the year	2,591	3,377	2,346	422	8,736
Provisions used during the year	(1,971)	(3,609)	–	(962)	(6,542)
Provisions reversed during the year	(940)	(61)	(6,812)	(452)	(8,265)
Effect of movements in foreign exchange	(11)	(8)	(204)	(66)	(289)
Balance at 31 December 2011	**3,186**	**3,941**	**4,000**	**8,788**	**19,915**
Non-current	991	204	4,000	6,195	11,390
Current	2,195	3,737	–	2,593	8,525

Warranty

For products 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 liabilities over the next two years.

Restructuring

In 2011 restructuring provisions were made for smaller restructurings in Germany, Belgium and Turkey and the closure of our activities in Spain. It is expected that these restructurings will largely be completed within one year from the balance sheet date.

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 four years.

Other provisions

The other provisions per 31 December 2011 mainly consist of provisions for the obligation to take back returnable packaging in Germany (€ 3.1 million), quarry restoration obligations related to the clay activities in the UK (€ 2.3 million) and environmental commitments at the Dutch production site (€ 1.1 million). The majority of the cash outflows related to other provisions are expected to be within one to five years.

30. Other non-current liabilities

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

(€ x 1,000)	2011	2010
Interest instruments	11,678	6,746
Deferred government grants	25	38
Other non-current liabilities	239	377
Total other non-current liabilities	**11,942**	**7,161**

Despite a one year shorter duration, the carrying value of financial instruments has increased substantially due to decreasing interest rates on the capital market.

31. Trade and other payables

(€ x 1,000)	2011	2010
Trade payables	260,755	249,919
Non-trade payables and accrued expenses	62,581	58,410
Interest instruments	–	7,208
Amounts payable to associates	758	1,045
Total trade and other payables	**324,094**	**316,582**

Trade payables increased due to higher activity levels and higher raw material prices.

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

32. Operating leases

Non-cancellable operating leases are payable as follows:

(€ x 1,000)	2011	2010
Less than one year	15,927	16,072
Between one and five years	34,309	30,720
More than five years	17,647	13,591
Total	**67,883**	**60,383**

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. Some leases provide for additional rent payments that are based on changes in a local price index.

During the year ended 31 December 2011 € 19.0 million was recognised as an expense in the income statement in respect of operating leases and rental costs (2010: € 19.1 million).

33. Capital commitments

With respect to the purchase of investment goods, per 31 December 2011 obligations have been entered into and orders have been placed to a value of € 8.1 million (2010: € 8.5 million).

34. Contingent liabilities

At 31 December 2011 bank guarantees issued mainly for bid bonds and performance bonds amount to approximately € 1.1 million (2010: € 4.9 million). Per 31 December 2011 letters of credit were issued for an amount of € 14.1 million (2010: € 8.9 million).

In December 2011 the Hungarian Competition Authority started an investigation of Hungarian pipe producers suspected of forming a price fixing cartel. We are co-operating actively with the authorities, providing any information required and have no reason to believe that the Group violated anti-trust rules.

The Group is defending its position in different procedures brought up by employees, suppliers and/or customers in different countries in Europe. We are also involved in disputes with tax authorities in several jurisdictions. While the outcome of these claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in any one accounting period.

For drawings under the Forward Start Facility of € 475 million the Group has provided lenders securities consisting of mortgages on real estate, pledges on receivables, inventories and bank accounts for a total amount of € 401.3 million. For an amount of € 302.9 million shares in subsidiaries have been pledged. The leverage ratio should not be below a certain level whereas the interest coverage should at least meet a certain level (for details we refer to note 26). The Group must assure that the aggregate tangible assets and the aggregate Ebitda of the identified guarantors represent at least 70% of the consolidated tangible assets and the consolidated Ebitda of the Wavin Group.

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. for the income tax, VAT and tax on wages. Wavin N.V. is severally liable for the tax debts of the fiscal unity.

35. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries and associates (see overview principal direct and indirect participations). During 2011 there was a related party relationship 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 Plastics Pension Scheme, Hepworth Building Products Pension Scheme, Wavin Ireland Pension Scheme, Wavin Ireland Executive Pension Scheme and Stichting Pensioenfonds Owase (for details we refer to note 27). Finally, a related party relationship exists with the Supervisory Board members and Management Board members (for details we refer to note J of the Company Financial Statements).

Other related party transactions

During the year ended 31 December 2011, we did not sell any goods to associates (2010: nil). Sales of associates to the Group amounted to € 11.0 million (2010: € 12.4 million). At 31 December 2011 the Group owed associates € 0.7 million (2010: € 1.0 million). For details regarding outstanding receivables and liabilities we refer to notes 23 and 31. During the year ended 31 December 2011 the Group received € 2.3 million dividend from associates (2010: € 3.1 million).

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 aggregate basis. The transactions were conducted at arm’s length with terms comparable to transactions with third parties.

36. Transactions with key management and remuneration

The members of the Supervisory Board and Management Board are considered to be key management. In 2011, there have been no transactions with key management or any family member of key management except for some members of the Supervisory Board and Management Board in their capacity as shareholders. All transactions were conducted at arm’s length principle.

No loans or guarantees have been provided to key management or any family member of such persons. Members of the Management Board are entitled to equity compensation benefits (for details reference is made to note 28). Members of the Supervisory Board are not entitled to equity compensation benefits.

For details about the remuneration of key management we refer to note J of the Company Financial Statements.

37. Group companies

The Group’s ultimate parent company is Wavin N.V. Please refer to the list of principal direct and indirect participations.

38. Subsequent events

Extend and amendment existing financing facility

In January 2012 Wavin agreed with its lending banks to extend and amend its existing financing facility. The amended syndicated arrangement amounts to € 440 million and will mature in April 2015. The € 440 million facility consists of a € 220 million Bullet Term Facility and a € 220 million Revolving Credit Facility. Covenant levels have been relaxed, whilst conditions and margins remain unchanged to the existing facility. Maturity has been extended with two years to April 2015. For further details we refer to note 26.

Sale of geocomposite drainage activities in France

In January 2012 Wavin agreed to sell its geocomposite drainage activities in France to RYB, a French provider of polyethylene (PE) pipe systems. With these activities Wavin realised revenues of approx. € 5 million.

Cash public offer on Wavin ordinary shares

On 8 February 2012 Mexichem S.A.B. de C.V. (Mexichem) and Wavin announced that Mexichem intends to make a cash offer of € 10.50 per Wavin ordinary share. The Management and Supervisory Board of Wavin support and recommend the intended offer under the current circumstances. The commencement of the offer is subject to the satisfaction or waiver of certain pre-offer conditions customary for transactions of this kind, such as (i) completion of the notification procedures pursuant to the Dutch Merger Code (SER-besluit Fusiegedragsregels 2000), (ii) completion of all actions necessary to consult Wavin's central works council and the European works council, (iii) no revocation of the recommendation by Wavin's Board of Management or Supervisory Board, (iv) Mexichem and Wavin having reached agreement on the contents of the offer memorandum and which is subsequently approved by the AFM, (v) no competing offer having been made, (vi) no order, stay judgment or decree restraining, prohibiting or delaying the transaction, (vii) no preference shares having been issued by Wavin, (viii) no material breach of the merger protocol and (ix) no material adverse effect having occurred. The material adverse effect clause may also be invoked in the event of a breach of the warranties given by Wavin if such breach results in a payment obligation in excess of € 25 million.

When made, the consummation of the offer will be subject to the satisfaction or waiver of certain offer conditions customary for transactions of this kind, such as (i) relevant antitrust clearance for the offer, (ii) a minimum acceptance of 80% of the Wavin shares on a fully diluted basis, (iii) no revocation of the recommendation by Wavin's Board of Management and Supervisory Board, (iv) no competing offer having been made, (v) no preference shares having been issued by Wavin (vi) no order, stay judgment or decree restraining, prohibiting or delaying the transaction, (vii) no material breach of the merger protocol, (viii) approval of Transaction at a Mexichem EGM and (ix) no material adverse effect having occurred. Wavin and Mexichem may terminate the conditional agreement in the event that a bona fide third-party offer or makes an offer which is, a more beneficial offer than the Offer, which is binding upon such party and (i) exceeds the Offer Price by 10% and (ii) includes non-financial commitments which are similar to those agreed upon in the merger protocol (a "Competing Offer"). In the event of a Competing Offer, Mexichem will be given the opportunity to revise its Offer. If this revised Offer by Mexichem is at least equally beneficial to the Competing Offer, Wavin may not terminate the conditional agreement with Mexichem. The same is true for any subsequent Competing Offer. If Wavin terminates the agreement in the event a third party offer has been declared unconditional with at least 50% of the Shares plus one Share having been tendered and provided that such third party has offered an offer price per Share that exceeds the Offer Price by at least 3%, Mexichem is entitled to a break fee amounting to € 8 million. The same break fee applies if the Management and Supervisory Boards revoke their recommendation.

In the event that the public offer of Mexichem is accepted there will be a so called change of control. Due to this change of control, specific contractual clauses will become effective in some cases, which could materially affect our consolidated financial position, consolidated results and/or affect our consolidated cash flows. The following contractual obligations could have a material effect on Wavin in case of change of control:

- The extended and amended financing facility including the related interest rate swaps will be immediately due and payable.
- The 60% shareholder of our associate GF Wavin AG will have the option to purchase our 40% stake against the market value to be established.
- The minority shareholder in our subsidiary MPC Sp.z.o.o. will have the option to sell its stake against the market value to be established.

We believe, based upon legal advice and information received, that the impact of other change of control clauses in contracts will not materially affect our consolidated financial position, consolidated results and or consolidated cash flows.

Based on the Long Term Incentive Plan rules, the Management Board (and the Supervisory Board for grants and awards made to members of the Management Board) has the discretionary authority upon a change of control to (i) provide for an exchange of each outstanding Purchased Share, Matching Share and Performance Option or (ii) take other reasonable steps it considers appropriate.

Announced restructuring

Early 2012 Wavin UK announced a restructuring plan leading to a headcount reduction of approximately 80 people in the back-office. In other operating companies in continental Europe, Wavin will reduce headcount with 70 people.

company balance sheet

As at 31 December (€ x 1,000)	NOTE	2011	2010
Assets			
Intangible assets	B	92,944	94,865
Investments in subsidiaries	C	468,709	297,768
Deferred tax assets	D	2,790	3,021
Total non-current assets		564,443	395,654
Trade and other receivables		900	243
Income tax receivable		603	2,038
Cash and cash equivalents	E	20,511	203,956
Total current assets		22,014	206,237
Total assets		**586,457**	**601,891**
Equity			
Issued capital	F	20,313	20,313
Share premium	F	422,847	422,847
Reserves	F	(26,012)	(13,786)
Retained earnings	F	156,032	141,384
Total equity		**573,180**	**570,758**
Liabilities			
Interest-bearing loans and borrowings		–	15,000
Other non-current liabilities	G	11,159	6,747
Total non-current liabilities		11,159	21,747
Bank overdrafts		–	265
Trade and other payables		2,118	9,121
Total current liabilities		2,118	9,386
Total liabilities		**13,277**	**31,133**
Total equity and liabilities		**586,457**	**601,891**

The notes on page 155 to 163 are an integral part of the Company Financial Statements.

company income statement

For the year ended 31 December (€ x 1,000)	NOTE	2011	2010
Net income from subsidiaries and associates	H	18,169	11,860
Other net income		(1,036)	(6,035)
Profit for the period		**17,133**	**5,825**

The notes on page 155 to 163 are an integral part of the Company Financial Statements.

notes to the company financial statements

A. General

The 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.

The Company Financial Statements of Wavin N.V. have been prepared using the option of section 362 of Book 2 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the consolidated 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 prescribed in the significant accounting policies.

Subsidiaries of Wavin N.V. are accounted for at net equity value.

As the financial data of Wavin N.V. are included in the consolidated financial statements, the income statement of Wavin N.V. is condensed in conformity with section 402 of Book 2 of the Dutch Civil Code.

B. Intangible assets

(€ x 1,000)	Goodwill
Cost	
Balance at 1 January 2010	96,005
Effect of movements in exchange rates	1,540
Balance at 31 December 2010	97,545
Balance at 1 January 2011	97,545
Effect of movements in exchange rates	(1,921)
Balance at 31 December 2011	95,624
Impairment	
Balance at 1 January 2010	(2,680)
Balance at 31 December 2010	(2,680)
Balance at 1 January 2011	(2,680)
Balance at 31 December 2011	(2,680)
Carrying amounts	
At 1 January 2010	93,325
At 31 December 2010	94,865
At 1 January 2011	94,865
At 31 December 2011	92,944

The goodwill fully relates to the acquisition of the shares of Beheermaatschappij Wavin B.V. by Wavin Holdings B.V. in 2005. For details we refer to note 18 of the Group Financial Statements.

C. Investments in subsidiaries

(€ x 1,000)	2011	2010
Balance at 1 January	297,768	275,035
Profit for the period	18,169	11,860
Currency differences	(12,296)	10,458
Capital increase	165,000	–
Other movements	68	415
Balance at 31 December	**468,709**	**297,768**

Wavin N.V. has increased the capital of Wavin B.V. with € 165.0 million. The other movements relate to fair value adjustments of interest rate swaps included directly in equity of operating companies.

D. Deferred tax assets

The deferred tax asset fully relates to the fair value of financial instruments.

E. Cash and cash equivalents

The cash and cash equivalents are included in the notional cash pool system. These assets were on demand available per 31 December.

F. Shareholders' equity

(€ x 1,000)	NOTE	ISSUED CAPITAL	SHARE PREMIUM	LEGAL AND STATUTORY RESERVE	TRANSLATION RESERVE	HEDGING RESERVE	RETAINED EARNINGS	TOTAL
Balance at 1 January 2010		20,313	422,847	9,454	(24,720)	(10,705)	134,464	551,653
Profit (loss) for the period		–	–	2,196	–	–	3,629	5,825
Other comprehensive income								
Exchange rate differences on translating foreign operations		–	–	–	12,041	(46)	–	11,995
Fair value changes cash flow hedges, net of tax	30, 31	–	–	–	–	1,529	–	1,529
Reclassification		–	–	(460)	–	–	460	–
Total comprehensive income (expense) for the period		–	–	1,736	12,041	1,483	4,089	19,349
Contributions by and distributions to owners								
Treasury shares purchased		–	–	–	–	–	(777)	(777)
Treasury shares issued		–	–	–	–	–	351	351
Long term incentive plan		–	–	–	–	–	182	182
Dividends received from associates		–	–	(3,075)	–	–	3,075	–
Transactions with owners, recorded directly in equity		–	–	(3,075)	–	–	2,831	(244)
Balance at 31 December 2010		20,313	422,847	8,115	(12,679)	(9,222)	141,384	570,758
Balance at 1 January 2011		20,313	422,847	8,115	(12,679)	(9,222)	141,384	570,758
Profit (loss) for the period		–	–	2,439	–	–	14,494	17,133
Other comprehensive income								
Exchange rate differences on translating foreign operations		–	–	–	(14,210)	(9)	–	(14,219)
Fair value changes cash flow hedges, net of tax	30, 31	–	–	–	–	473	–	473
Reclassification		–	–	1,388	–	–	(1,388)	–
Total comprehensive income (expense) for the period		–	–	3,827	(14,210)	464	13,306	3,387
Contributions by and distributions to owners								
Treasury shares purchased		–	–	–	–	–	(1,549)	(1,549)
Treasury shares issued		–	–	–	–	–	332	332
Long term incentive plan		–	–	–	–	–	252	252
Dividends received from associates		–	–	(2,307)	–	–	2,307	–
Transactions with owners, recorded directly in equity		–	–	(2,307)	–	–	1,342	(956)
Balance at 31 December 2011		**20,313**	**422,847**	**9,635**	**(26,889)**	**(8,758)**	**156,032**	**573,180**

* Presentation adjusted for comparison reasons.

Share capital and share premium

(€ x 1,000)	2011	2010
On issue at 1 January	443,160	443,160
Shares issued	–	–
Total share capital and share premium	**443,160**	**443,160**

Authorised shares

The Company holds 203,123 shares as treasury shares to cover current and future obligations under the Long Term Incentive Plan of the Company. In the year under review 30,773 shares were issued to the Management Board and senior management as part of the Long Term Incentive Plan. In addition 15,876 matching shares related to the LTIP 2008 vested in the first six months of 2011. All these shares were deducted from the treasury shares.

At 31 December 2011, the total authorised ordinary share capital exists of 88,750,000 ordinary shares with a par value of € 35.5 million. In addition to the ordinary shares the Company authorised 88,750,000 preference shares with a par value of € 0.40 per share for future issuance.

Issued shares

The total issued ordinary share capital per 31 December 2011 exists of 50,782,132 shares with a par value of € 20.3 million (2010: € 20.3 million) and a share premium of € 422.8 million (2010: € 422.8 million). Under the Long Term Incentive Plan senior and middle management acquired 30,773 shares.
In addition 15,876 matching shares related to the LTIP 2008 vested in the first six months of 2011. All the transactions under the LTIP were deducted from the treasury shares.

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 General Meeting of Shareholders. All shares rank equally with regard to the Company's residual assets. In respect of the Company's shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

The number of issued and outstanding shares can be specified as follows:

(shares × 1)	2011	2010
Issued ordinary shares at 1 January	50,782,132	50,782,132
Treasury shares at 1 January	(113,772)	(70,744)
Outstanding ordinary shares at 1 January	50,668,360	50,711,388
Effect of shares issued	46,649	31,972
Effect of shares purchased	(136,000)	(75,000)
Outstanding ordinary shares at period end	**50,579,009**	**50,668,360**
Treasury shares at 31 December	203,123	113,772
Issued shares at 31 December	**50,782,132**	**50,782,132**
Outstanding ordinary shares at reporting date (diluted)	**50,812,605**	**50,813,405**
Issued ordinary shares at reporting date (diluted)	**51,015,728**	**50,927,177**

The Company holds 203,123 shares as treasury shares to cover current and future obligations under the Long Term Incentive Plan of the Company (see note 28).

Dividends

In 2011 and 2010 no dividends were declared.
Wavin was subject to restrictions on the distribution of cash dividends under its Syndicated Loan Facility. According to the terms of these facilities Wavin may not pay any cash dividend in excess of € 0.01 on any share in our capital until 31 December 2011. Cash dividend declarations are again allowed in 2012 over the 2011 results. According to the terms of the amended syndicated facility the first 50% of the free cash flow is not available for dividend distribution. Furthermore we will be required to prepay to the syndicate of lending banks an amount equal to any cash dividend to be paid after 31 December 2011. This prepayment obligation will not apply if our leverage ratio under the Forward Start Facility is below 2.5 at the time any such cash dividend is declared.

Given the limitations to pay dividend, the Boards of Wavin have decided to add the 2011 profit attributable to shareholders to the reserves.

Share-based compensation

For details regarding the applicable Long Term Incentive Plans we refer to note 28. The expenses as included in the income statement in 2011 for the Long Term Incentive Plan amounted to € 0.3 million (2010: € 0.2 million). The granted shares and options can be summarised as follows:

Serie	OUTSTANDING AT 1 JANUARY 2011	GRANTED / (VESTED)	MARKET VALUE AT GRANT DATE	OUTSTANDING AT 31 DECEMBER 2011	MARKET VALUE AT 31 DECEMBER 2011	VESTING DATE	HOLDING PERIOD UP TO AND INCLUDING
	SHARES	SHARES	(€)	SHARES	(€)		
Conditional shares							
LTIP 2011	–	15,395	166,651	14,348	136,306	March 10, 2014	March 9, 2016
LTIP 2010	15,705	–	175,896	14,910	141,645	March 8, 2013	March 7, 2015
LTIP 2009	15,445	–	95,139	14,438	137,161	March 9, 2012	March 8, 2014
LTIP 2008	16,096	(15,876)	387,155	–	–	March 10, 2011	March 9, 2013
Total	**47,246**	**(481)**	**824,841**	**43,696**	**415,112**		

Serie	EXERCISE PRICE	OUTSTANDING AT 1 JANUARY 2011	GRANTED MAXIMUM*	OUTSTANDING AT 31 DECEMBER 2011 MAXIMUM*	MARKET VALUE AT 31 DECEMBER 2011 MAXIMUM*	VESTING DATE	EXPIRY DATE
	(€)	OPTIONS	OPTIONS	OPTIONS	(€)		
Conditional options							
LTIP 2011	10.83	–	92,319	86,088	–	March 10, 2015	March 10, 2018
LTIP 2010	11.20	94,104	–	89,460	–	March 8, 2014	March 8, 2017
LTIP 2009	6.40	92,670	–	86,628	268,547	March 9, 2013	March 9, 2016
LTIP 2008	23.76	96,526	–	87,228	–	March 10, 2012	March 10, 2015
Total		**283,300**	**92,319**	**349,404**	**268,547**		

* At 15% or more average annual Ebitda growth over the years 2008 up to and including 2011, over the years 2009 up to and including 2012, over the years 2010 up to and including 2013 resp. over the years 2011 up to and including 2014 the maximum number of performance options will be granted.

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 Foundation). 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 need 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 (page 166) and to the chapter Corporate Governance of the annual report (page 38).

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 reserves also include 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. Other non-current liabilities

The other non-current liabilities fully relate to the fair value of financial instruments.

H. Net income from subsidiaries and associates

Net income from subsidiaries and associated companies relates to Wavin N.V.'s share in earnings of its subsidiaries and associates. For further details see note C.

I. 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, title 9 Book 2 of the Dutch Civil Code). This regards all Dutch group companies.

Almost all the subsidiaries in The Netherlands form a fiscal unity with Wavin N.V. for income tax, VAT and tax on wages. Wavin N.V. is severally liable for the tax debts of the fiscal unity.

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

J. Remuneration of the Management Board and Supervisory Board

Remuneration of the Management Board

The individual service contracts of the members of the Management Board are determined by the Supervisory Board. For more details regarding decisions of the Remuneration, Appointment & Corporate Governance Committee with respect to service contracts of the Management Board we refer to page 80 of this annual report.

The remuneration of the Management Board includes salaries, performance related bonuses, emoluments and other compensations.

(€)	FIXED BASE SALARY	ANNUAL BONUS	OTHER BENEFITS	TOTAL SHORT TERM EMPLOYEE BENEFITS	POST EMPLOYMENT BENEFITS *	LONG TERM INCENTIVE PLAN	TOTAL REMUNERA-TION
2011							
Henk ten Hove	452,000	120,503	41,588	614,091	98,455	15,152	727,698
Pim Oomens	336,565	85,521	46,414	468,500	82,690	18,710	569,900
Maarten Roef	311,574	89,297	34,976	435,847	67,067	16,899	519,813
Total	**1,100,139**	**295,321**	**122,978**	**1,518,438**	**248,212**	**50,761**	**1,817,411**
2010							
Henk ten Hove	359,333	50,163	36,489	445,985	78,168	11,989	536,142
Pim Oomens	321,561	44,890	41,350	407,801	79,184	13,917	500,902
Maarten Roef	69,444	7,611	10,722	87,777	16,069	2,295	106,141
Philip Houben	466,615	65,139	51,133	582,887	200,202	13,010	796,099
Andy Taylor**	497,775	80,777	110,875	689,427	162,827	–	852,254
Total	**1,714,728**	**248,580**	**250,569**	**2,213,877**	**536,450**	**41,211**	**2,791,538**

* These benefits relate to pension contributions by the employer

** Remuneration up to and including September 2010 including the contractual entitlement of 12 months salary and benefits including incentive pay, in lieu of notice.

Philip Houben and Andy Taylor left the company in 2010.
In 2011 there were no changes in the Management Board. The nomination of Maarten Roef as board member was approved by the shareholders at the AGM of April 27 2011.

Number of conditional shares of the Management Board

	SERIES	OUTSTANDING AT 1 JANUARY 2011	GRANT / (VESTED) IN 2011	VALUE AT GRANT DATE	OUTSTANDING AT 31 DECEMBER 2011	MARKET VALUE AT 31 DECEMBER 2011	VESTING DATE UP TO	HOLDING PERIOD UP TO AND INCLUDING
		SHARES	SHARES	(€)	SHARES	(€)		
Henk ten Hove	LTIP 2011	–	1,158	12,535	1,158	11,001	March 10, 2014	March 9, 2016
Henk ten Hove	LTIP 2010	662	–	7,413	662	6,289	March 8, 2013	March 7, 2015
Henk ten Hove	LTIP 2009	1,225	–	7,824	1,225	11,638	March 9, 2012	March 8, 2014
Henk ten Hove	LTIP 2008	1,195	(1,195)	28,395	–	–	March 10, 2011	March 9, 2013
Pim Oomens	LTIP 2011	–	1,036	11,215	1,036	9,842	March 10, 2014	March 9, 2016
Pim Oomens	LTIP 2010	1,281	–	14,337	1,281	12,170	March 8, 2013	March 7, 2015
Pim Oomens	LTIP 2009	1,185	–	7,568	1,185	11,258	March 9, 2012	March 8, 2014
Pim Oomens	LTIP 2008	1,209	(1,209)	28,723	–	–	March 10, 2011	March 9, 2013
Maarten Roef	LTIP 2011	–	573	6,203	573	5,444	March 10, 2014	March 9, 2016
Maarten Roef	LTIP 2010	1,509	–	16,892	1,509	14,336	March 8, 2013	March 7, 2015
Maarten Roef	LTIP 2009	1,108	–	7,073	1,108	10,526	March 9, 2012	March 8, 2014
Maarten Roef	LTIP 2008	415	(415)	9,857	–	–	March 10, 2011	March 9, 2013
Total		**9,789**	**(52)**	**158,035**	**9,737**	**92,504**		

The conditional shares granted as part of LTIP 2008 vested in 2011 at a market value of € 11.00 being the closing rate of March 9 2011.

Number of conditional options of the Management Board

	SERIES	EXERCISE PRICE	OUTSTANDING AT 1 JANUARY 2011	GRANTED 2011 (MAXIMUM)*	OUTSTANDING AT 31 DECEMBER 2011 (MAXIMUM)*	MARKET VALUE AT 31 DECEMBER 2011 (MAXIMUM)	VESTING DATE	EXPIRY DATE
		(€)	OPTIONS	OPTIONS	OPTIONS	(€)		
Henk ten Hove	LTIP 2011	10.83	–	6,948	6,948	–	March 10, 2015	March 10, 2018
Henk ten Hove	LTIP 2010	11.20	3,971	–	3,971	–	March 8, 2014	March 8, 2017
Henk ten Hove	LTIP 2009	6.40	7,349	–	7,349	22,782	March 9, 2013	March 9, 2016
Henk ten Hove	LTIP 2008	23.76	7,170	–	7,170	–	March 10, 2012	March 10, 2015
Pim Oomens	LTIP 2011	10.83	–	6,216	6,216	–	March 10, 2015	March 10, 2018
Pim Oomens	LTIP 2010	11.20	7,681	–	7,681	–	March 8, 2014	March 8, 2017
Pim Oomens	LTIP 2009	6.40	7,107	–	7,107	22,032	March 9, 2013	March 9, 2016
Pim Oomens	LTIP 2008	23.76	7,253	–	7,253	–	March 10, 2012	March 10, 2015
Maarten Roef	LTIP 2011	10.83	–	3,438	3,438	–	March 10, 2015	March 10, 2018
Maarten Roef	LTIP 2010	11.20	9,050	–	9,050	–	March 8, 2014	March 8, 2017
Maarten Roef	LTIP 2009	6.40	6,644	–	6,644	20,596	March 9, 2013	March 9, 2016
Maarten Roef	LTIP 2008	23.76	2,489	–	2,489	–	March 10, 2012	March 10, 2015
Total			**58,714**	**16,602**	**75,316**	**65,410**		

* The maximum number of options will be granted at 15% or more average annual Ebitda growth over the vesting period.

Remuneration of the Supervisory Board

The income statement includes the following remuneration for the Supervisory Board:

(€ x 1,000)	2011	2010
René Kottman	46	37
Brian Hill	37	37
Aad Kuiper	25	–
Rob Ruijter	37	37
Birgitta Stymne Göransson	37	37
Paul van den Hoek	23	52
Total	**205**	**200**

In 2011 there were several changes in the Supervisory Board. Paul van den Hoek stepped down as chairman of the Supervisory Board and René Kottman was appointed as his successor at the AGM of April 27 2011. Aad Kuiper has been appointed as member of the Supervisory Board at the AGM of April 27 2011.

K. 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 2011 were as follows:

	OUT-STANDING 2010	TRANS-ACTIONS 2011	VESTED MATCHING SHARES 2011	CHANGES IN THE MANAGEMENT BOARD	OUT-STANDING 2011	MARKET VALUE 31 DECEMBER 2011
	SHARES	SHARES	SHARES	SHARES	SHARES	(€)
Henk ten Hove	119,562	2,316	1,195	–	123,073	1,169,194
Pim Oomens	188,729	2,072	1,209	–	192,010	1,824,095
Maarten Roef	71,890	36,146	415	–	108,451	1,030,285
Philip Houben	244,231	–	–	(244,231)	–	–
Total	**624,412**	**40,534**	**2,819**	**(244,231)**	**423,534**	**4,023,574**

The transactions of the members of the Management Board can include the purchase of shares in relation to the Long Term Incentive Plan, as well as individual transactions.

The number of shares with unrestricted control held by the Management Board and the related market value can be specified as follows:

	2011		2010	
	SHARES	(€)	SHARES	(€)
Henk ten Hove	114,101	1,083,960	114,101	1,300,751
Pim Oomens	182,077	1,729,732	182,077	2,075,678
Maarten Roef	101,271	962,075	66,271	755,489
Philip Houben	–	–	239,825	2,734,005
Total	**397,449**	**3,775,767**	**602,274**	**6,865,923**

Shares held by the Supervisory Board

Wavin shares held by the members of the Supervisory Board as per 31 December 2011 were as follows:

	OUT-STANDING 2010	TRANS-ACTIONS 2011	CHANGES IN THE SUPERVISORY BOARD	OUT-STANDING 2011	MARKET VALUE 31 DECEMBER 2011
	SHARES	SHARES	SHARES	SHARES	(€)
Paul van den Hoek	33,839	–	(33,839)	–	–
Brian Hill	16,922	–	–	16,922	160,759
Total	**50,761**	**–**	**(33,839)**	**16,922**	**160,759**

The number of shares with unrestricted control held by members of the Supervisory Board and the related market value per 31 December can be specified as follows:

	2011		2010	
	SHARES	(€)	SHARES	(€)
Paul van den Hoek	–	–	33,839	385,765
Brian Hill	16,922	160,759	16,922	192,911
Total	**16,922**	**160,759**	**50,761**	**578,676**

L. Auditors remuneration

The fees for the audit of the annual report due to the Company's external auditor, PricewaterhouseCoopers Accountants N.V. in The Netherlands, and other PricewaterhouseCoopers member firms amounted to € 0.5 million for 2011 (2010: € 0.4 million).

The fees as included under administration and general expenses in the income statement can be specified as follows:

(€ x 1,000)			2011			2010
	PWC ACCOUNTANTS N.V.	OTHER PWC NETWORK	TOTAL PWC NETWORK	PWC ACCOUNTANTS N.V.	OTHER PWC NETWORK	TOTAL PWC NETWORK
Audit of the annual report	149	317	466	148	255	403
Other audit assignments	13	220	233	–	221	221
Tax services	-	144	144	–	111	111
Other non-audit activities	62	357	419	72	61	133
Total	**224**	**1,038**	**1,262**	**220**	**648**	**868**

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, 28 February 2012

Management Board

H. ten Hove

W.H.J.C.M. Oomens

M.P.M. Roef

Supervisory Board

R.H.P.W. Kottman (Chairman)

B.G Hill (Vice-Chairman)

R.A. Ruijter

B. Stymne Göransson

A. Kuiper

other information

Wavin management

(per 31 December 2011)

Supervisory Board

René Kottman (Chairman) – Dutch (1945)
Appointed 2006, current term ends 2014

Brian Hill (Vice-Chairman) – Irish (1944)
Appointed 2005, current term ends 2013

Rob Ruijter – Dutch (1951)
Appointed 2007, current term ends 2012

Birgitta Stymne Göransson – Swedish (1957)
Appointed 2007, current term ends 2012

Aad Kuiper – Dutch (1960)
Appointed 2011, current term ends 2015

Management Board

Henk ten Hove, President & CEO – Dutch (1952)
Appointed 2010, current term ends 2014 (Member of the Management Board of the Wavin Group since 1999)

Pim Oomens, Executive Vice President & CFO – Dutch (1956)
Appointed 2004, current term ends 2014 (Member of the Management Board of the Wavin Group since 2004)

Maarten Roef, Executive Vice President – Dutch (1964)
Appointed 2011, current term ends 2015 (Member of the Management Board of the Waving Group since 2011)

For more information, please see chapter Corporate Governance on page 38.

principal direct and indirect participations

Head Office
Wavin Group
Stationsplein 3, 8011 CW
Postbus 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

Belgium
Wavin Belgium N.V., Aalter
www.wavin.be

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
Wavin Osma s.r.o., Kostelec nad Labem
www.wavin-osma.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

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

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

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

Slovak RepublicRc
Wavin Slovakia spol s.r.o., Bànovce nad Bebravou

Sweden
AB Svenska Wavin, Eskilstuna
www.wavin.se

Switzerland
Georg Fischer Wavin AG, Schaffhausen (40%)

Turkey
Pilsa A.S, Adana
www.pilsa.com.tr

United Kingdom
Wavin Ltd., Sheffield
www.wavin.co.uk
Warmafloor (GB) Ltd., Sheffield
www.warmafloor.co.uk

Ukraine
Wavin Ukrain O.O.O.T.O.V., Kiev
www.wavin.ua

100% unless stated otherwise.

The locations mentioned are the main places of business of the companies concerned.

Based on art. 363 sub 3, 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 for 2011 no dividend on ordinary shares will be distributed.

Subsequent events

For details regarding subsequent events we refer to note 38 of the Group Financial Statements.

independent auditor's report

To the General Meeting of Shareholders of Wavin N.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of Wavin N.V., Zwolle. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2011, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management Board's responsibility

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Management Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, 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 2011, and of its result and its cash flows 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 Dutch 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 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Management Board Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Management Board Report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 28 February 2012

PricewaterhouseCoopers Accountants N.V.

Originally signed by drs. P.C. Dams RA

additional information

summary of last five years

(€ x million unless otherwise stated)	2011	2010	2009	2008	2007
Consolidated balance sheet					
Property, plant & equipment	326.5	344.3	349.8	367.0	378.5
Intangible assets	484.2	488.1	485.1	480.7	505.1
Financial non-current assets	32.3	31.5	30.3	32.0	34.7
Total non-current assets	843.0	863.9	865.2	879.7	918.3
Inventories	153.2	171.9	146.0	172.1	214.1
Trade and other receivables	274.4	269.3	245.1	275.0	339.6
Cash and cash equivalents	76.6	55.8	58.6	49.0	19.5
Total current assets	504.2	497.0	449.7	496.1	573.2
Total assets	**1,347.2**	**1,360.9**	**1,314.9**	**1,375.8**	**1,491.5**
Total equity attributable to equity holders of the Company	573.2	570.7	551.7	329.0	363.2
Non-controlling interest	7.7	8.2	6.9	5.2	6.6
Total equity	**580.9**	**578.9**	**558.6**	**334.2**	**369.8**
Liabilities					
Interest-bearing loans and borrowings	287.5	295.4	285.9	501.2	515.8
Employee benefits	12.9	13.6	12.1	15.6	21.9
Provisions	11.4	17.5	14.7	13.2	16.2
Other non-current liabilities	99.1	108.3	122.1	121.6	124.0
Total non-current liabilities	410.9	434.8	434.8	651.6	677.9
Bank overdrafts	17.0	16.5	9.5	8.7	46.1
Employee benefits	0.6	0.5	2.6	3.2	2.4
Provisions	8.5	8.8	9.1	7.6	5.7
Other current liabilities	329.3	321.4	300.3	370.5	389.6
Total current liabilities	355.4	347.2	321.5	390.0	443.8
Total equity and liabilities	**1,347.2**	**1,360.9**	**1,314.9**	**1,375.8**	**1,491.5**
Balance sheet ratios					
Net capital employed	821.7	851.4	820.2	815.0	926.3
Debt to equity ratio	0.4	0.4	0.4	1.4	1.5
Key data per share					
Reported number of shares outstanding (× 1,000)	50,579	50,668	405,691	80,394	78,766
Adj. number of shares outstanding due to the reverse stock split (× 1,000)	–	–	50,782	24,736	24,122
Result attributable to equity holders of the Company	17.1	5.8	0.2	32.1	91.2
Dividend (2011 proposal) (€)	0.00	0.00	0.00	0.16	0.46
Share price at year end (€)	9.50	11.40	1.75	2.33	9.12
Adjusted share price at year end due to the reverse stock split (€)	–	–	14.00	7.59	29.72

(€ x million unless otherwise stated)	2011	2010	2009	2008	2007
Consolidated income statement					
Continuing operations					
Revenue including discontinued operations	1,327.1	1,231.3	1,159.6	1,581.2	1,618.5
Revenue discontinued operations	–	–	–	–	(3.8)
Revenue contuinuing operations	1,327.1	1,231.3	1,159.6	1,581.2	1,614.7
Cost of sales	(1,038.5)	(939.0)	(862.8)	(1.192.7)	(1.171.0)
Gross profit	288.6	292.3	296.8	388.5	443.7
Other operating expenses	(247.3)	(248.0)	(249.3)	(294.9)	(291.2)
Result from operating activities before non-recurring operational result	41.3	44.3	47.5	93.6	152.5
Non-recurring operational result	(5.8)	(6.4)	(14.6)	(10.3)	(2.7)
Result from operating activities	35.5	37.9	32.9	83.3	149.8
Net finance costs	(28.2)	(34.1)	(35.4)	(45.8)	(35.0)
Share of profit of associates	2.4	2.2	3.1	5.2	4.7
Profit on sale of associates	2.1	–	–	–	–
Profit before income tax	11.8	6.0	0.6	42.7	119.5
Income tax income (expenses)	6.2	1.1	1.2	(10.6)	(28.0)
Profit from continuing operations	18.0	7.1	1.8	32.1	91.5
Discontinued operations					
Profit (loss) from discontinued operations (net of income tax)	–	–	–	–	1.5
Profit for the period	**18.0**	**7.1**	**1.8**	**32.1**	**93.0**
Other key financials					
Ebitda	98.0	104.1	110.4	161.0	212.1
Ebit	35.5	37.9	32.9	83.3	149.8
Depreciation	46.5	47.1	50.1	54.2	51.6
Ratios continuing operations					
Cash generated from operating activities	101.1	59.3	86.5	261.9	192.7
Ebitda as percentage of revenue (%)	7.4%	8.5%	9.5%	10.2%	13.1%
Other					
Average full time equivalents (×1)	6,623	6,602	6,709	7,867	7,308
Number of employees at 31 December (×1)	5,941	6,089	6,266	6,963	6,794

glossary of terms

In this annual report definitions are as follows:

Operating profit	Total result from operating activities before interest and tax.
Like-for-like	Change in total revenue at constant currency less revenues acquired and/or divested companies in the year.
Ebitda	Operating result before depreciation, amortisation and non-recurring items.
Net investments	Investments paid less proceeds from sold property, plant & equipment 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 and current employee benefits.
Return on average Net Capital Employed	Recurring result from operating activities divided by average Net Capital Employed.
Debt / Equity ratio	Net Debt divided by Total Equity.
Interest coverage ratio	Result from operating activities before depreciation, amortisation, non-recurring restructuring expenses and non-recurring gains or losses on the sale of fixed assets, including income of associates and excluding profit attributable to non-controlling interest, divided by the net interest expenses, including all interest and other financing charges in the nature of interest.
Leverage ratio	Total net debt divided by result from operating activities before depreciation, amortisation, non-recurring restructuring expenses and non-recurring gains or losses on the sale of fixed assets, including income of associates and excluding profit attributable to non-controlling interest.
Innovation rate	Annual revenue generated for five years after the related product introduction by an operating company divided by the total revenue realised with sales of goods.
Service level	Number of complete sales orders delivered on time in full to external customers, at the agreed date with the external customer, divided by the total number of sales orders to external customers.
Greenhouse Gas Emissions	Kilogram of gasses as defined by the Kyoto Protocol that are emitted to the atmosphere and contribute to the greenhouse effect per ton of finished products produced.
Workforce	Total Full Time Equivalent (FTE) including own personnel and temporary personnel per year-end.
Headcount	Number of employees on the payroll.
Lost time incident frequency	Number of lost time incidents per million hours worked.

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