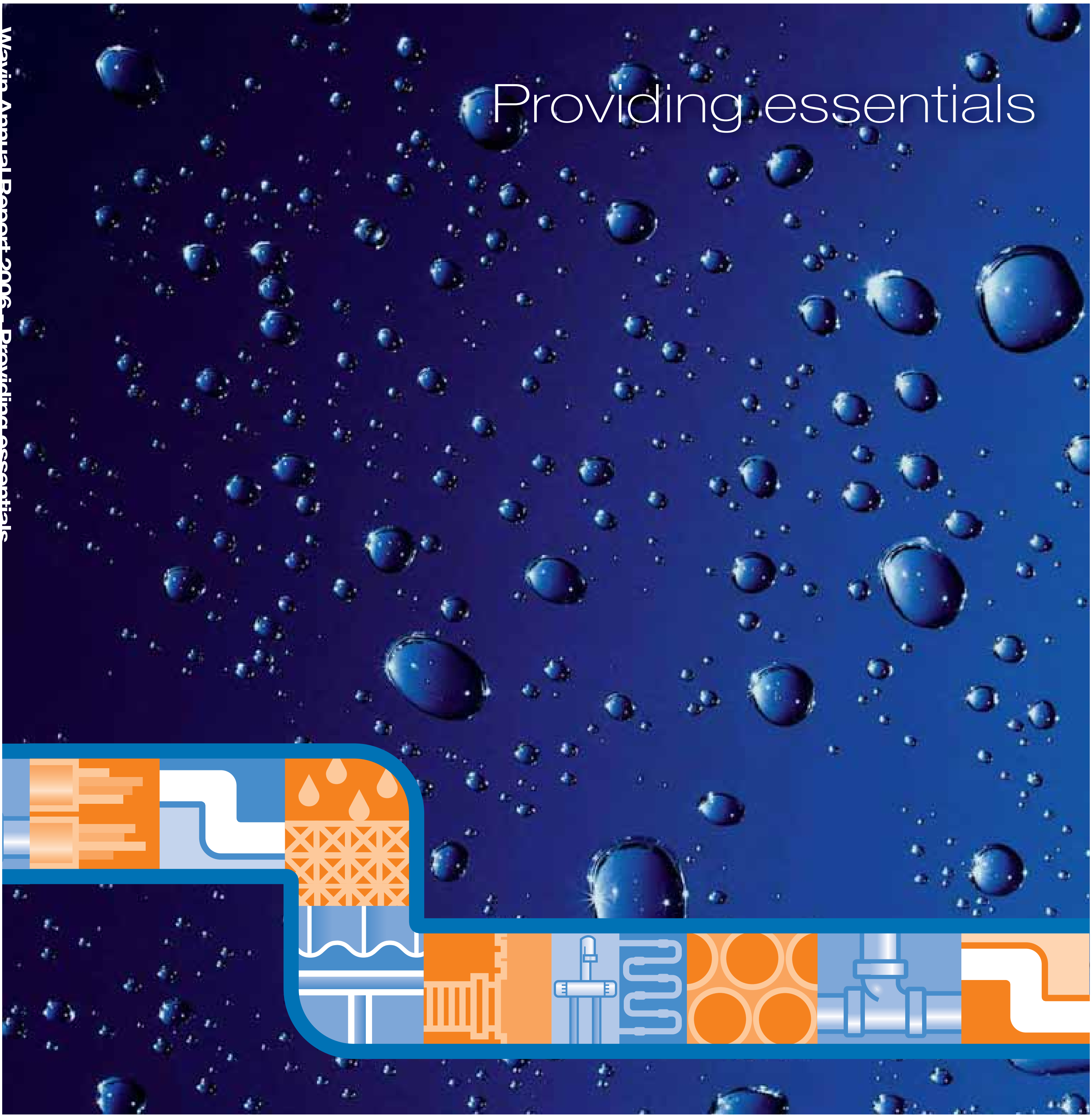
Annual Report 2006



Providing essentials

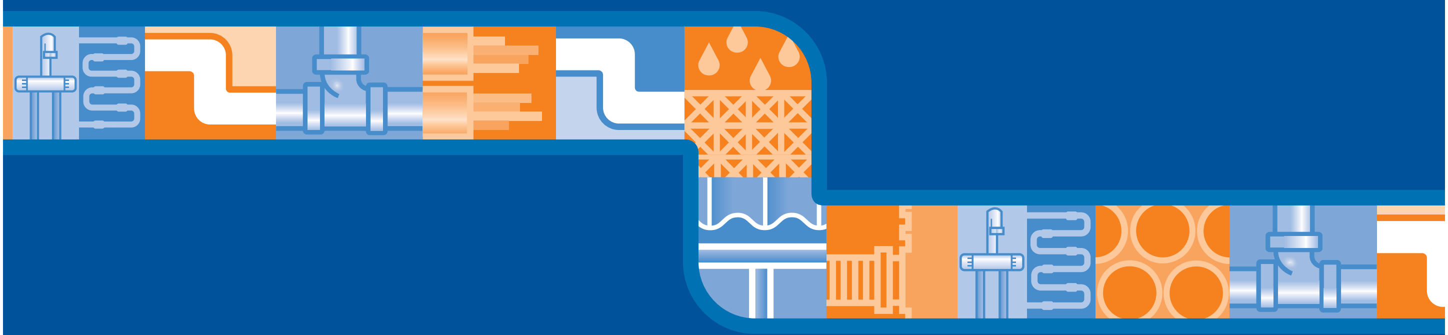
Pipe Systems & Solutions

Providing essentials

Management of scarce water resources. Availability of clean water and sanitation in every home. Optimal indoor climate control. Data connections anytime, anywhere.

Wavin brings the pipe systems and solutions that make it all possible. Wavin provides essentials everywhere through innovative and flexible systems for water supply, drainage, rain and storm water management, surface heating and cooling, soil and waste discharge, sewer, energy and telecom.

Wavin is everywhere in Europe. International and local expertise, regional manufacturing and just in time logistics are combined to deliver the very best service to customers.



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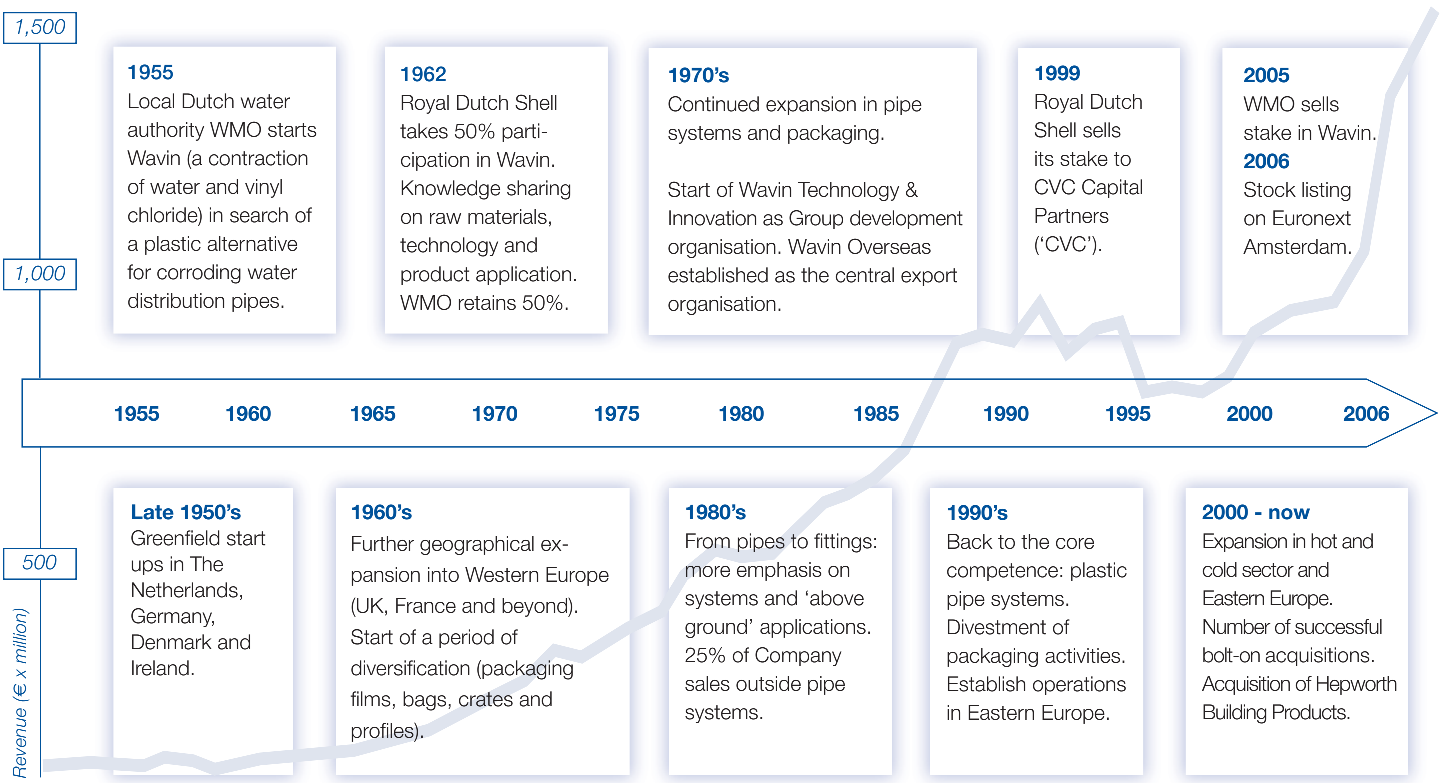
Company Profile

Vision

Wavin's goal is to be the leading European supplier of plastic pipe systems and solutions, unrivalled in geographic presence, service, innovation and product range.

Wavin history at a glance



1955
Local Dutch water authority WMO starts Wavin (a contraction of water and vinyl chloride) in search of a plastic alternative for corroding water distribution pipes.

Late 1950's
Greenfield start ups in The Netherlands, Germany, Denmark and Ireland.

1962
Royal Dutch Shell takes 50% participation in Wavin. Knowledge sharing on raw materials, technology and product application. WMO retains 50%.

1960's
Further geographical expansion into Western Europe (UK, France and beyond). Start of a period of diversification (packaging films, bags, crates and profiles).

1970's
Continued expansion in pipe systems and packaging.

Start of Wavin Technology & Innovation as Group development organisation. Wavin Overseas established as the central export organisation.

1980's
From pipes to fittings: more emphasis on systems and 'above ground' applications. 25% of Company sales outside pipe systems.

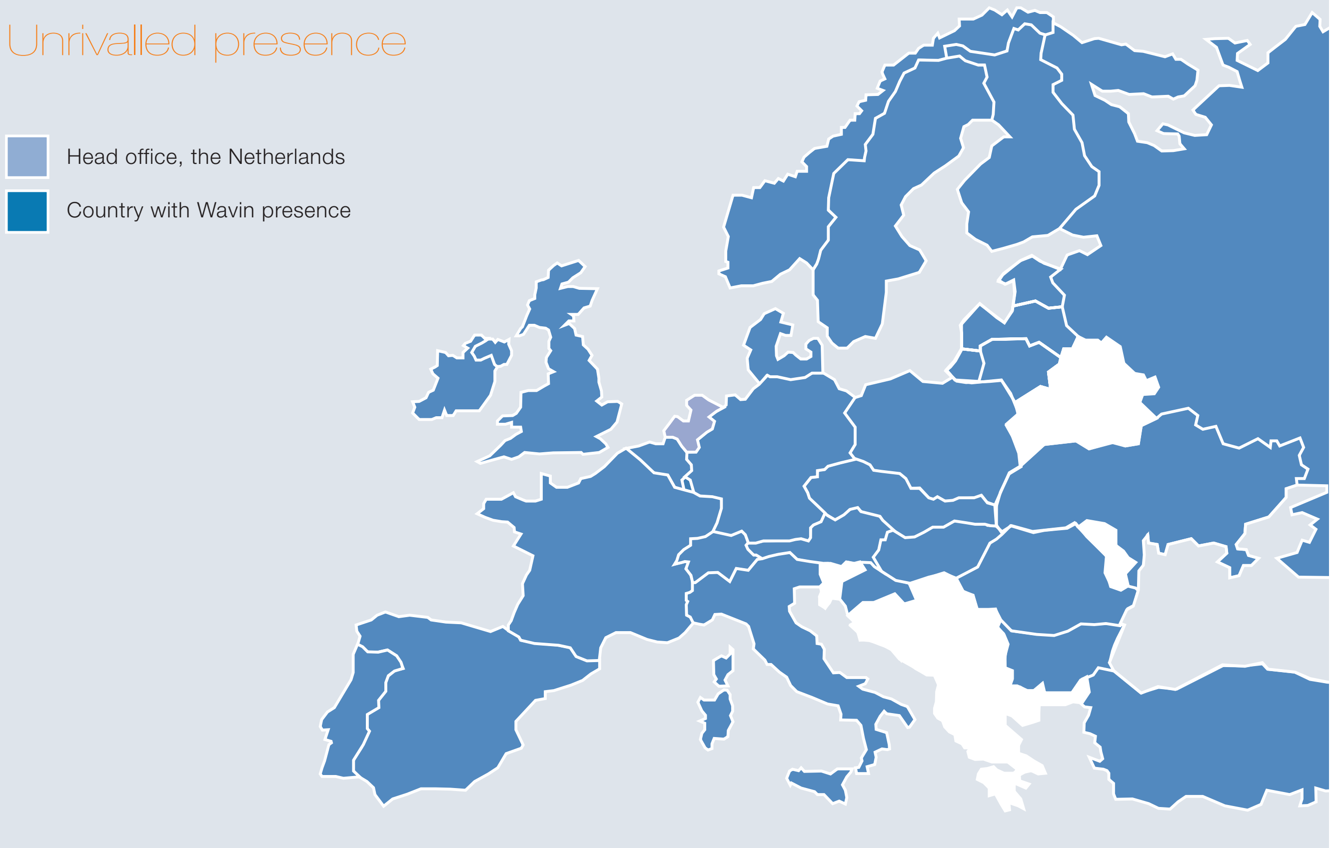
1990's
Back to the core competence: plastic pipe systems. Divestment of packaging activities. Establish operations in Eastern Europe.

1999
Royal Dutch Shell sells its stake to CVC Capital Partners ('CVC').

2005
WMO sells stake in Wavin.
2006
Stock listing on Euronext Amsterdam.

2000 - now
Expansion in hot and cold sector and Eastern Europe. Number of successful bolt-on acquisitions. Acquisition of Hepworth Building Products.

Unrivalled presence



Wavin regions	UK / Ireland	North West Europe	Nordic Europe	Central Eastern Europe	South West Europe	South East Europe
Countries	UK Ireland	Netherlands Germany Belgium Austria	Denmark Norway Sweden Finland Lithuania Estonia Latvia	Poland Czechia Russia Slovakia Ukraine	France Portugal	Italy Hungary Romania

Wavin today

- Leading supplier of plastic pipes systems in Europe
- Revenue of €1.5 billion and EBITDA of €196 million
- Employing approximately 6,700 people
- Present in 27 countries in Europe
- Covering two strategic market segments: Building & Installation and Civils & Infrastructure
- Well diversified geographic source of revenues and profit
- Strong, established relationships with key merchant groups
- Active consolidator in partially fragmented industry
- Focus on innovation

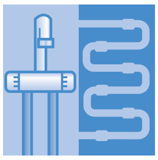
Company Profile

Company description

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

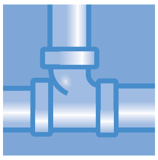
BUILDING & INSTALLATION

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



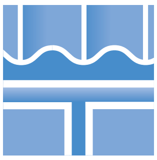
Hot & Cold

Systems (pipes, fittings, manifolds) used in residential and commercial buildings to supply hot and cold tap water, radiator connections and surface heating and cooling. Wavin's European product range includes Hep$_2$O, a flexible range of pipes and push-fit fittings, Wavin smartFIX a new fully plastic push-fit fitting, Wavin Future K1, a press-fit solution for metal/plastic pipes and Wavin Ekoplastik PPr, a fusion welded system mainly for potable water applications.



Soil & Waste

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



Other Building Systems

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

CIVILS & INFRASTRUCTURE

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

Foul Water Systems

Systems used to discharge foul water or storm water from buildings and hard surfaces to water purification plants. Wavin's European product range includes Wavin X-Stream, designed to handle the collection and disposal of foul and storm water and Wavin Tegra manholes and inspection chambers.

Water Management

Systems used to remove, attenuate and infiltrate rain and storm water. Wavin's European product range includes syphonic roof drainage systems such as Wavin QuickStream and infiltration crates and pipes such as Wavin Q-Bic, AquaCell and Azura.

Cable Ducting

Systems (micro fittings, micro ducts and corrugated pipes) used to guide and protect power lines as well as fibre-optic cables and bundles (Novonet and Novospace).

Water & Gas

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

Company Profile

Company strategy

It is Wavin's objective to be the leading supplier of plastic pipe systems and solutions in Europe. The company strives to excel in four areas that its customers find most relevant:

- Geographic presence:
  Wavin's customer and end-user base is becoming increasingly wide spread and international and the company intends to serve them wherever they are. Wavin is currently present in 27 countries and has production plants in 16 of those.

- Service:
  The company offers over 50,000 different items across Europe. Producing and delivering these to customers on time and in full is one of the key performance indicators that the company follows.

- Innovation:
  Product innovation is increasingly relevant in the construction industry. Wavin has a target innovation rate of 15% (percentage of revenue from products no older than five years) and prides itself on meeting that target.

- Product range:
  Wavin offers the widest range of plastic pipe systems in the industry and is active in above-ground systems (Building & Installation) as well as below-ground systems (Civils & Infrastructure).

In order to reach its objective, Wavin follows a strategy based on the following pillars:

Geographic expansion

Wavin was one of the first companies in the industry to move into the emerging Central and Eastern European economies at a time when these economies were still seen as risky. Wavin's leading position today in Poland, Czechia, Hungary and the Baltics is a result of its local presence, quality of products and organisation. Wavin is actively looking to expand further in Eastern Europe and has established positions in Russia, Ukraine, Romania and Bulgaria.

Product focus

Many of Wavin's customers are active in two markets: above-ground applications for building and installation as well as below-ground systems for the civils and infrastructure markets. Wavin has chosen to supply products across the whole spectrum to best service its customers. The company continuously evaluates its product portfolio on added value, growth perspective and profitability. The company targets the high growth/high margin product segments for investments in capacity and market expansion.

Continued operational improvements

Wavin continuously optimises its manufacturing footprint by rationalising locations and specialising plants. Three Group-wide initiatives further contribute to operational improvements in the areas of supply chain management, pricing and strategic sourcing. All these initiatives will be supported by the

‘Connect*IT*’ project: a five-year programme to converge all IT programmes to one common platform with a uniform data structure across all Wavin regions.

Accretive acquisitions

From 2002 to 2006, Wavin completed 11 acquisitions. With the exception of Hepworth, most of these acquisitions can be classified as bolt-on take-overs of small or medium-sized local players. Wavin has a track record of successful integrations and intends to continue this consolidation strategy while remaining selective in the pursuit of acquisition opportunities. Candidates either have complementary market positions with a distinctive product range in countries where Wavin is already present, or provide a significant entry in countries where the company has no position. All targets must bring substantial synergies and add shareholder value.

WAVIN - UNICEF PARTNERSHIP

Providing essentials for children

Wavin systems bring essentials like clean water and sanitation to people. The company and its employees realise that over one billion people in this world do not have access to clean drinking water and that even larger numbers are exposed to diseases associated with the lack of sanitation and poor hygiene. That is why Wavin partners with the children’s rights organisation UNICEF and Aqua for All, a foundation that brings organisations together to carry out water and sanitation projects in deprived areas. In 2005, to mark its 50th anniversary, Wavin enabled UNICEF to realise a project to bring fresh water and sanitation as well as hygiene education to 20,000 school children at 38 schools in Mali, Africa. Wavin’s products and know-how, combined with the local skills of UNICEF have led to good progress in the area of hygiene. The results have been so encouraging that Wavin decided to become a more structural partner of Aqua for All and UNICEF. In 2006 an additional 15 schools in the more remote areas of the Gao region in Mali were provided with clean water and sanitation. Additional plans are currently being developed for water and sanitation projects in Mali and Papua New Guinea.

Company Profile

Key figures

Consolidated key figures (€ × 1 million unless otherwise stated)		2006	2005*
Income statement			
Revenue		1,501.5	1,330.7
EBITDA[1]		196.3	163.4
Non-recurring operational result		(16.6)	(11.4)
Operating result[2]		121.3	86.5
Profit (loss) on sale of associates		39.0	-
Profit for the period before non-recurring items		47.4	37.6
Net profit		73.4	29.7
Other key financials			
Depreciation		50.8	43.7
Amortisation		10.3	21.5
Investments		50.9	53.8
Dividend		-	-
Free Operating cash flow		174.9	139.2
Balance sheet			
Total equity		299.9	10.3
Net debt		597.7	909.3
Total assets		1,464.2	1,493.2
Net capital employed		1,045.0	1,050.1
Ratios continuing operations			
EBITDA as % of revenue	%	13.1	12.3
Return on average net capital employed	%	13.7	15.1
Debt to equity ratio	ratio	2.0	-
Total equity as % of total assets	%	20.5	0.7
Key data per share			
Number of shares outstanding (year end)	× 1,000	77,650.8	64,014.4
Result attributable to equity holders of the company		71.7	28.7
Dividend	€	0.35	-
Share price at year end	€	14.80	-
Earnings per share (year end)	€	0.92	0.45
Employment			
Average number of employees	×1	7,069	6,998
Number of employees per year end	×1	6,704	6,813

* Pro forma for the full year 2005

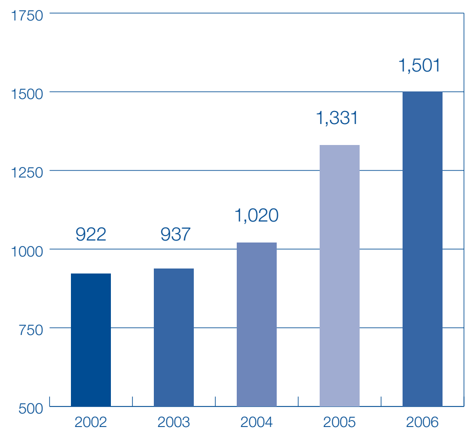
[1] All references to Ebitda reflect operating result before depreciation, amortisation and non-recurring items

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

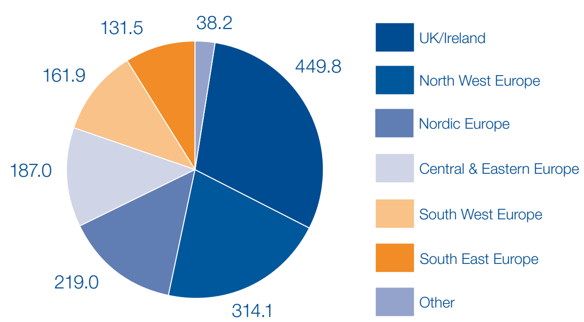
For definitions of key figures please refer to page 62

Key financial data

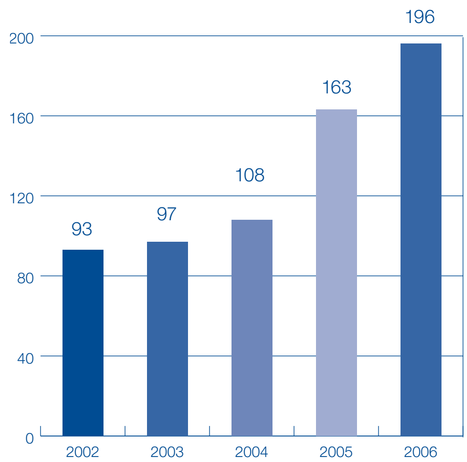
Revenue (€ x million)



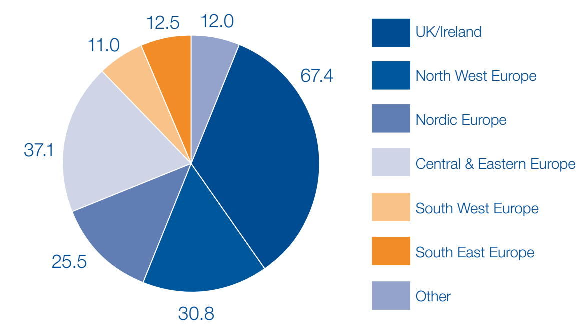
Revenue per region (€ x million)



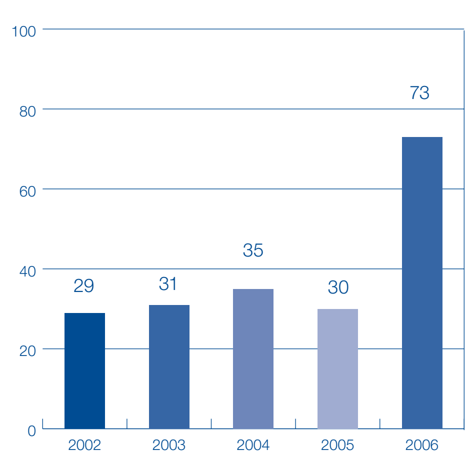
EBITDA (€ x million)



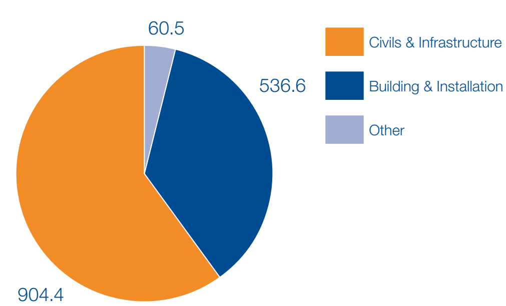
EBITDA per region (€ x million)



Net profit (€ x million)



Revenue per Strategic Business Unit (€ x million)



Statement from the CEO

This 2006 report is Wavin's first annual report as a public company. When we published our 2005 annual report in April last year, there were no indications that Wavin would finish the year as a listed company. As we had published annual reports for many years and had already adopted the principles of good corporate governance and IFRS reporting, it proved relatively easy to comply with the standards for publicly quoted enterprises.

In May 2006, when our shareholders expressed their intention to reduce their stake in the company, it was the clear preference of management to seek an Initial Public Offering (IPO). We felt that size, track record and prospects made Wavin well suited for the public market. Looking back, it is a true pleasure to see the successful outcome of the IPO and the performance of our share price since then.

All the attention for our IPO almost concealed the excellent performance of the company over the year. In 2006 Wavin realised the highest revenue, operational result and net profit in its history of over 50 years.

Top line revenue grew with 12.8% to € 1.5 billion, of which 9.5% was organic. Operating result showed an improvement of 40.2% to € 121.3 million.
Net profit included sizeable non-recurring items of € 26 million and ended at an all-time high of € 73.4 million. A first dividend of € 0.35 per share is proposed.

Overall construction activity across Europe was favourable. Market conditions were particularly advantageous in the emerging economies of Central and Eastern Europe where the company now derives more than 17% of its sales. The substitution trend from traditional materials such as copper towards plastics continued in 2006 and supported our strong growth in the Hot & Cold segment.
Wavin improved its performance in all regions and in both our business units Building & Installation and Civils & Infrastructure. We see this as clear proof that our strategy of focus on value-added products and solutions, continued expansion into attractive geographic areas and improvement of operational efficiency has paid off.

In the course of 2006 we spent considerable resources on a number of integration projects. Hepworth Building Products, our major acquisition of 2005 was further integrated into Wavin's UK operations. I am pleased to report that the projected benefits are fully on track. In 2006 we have also embarked on two other integration projects that involve closure of two smaller locations in Norway and specialisation of plants in the Benelux and Germany.

As part of our IPO the company secured a credit facility which led to a considerable reduction of debt and allowed us to continue our consolidation strategy of acquiring small and mid-size companies. We are continuously looking for potential candidates to further enhance our market position and product range. On the business development front, Wavin sold its 25% share in Iplex (Australia and New

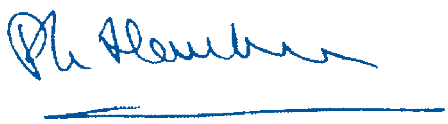
Zealand) and completed one smaller acquisition in 2006. AFA in Italy (sales of € 9.2 million) was bought to further complement our offering in the hot and cold sector in the region. In September we announced our intention to acquire the Greek pipe business of Petzetakis S.A.

In spite of the strong revenue growth, the number of people employed at year end decreased by 1.6% from 6,813 in 2005 to 6,704 in 2006, as a result of integration projects.

The quality of management and staff was one of the underlying factors behind the success of our IPO. Over the years, we have consistently invested in management development, the exchange of best practices and on-the-job training. This remains a key commitment. Group initiatives such as Strategic Sourcing, Supply Chain Management, the Pricing Academy and Connect/*T* warranted a special effort from many employees during 2006. In this exciting year the contribution of our people to all the on-going projects has made a clear difference and I applaud everyone's commitment and dedication.

Outlook for 2007

All signs point toward a continuation of favourable market conditions across Europe in 2007 albeit at a lower pace of growth than we experienced in 2006. Wavin expects to - again - outperform the growth indications of the European construction market thanks to its good market position in especially Central and Eastern Europe and the ongoing substitution trend in favour of plastics. Barring unforeseen circumstances, we foresee an organic revenue growth of 5 to 8% with Ebitda margins at least equal to the level of 2006. In 2007 the company will have significantly lower restructuring costs and financing charges than last year. Hence, in spite of the fact that 2006 net profit included significant non-recurring benefits, we expect 2007 net profit to be ahead of the previous year.



Philip Houben, CEO

Management Board Report

The year 2006 was exceptional for Wavin. The company successfully completed its Initial Public Offering (IPO) and achieved record results. Revenue increased 12.8% to € 1,501.5 million in 2006. Organic growth was a strong 9.5%.

Key figures (€ x million)	2006	2005	Change
Revenue	**1,501.5**	**1,330.7**	**12.8%**
Building & Installation	536.6	426.4	25.8%
Civils & Infrastructure	904.4	832.5	8.6%
Other	60.5	71.8	(15.7)%
EBITDA[1]	**196.3**	**163.4**	**20.1%**
Operating result[2]	**121.3**	**86.5**	**40.2%**
Net profit	**73.4**	**29.7**	**147.1%**
Net profit attributable to equity holders	**71.7**	**28.7**	**149.8%**
Earnings per share (year end)	**0.92**	**0.45**	**104.4%**
Proposed dividend per share	**0.35**	**N/A**	**N/A**

[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

Revenue in the Building & Installation Business Unit (above-ground pipe systems and solutions) grew € 110.2 million to € 536.6 million, up 25.8%. This was driven by an especially good momentum in the Hot & Cold segment. The continued substitution of copper with plastics and the brisk demand for indoor climate solutions gave a strong support to sales developments. In the Soil & Waste segment sales grew by 14.2% to € 206.1 million. Low-noise systems in particular attracted a lot of attention from the market. In the segment Other Building Systems, revenue increased by 7.2% to € 60.7 million.

In Civils & Infrastructure (below-ground pipe systems and solutions), Wavin performed solidly. Overall revenue increased to € 904.4 million, improving 8.6%. The Foul Water segment increased its revenue to € 556.8 million, up 8.0%. Revenue in the Water Management segment jumped 35.9% to € 65.6 million. Revenue in the Cable Ducting segment rose 25.2% to € 58.7 million. Revenue in the Water & Gas segment remained stable at € 223.3 million. In recent years Wavin has gradually limited its exposure in this mature market.

Ebitda was € 196.3 million, an improvement of 20.1% over 2005. Excluding the impact of acquisitions, Ebitda improved 15.2%. As a percentage of revenue, the Ebitda margin over 2006 increased from 12.3% to 13.1%. This margin improvement is a result of the above average growth in high margin regions and product segments, an improved product mix in Civils & Infrastructure and benefits from operational efficiency programmes.

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

Net profit jumped € 43.7 million to € 73.4 million. Excluding the non-recurring items net profit was € 47.4 million, an increase of 26.1% compared to 2005. The total profit attributable to equity holders of Wavin N.V. rose 149.8% to € 71.7 million. Reported earnings per share in 2006 were € 0.92, recurring earnings per share amounted to € 0.59.

At the Annual General Meeting of Shareholders on 20 April 2007, Wavin will propose a dividend of € 0.35 per share, payable at the discretion of the shareholders in stock or cash.

Market dynamics

The economic climate in Europe in 2006 was positive. All regions benefited from economic growth and positive developments in the construction markets. Wavin witnessed particularly favourable market conditions in the Central and Eastern European countries. In the UK, an important region for the company, market conditions were steady, whilst the Irish market remained strong. In North West Europe, the German construction market showed signs of recovery after many years of decline. In the Nordic region, construction activities were robust whilst the market in Southern Europe saw solid developments, especially in the building sector.

Raw material prices continued to increase. The high demand for polymers and rising commodity costs, have driven the price of plastic polymers to record levels. The market was able to absorb the additional cost pressures. The high demand for polymers was pushed by the ongoing trend for substituting traditional materials with plastic pipe systems which are easier to install and have a considerable price advantage on an installed cost basis. This trend is particularly visible in the Hot & Cold segment, where the market showed its fastest growth.

Environmental issues play an important role in the industry today. Integrated solutions for Water Management and Indoor Climate Control respond to these issues and Wavin sees rapid growth in these market segments.

COMPANY

Wavin's two Strategic Business Units, Building & Installation and Civils & Infrastructure, showed continued good organic growth. The focus on innovative product concepts and solutions contributed to a better product mix. All regions contributed to the revenue increase and result improvement. Further expansion in Eastern Europe and selective strengthening of the company's position in growth markets such as hot and cold, water management and cable ducting delivered good results. On the manufacturing side Wavin has initiated a number of operational improvement programmes. Manufacturing optimisation projects are currently being implemented successfully in three of the six regions (UK/Ireland, North West Europe and Nordic Europe). In the UK, the integration of Hepworth Building Products proceeded according to plan. As part of the integration plan, extrusion operations were transferred from the Padiham facility to Brandon and Chippenham. In North West Europe, further plant specialisation and optimisation will lead to greater efficiency in production, while back office integration will deliver further benefits. In the Nordic region, optimisation of the manufacturing footprint led to the closure of two smaller plants in order to enhance operational efficiency, reduce costs and improve commercial effectiveness.

Financial performance

RESULTS

Revenue per region (€ x million)	2006	2005	Change
UK Ireland	449.8	402.5	11.8%
North West Europe	314.1	300.0	4.7%
Nordic Europe	219.0	189.7	15.4%
Central & Eastern Europe	187.0	146.1	28.0%
South West Europe	161.9	149.3	8.4%
South East Europe	131.5	110.0	19.5%
Other	38.2	33.1	15.4%
Total Revenue	**1,501.5**	**1,330.7**	**12.8%**

Gross Profit	2006	2005	Change
Gross Profit	**409.1**	**355.8**	**15.0%**

EBITDA (1)	2006	2005	Change	Margin
UK Ireland	67.4	61.4	9.8%	15.0%
North West Europe	30.8	27.9	10.4%	9.8%
Nordic Europe	25.5	18.6	37.1%	11.6%
Central and Eastern Europe	37.1	29.4	26.2%	19.8%
South West Europe	11.0	7.1	54.9%	6.8%
South East Europe	12.5	10.5	19.0%	9.5%
Other	12.0	8.5	41.2%	
Total EBITDA (1)	**196.3**	**163.4**	**20.1%**	**13.1%**
Depreciation (2)	(47.8)	(43.7)	9.4%	
Amortisation	(10.3)	(21.5)	(52.1)%	
Non-recurring items	(16.6)	(11.4)	45.6%	
Discontinued operations	(0.3)	(0.3)	0%	
Operating result (3)	**121.3**	**86.5**	**40.2%**	

(1) All references to Ebitda reflect operating result before depreciation, amortisation and non-recurring items

(2) Depreciation excludes non-recurring depreciation/impairment charges of € 3.0 million

(3) All references to operating result include non-recurring items

Revenue per Region

Results in all geographic regions developed satisfactorily. The UK/Ireland region continued to record steady progress. The region delivered 11.8% revenue growth. In North West Europe sales growth amounted to 4.7% as a result of a further focus on value-added products. The Nordic region recorded a 15.4% increase in revenue to € 219.0 million, helped by positive market conditions. Developments in the Baltic region were particularly encouraging. Significant revenue growth was again registered in the Central and Eastern European region where revenue grew by 28.0% to € 187.0 million, partly as a result of increased sales and marketing efforts in emerging markets such as Russia and Ukraine. South West Europe delivered robust revenue growth

of 8.4% to € 161.9 million supported by further expansion in Building & Installation. In South East Europe revenue increased 19.5% to € 131.5 million due to further penetration in the building sector, the acquisition of AFA in Italy, and extended sales efforts in Romania.

The Wavin Group also includes entities such as the Group holding companies, Wavin Technology & Innovation (the central research and development company) and Wavin Overseas (the central export organisation).

Gross profit

Gross profit increased to € 409.1 million. Raw material and energy prices rose by 15-20%. Despite these increases, gross profit margin increased from 26.7% in 2005 to 27.2% in 2006.

EBITDA

Ebitda rose 20.1% to € 196.3 million. Excluding acquisition impact, Ebitda increased by 15.2%. As a percentage of revenue the Ebitda margin further improved from 12.3% to 13.1%. The main drivers behind this strong performance were above average growth in high margin regions and product segments, an improved product mix in the Civils & Infrastructure segment and benefits from operational efficiency programmes.

In all regions, Ebitda was well ahead of 2005. In the UK/Ireland, Ebitda increased by 9.8% to € 67.4 million and was mainly derived from the benefits of the Hepworth integration. The region recorded a margin of 15%. In North West Europe, the recovery of the German market significantly contributed to the margin improvement in the region to 9.8%. Ebitda grew 10.4% to € 30.8 million. This development was supported by the shift to higher margin products. Results in all countries of the Nordic region improved, supported by the favourable market conditions. Margin was 11.6% on an Ebitda of € 25.5 million. In the fast-growing Central and Eastern Europe region, improvements in the result were in line with revenue growth. The Ebitda for the region increased by 26.2% to € 37.1 million. Margin came in at 19.8%. In South West and South East Europe, Wavin saw margins improve to 6.8% and 9.5% respectively on the back of an improved product mix and recovering price levels. Ebitda was € 11.0 million in South West Europe and € 12.5 million in South East Europe.

Depreciation

Depreciation costs amounted to € 50.8 million, an increase of 16.2% against the previous year. In 2006 capital expenditures were € 50.9 million and slightly lower compared to 2005. This was mainly caused by timing differences of projects initiated in the course of 2006.

Amortisation

Amortisation costs decreased from € 21.5 million in 2005 to € 10.3 million. This decrease was mainly related to the amortisation on assets from business combinations. In 2005 the amortisation included the realisation of the order portfolio and the expiry of customer contracts.

Non-recurring items in the operating result

Non-recurring items in 2006 included exceptional costs for the integration of Hepworth in the UK and the optimisation of the manufacturing footprints in Scandinavia, the Benelux and Germany, adding up to € 10.4 million. Furthermore, certain foundations related to the Wavin Group granted € 5.1 million in shares to fund an employee share plan. Under IFRS, these costs were charged to the results but they were fully reimbursed by the foundations, resulting in a positive equity movement of € 5.1 million.

RESULTS

Results (€ x million)	2006	2005	Change
Operating result	**121.3**	**86.5**	**40.2%**
Net finance costs	(84.1)	(48.6)	73.0%
Associates	42.3	7.3	479.5%
Profit before tax	**79.5**	**45.2**	**75.9%**
Income tax expense	(6.3)	(14.3)	(55.9)%
Discontinued operations	0.2	(1.2)	
Net Profit	**73.4**	**29.7**	**147.1%**
Attributable to:			
Shareholders of Wavin N.V.	71.7	28.7	149.8%
Minority interest	1.7	1.0	70.0%
Key figures per share	**2006**	**2005**	**Change**
Earnings per share (year end)	€ 0.92	€ 0.45	104.4%
Average number of shares outstanding	67,003,192	N/A	N/A
Number of shares outstanding as per 31 December	77,650,764	64,014,400	21.3%

Net financing cost

The net financing cost in 2006 amounted to € 84.1 million. Pre-IPO financial expenses included the pre-IPO interest cost on the leveraged financing facility of € 865 million, 10% interest on a € 195 million share-holder loan, 12% dividends on preference shares as well as the non-recurring cost of € 21.4 million related to the unwinding of the pre-IPO financing structure. The unwinding of the interest instruments of the previous € 865 million senior debt facility led to a non-recurring positive contribution of € 10.8 million. Post-IPO financing expenses are mainly interest costs of drawings under the € 750 million facility.

Associates

Wavin realised a non-recurring profit on the disposal of associates of € 39.0 million. These associates were Iplex (Australia and New Zealand), Espace Real Estate S.A. and Alphavin (Switzerland). The share of profits from associates subsequently decreased to € 3.3 million.

Income tax expense

Income tax expense decreased to € 6.3 million in 2006. The reduction of the Dutch corporate income tax rate from 29.6% to 25.5% resulted in a non-recurring and non-cash reduction of deferred tax liabilities of € 11.4 million.

Net profit

Based on a strong operational performance, net profit jumped € 43.7 million to € 73.4 million. Excluding non-recurring items net profit was € 47.4 million, an increase of 26.1% compared to 2005. The total profit attributable to equity holders of Wavin N.V. rose 149.8% to € 71.7 million. Earnings per share in 2006 were € 0.92, recurring earnings per share amounted to € 0.59.

CASH FLOW

Cashflow (€ x million)	2006	2005	Change
Operating result	**121.3**	**86.5**	**40.2%**
Depreciation	50.8	43.7	16.2%
Amortisation	10.3	21.5	(52.1)%
Change in trade working capital	(4.2)	(17.1)	(75.4)%
Operating cash flow	**178.2**	**134.6**	**32.4%**
Free operating cash flow	**174.9**	**139.2**	**25.6%**
Net cash from (used in) investing activities	**4.3**	**(542.1)**	
Net cash from (used in) financing activities	**(233.3)**	**497.8**	
Net cash flow	**(54.1)**	**94.9**	
Net debt	**597.7**	**909.3**	**(34.3)%**

Operating cash flow improved € 43.6 million to € 178.2 million in the year. Net working capital was up 11.8% from last year. Measured as a percentage of revenue, trade working capital decreased from 15.3% to 15.2%. Depreciation was € 50.8 million, up € 7.1 million from 2005, whilst amortisation dropped € 11.2 to € 10.3 million. Free operating cash flow was € 174.9 million, up € 35.7 million from last year. The sale of associates had a positive cash flow impact of approximately € 73 million. Net cash from investing activities was positive € 4.3 million. Investments in capital goods amounted to € 50.9 million. The level of capital expenditures was slightly lower due to timing differences of projects initiated in the course of 2006. Net cash from financing activities included the issue of new shares for a total amount of € 150 million of which the proceeds were used for the reduction of net debt. The conversion of preference shares of € 70 million resulted in a further reduction of interest bearing loans.

A new syndicated financing facility of € 750 million with a maturity of five years replaced the pre-IPO senior debt facility of € 865 million.

Management Board Report

Net debt

Since October 2006, Wavin significantly strengthened its financial position. Interest bearing debt was reduced by issuing new shares during the IPO and converting preference shares into ordinary shares. Net debt dropped from EUR 909.3 million on 31 December 2005 to € 654 million post-IPO. Due to a strong operating cash flow in the remainder of the year, net debt reduced further to € 597.7 million at the end of 2006. The company was within the covenants as described in the credit facility. The net debt to Ebitda ratio (leverage) dropped to 3.0 at year end and the debt to equity ratio improved to 2.0.

Execution of strategy

Wavin's strategy to realise future growth and increasing profitability is based on four pillars. During 2006 the following progress was made in each area:

GEOGRAPHIC EXPANSION

2006 saw continued investment in the Eastern European operations. Wavin is already well established in almost all Eastern European countries and is a recognised brand there. Market positions in both Building & Installation and Civils & Infrastructure have further strengthened during the year. Good progress was made in Russia, with the opening of a production site to service the local market. In the Ukraine sales activities were expanded and in Romania significant steps were made in logistics to enhance Wavin's position.

ACCRETIVE ACQUISITIONS

In 2006, Wavin completed one relatively small acquisition in Italy, AFA a distributor of flexible plumbing systems. This acquisition extends the range of Hot & Cold systems in the country. In September 2006, Wavin announced its intention to acquire the Greek pipe business of Petzetakis S.A.

OPERATIONAL IMPROVEMENTS

The integration of Hepworth Building Products in the UK progressed well. It included the closure of two production plants and the transfer of production to other locations. Optimisation projects were also started in two other regions. In Scandinavia two smaller sites were closed and back office functions integrated. In North West Europe, production was shifted between sites to create one complexity plant and four specialised plants in that region.

PRODUCT FOCUS

In 2006, above average growth was achieved in the following higher margins segments: high specification systems for the soil and waste markets, fittings for hot and cold applications, water management products and customised ducts for telecom connections.

In Building & Installation, Wavin introduced smartFIX, an innovative push-fit fitting concept for the hot and cold water market. In the soil and waste market, a new range of low noise systems was launched under the brandname SiTech.

In Civils & Infrastructure the European launch of innovative product concepts for road and storm drainage (Wavin X-Stream) and the storm water management pipe systems (Wavin Twin Wall) helped increase plastics penetration. The company's focus on inlet systems for sewer applications also delivered good results. In water management, the newly introduced infiltration and retention crates and siphonic roof drainage systems were well received.

Business performance

BUILDING & INSTALLATION

Revenue (€ x million)	2006	2005	Growth	% of total revenue
Hot & Cold	269.8	189.4	42.4%	18.0%
Soil & Waste	206.1	180.4	14.2%	13.7%
Other Building Systems	60.7	56.6	7.2%	4.0%
Total B & I	**536.6**	**426.4**	**25.8%**	**35.7%**

The Building & Installation business unit (above-ground pipe systems and solutions) realised significant revenue growth of 25.8% to € 536.6 million. In this segment Wavin has a substantial market position in many European countries. The Building & Installation business unit represented 35.7% of total revenue, compared to 32.0% in 2005. The revenue development confirms the trend for the replacement of traditional materials with plastics which have a lower cost price and are easier to install. Installers and plumbers are increasingly aware of these advantages and this is reflected in their willingness to switch to plastics. Wavin offers a very broad product range that meets the different local standards across Europe.

Hot & Cold

The Hot & Cold segment is a significant growth area for Wavin, as penetration rates of plastics in this segment are still relatively low. Revenue jumped 42.4% to € 269.8 million representing 18.0% of the total Group revenue. The main market drivers are the favourable level of construction activity, metal price increases and the cost efficiency of installing plastic systems. The company offers a broad range of Hot & Cold systems and solutions, covering nearly all applicable plastic-based materials. Growth in different systems such as Metal Plastic, PPr and the Hep$_2$O range was equally strong. In the second half of the year Wavin introduced a new fully plastic push-fit system in Germany and Italy. This smartFIX system will be gradually rolled out in other countries in continental Europe.

Revenue from indoor climate control applications such as underfloor heating and ceiling cooling systems also showed robust growth. New government directives on the energy performance of buildings and the availability of high-comfort solutions in residential and commercial buildings, drive accelerated demand in this area.

Soil & Waste

Revenue in the Soil & Waste segment grew by 14.2% to € 206.1 million (13.7% of total revenue in 2006). Wavin supplies a wide range of products for in-house waste water discharge systems. These systems constitute an important part of the company's complete offering to the construction industry as they link directly to below-ground waste water pipe-installations. The Wavin AS low-noise system performed well throughout Europe, replacing cast iron alternatives; the launch of the new Wavin SiTech mid-spec low noise system in Italy and Germany was well received.

Other Building Systems

Other Building Systems, such as roof gutters and electrical conduit pipes represent 4.0% of total Group revenue or € 60.7 million. Growth was 7.2%. Wavin successfully marketed complete ranges of roof gutters and in-house electric conduits in a number of countries.

CIVILS & INFRASTRUCTURE

Revenue (€ x million)	2006	2005	Growth	% of total revenue
Foul Water Systems	556.8	515.5	8.0%	37.0%
Water Management	65.6	48.2	35.9%	4.4%
Cable Ducting	58.7	46.9	25.2%	3.9%
Water & Gas	223.3	221.9	0.6%	14.9%
Total C & I	**904.4**	**832.5**	**8.6%**	**60.2%**

The Civils & Infrastructure business unit accounted for 60.2% of total revenue in 2006. Wavin has a leading position in most European markets. Growth performance in 2006 compared to the previous year was a solid 8.6% to € 904.4 million. The fact that the plastic systems Wavin provides for this segment are durable and easy to install is widely recognised. Innovation, a wide product range, local presence, high service levels and design support tools give the company a distinct edge.

Foul Water Systems

With a solid growth of 8.0%, revenue in Foul Water Systems rose to € 556.8 million (37.0% of total Group revenue). Wavin increasingly differentiates itself through product innovation and providing of integrated solutions. European product concepts such as Tegra manholes and inspection chambers and X-Stream structured pipes for main drainage and sewer networks were successfully rolled out across several European markets.

Water Management

Total revenue from Water Management applications increased to € 65.6 million (2005: € 48.2 million), 4.4% of total revenue. Addressing environmental concerns by offering complete and innovative water management systems translated into 35.9% year on year growth in this segment in 2006.

Cable Ducting

The Cable Ducting business continued to develop strongly. In 2006, it accounted for 3.9% of total revenue, up 25.2% to € 58.7 million. The cable duct market for data communication (Last Mile Telecom) enjoyed accelerating growth in a number of European markets. There is an increasing trend for housing authorities to pre-specify the provision of fibre-optic connections to the home in urban developments throughout Europe.

Water & Gas

Wavin derived 14.9% of total Group revenue from the Water & Gas segment, down from 16.7% in 2005. Revenue remained stable at € 223.3 million. In this mature market, the company has chosen to be selective in tendering for large contracts. Wavin's strategy is to pursue growth opportunities in technically advanced product concepts that include improved features.

Management Board Report

Regional performance

UK / IRELAND (United Kingdom, Ireland)

	2006	2005	Change
Revenue	€ 449.8 million	€ 402.5 million	11.8%
EBITDA	€ 67.4 million	€ 61.4 million	9.8%
EBITDA margin	15.0%	15.3%	
Employees (year end)	2,000	2,373	(15.7)%

UK/Ireland is Wavin's largest region, representing 30.0% of revenue in 2006. In this market, where Wavin is a clear leader, the company continued to record steady progress. Wavin's focus on climate control and rainwater management contributed to the performance in the UK region over the year. The Irish economy continued to show strong growth with housing construction at a high level. The region experienced good growth in the Building & Installation business. The main contributory factor was the Hot & Cold segment where the Hep$_2$O brand benefited from improved distribution and increased substitution of copper. Sales of the underfloor heating product range developed well. The Soil & Waste segment also showed increased sales.

The focus in the Civils & Infrastructure business was on margin improvement and profitable growth in key areas such as water management, where Wavin outperformed a rapidly growing market. Margin improvement was achieved through a focus on improving the supply chain and keeping a tight rein on costs. In the UK the company also ceased manufacturing certain low-margin applications.

As part of the company's focus on strategic sourcing and optimising the supply chain, three Hepworth depots were closed. The poly-concrete channel drain manufacture was transferred from Trafford to Hazlehead and the Padiham extrusion operations to Brandon and Chippenham. In Ireland the extrusion and moulding capacity was modernised and expanded.

NORTH WEST EUROPE (The Netherlands, Germany, Belgium, Austria)

	2006	2005	Change
Revenue	€ 314.1 million	€ 300.0 million	4.7%
EBITDA	€ 30.8 million	€ 27.9 million	10.4%
EBITDA margin	9.8%	9.3%	
Employees (year end)	1,365	1,351	1.0%

20.9% of Wavin's revenue originated from the North West Europe region in 2006. Whereas the German plastic pipe industry is fragmented, the Dutch and Belgian markets are relatively concentrated. Wavin is the market leader in Civils & Infrastructure in the region and has growing market positions in Building & Installation.

For the first time in many years the German construction market showed signs of recovery. Wavin benefited from this development by focussing on value-added products.

In the Building & Installation business, the North West Region witnessed steady growth in most product segments. In the Hot & Cold segment the innovative push-fit system, smartFIX, was introduced in Germany. Important steps were also taken to further expand sales of the Tigris/Future K1 press-fit system. The demand for low-noise plastic waste discharge systems continued to drive sales of Wavin AS. With the introduction of SiTech, Wavin Germany successfully penetrated the mid-spec market for these low-noise systems.

In the Civils & Infrastructure business, the acceptance of the new Q-Bic rainwater storage and infiltration system was boosted by local authorities encouraging the disconnection of rainwater from sewer systems. Q-Bic complements Wavin's range of systems for rain and storm water solutions which also includes AquaCell and Azura. The Wavin Project Centres in this region, where Wavin experts work with clients to design the most effective solutions for their water management challenges, have proven to be a success.

As part of the further integration of the North West region, significant changes were made to the manufacturing footprint. The integration of facilities between Twist (Germany) and Hardenberg (the Netherlands) developed according to plan and resulted in specialisation and scale advantages.

NORDIC EUROPE (Denmark, Norway, Sweden, Finland, Estonia, Latvia, Lithuania)

	2006	2005	Change
Revenue	€ 219.0 million	€ 189.7 million	15.4%
EBITDA	€ 25.5 million	€ 18.6 million	37.1%
EBITDA margin	11.6%	9.8%	
Employees (year end)	880	854	3.0%

Representing 14.6% of total revenue in 2006, the Nordic region experienced continued high demand in all countries. The Baltic region benefitted from EU-funded investments in infrastructure following the accession of Estonia, Lithuania and Latvia to the European Union.

The Building & Installation business in Scandinavia showed healthy growth. The acquisition of PR Teknik in 2005 had a positive impact on he performance in the Hot & Cold segment.

In the Civils & Infrastructure business, the year saw a series of product launches. The introduction in Scandinavia of the next generation twin-wall pipes for disposal of rainwater, X-Stream, has set a new standard for the installation of road drainage and sewer systems. PE SafeTech was launched as the next generation of pressure pipe systems for the water supply sector.

Operations in the Nordic region were further optimised. A regional structure was put in place for production, supply chain, finance and administration. At the same time the manufacturing network was rationalised with the closure of two small Norwegian plants, the concentration of all injection moulding in Hammel, Denmark, and the upgrading of the Høland factory, near Oslo, to become the main factory in Norway.

CENTRAL & EASTERN EUROPE (Poland, Czechia, Russia, Slovakia, Ukraine)

	2006	2005	Change
Revenue	€ 187.0 million	€ 146.1 million	28.0%
EBITDA	€ 37.1 million	€ 29.4 million	26.2%
EBITDA margin	19.8%	20.1%	
Employees (year end)	1,172	1,061	10.5%

In the Central & Eastern Europe region Wavin continues to benefit from its first mover advantage. The company has been active in this region since the early 1990s and has built its presence through a series of strategic acquisitions. As a result the company now has a leading position in the region. Focus is on value-added products, innovation and high service levels. In 2006 the Central & Eastern Europe region represented 12.5% of Wavin's revenue.

In Building & Installation, the Polish operation extended its leadership in the Soil & Waste and Rainwater segments. The performance of Wavin's Ekoplastik systems continued to strengthen the position in the Hot & Cold segment. Business development in Russia and Ukraine is in the early stages and ambitious growth plans are in place for both markets.

The performance in the Civils & Infrastructure business was boosted by Wavin's reputation as a reliable partner in major infrastructure projects, especially in road construction. Wavin has leading positions in the sales of inspection chambers and manholes. The launch of X-Stream twin-wall pipes for disposal of storm and rainwater and new infiltration and attenuation systems will further reinforce the position as expert supplier for water management issues. In the Russian market where production was started, Wavin is increasingly seen as expert in the execution of complex, longer-term and value-added projects.

SOUTH WEST EUROPE (France, Portugal)

	2006	2005	Change
Revenue	€ 161.9 million	€ 149.3 million	8.4%
EBITDA	€ 11.0 million	€ 7.1 million	54.9%
EBITDA margin	6.8%	4.8%	
Employees (year end)	619	639	(3.1)%

The South West Europe region represents 10.8% of Wavin's revenue. In France, Wavin is one of the major players in a highly competitive plastic pipe industry. In Portugal Wavin only maintains a niche position through a local sales office.

In the Building & Installation business, Wavin saw a significant recovery in the Hot & Cold segment in France. Main growth driver in this market has been the increasing popularity of underfloor heating in combination with geothermal heat pumps.

The Civils & Infrastructure business also experienced favourable market conditions, buoyed by strong growth in sales of Tegra manhole covers and new products such as the Q-Bic water infiltration and attenuation system. One of the focus areas in this region is the supply of integrated rainwater management systems. Time and resources were invested in a training centre. Here, customers such as specifiers and designers have access to Wavin best practices.

An emerging growth area was micro-duct sales, driven by the recovery of the telecommunications market and the growing demand for local high-speed fibre-optic networks. Novotech, which is Wavin's specialised producer of cable ducts, has become a centre of excellence in the design and delivery of ducting solutions to customers throughout the Wavin network.

SOUTH EAST EUROPE (Italy, Hungary, Romania)

	2006	2005	Change
Revenue	€ 131.5 million	€ 110.0 million	19.5%
EBITDA	€ 12.5 million	€ 10.5 million	19.0%
EBITDA margin	9.5%	9.5%	
Employees (year end)	402	350	14.9%

The South East Europe region represents 8.8% of Wavin's revenue. In Italy – where Wavin is mainly active in the Building & Installation segment – contractors and builders have responded positively to the launch of the low-noise waste water system SiTech. The combination of affordability and compliance with new regulations was well received. Spearheaded by Chemidro - Wavin's centre of excellence for climate control - Wavin Italy continues to gain market share in the underfloor heating market. In April 2006 AFA Srl, the principle Italian importer of Hep$_2$O, was acquired. As a result, Wavin Italy has the full range of plastic alternatives for the Hot & Cold segment. AFA has been integrated successfully.

In Hungary, Wavin has consolidated its number one position in a difficult market environment. There has been a slow down in infrastructure investments throughout the country. The main areas of growth are public building projects and large commercial premises.

In Romania the construction sector experienced substantial growth in 2006, especially in non-residential and infrastructure projects. In the Civils & Infrastructure business, many EU-funded projects were initiated to modernise the sewer systems of major cities. In the Building & Installation business Wavin benefited from the influx of local and foreign investments into non-residential property.

OTHER

The Wavin Group also comprises entities such as the Group holding companies,Wavin Technology & Innovation, the central research and development company and Wavin Overseas.

Wavin Overseas is the central export organisation of Wavin, generating 2.4% of total revenue. It represents the company outside Europe and has a growing network of over 120 agents and licensees. They bring Wavin products and solutions to customers in Asia, Australia, Africa, Latin America, the Middle East and North America. Wavin has a production facility in Foshan, China. Technology alliances can cover individual products, specific technologies or complete ranges as well as raw material formulations, equipment design and procedures for manufacturing processes.

Wavin Overseas	2006	2005	Change
Revenue	€ 35.8 million	€ 27.3 million	31.1%
EBITDA	€ 1.2 million	€ 1.9 million	(36.8)%
EBITDA margin	3.4%	7.0%	
Employees (year end)	131	110	19.1%

Wavin Overseas also plays a role in green field start-ups inside Europe. Once these reach a certain level of maturity, they are incorporated into the Wavin regional structure. In the past years, Wavin Overseas initiated start-ups in Croatia and Bulgaria and built strong and professional sales organisations in these countries.

Corporate Governance

Corporate governance code

Wavin already embraced the principles of good corporate governance since the release of the Dutch Corporate Governance Code (the 'Code') in 2003. As part of the restructuring of various holding companies prior to the IPO, (the merger of Wavin Holding B.V. into Wavin Investments B.V. and the subsequent transformation of the company into a public company, including new Articles of Association), the Corporate Governance framework of Wavin has been amended. This resulted in adjusted regulations for the Supervisory Board and its committees, new regulations for the Management Board, a new profile for Supervisory Board members, and an updated version of the Wavin Code of Conduct. All documents are available on the corporate website: www.wavin.com.

This Corporate Governance chapter addresses the structure as it was established at the time of the listing. It will follow, wherever practical, the sequence of the best practices as set out in the Dutch Corporate Governance Code. It will also take into account the Report of the Monitoring Committee Corporate Governance Code as published on 20 December 2006.

Every substantial change in Wavin's corporate governance structure and in the observance of the Corporate Governance Code will be submitted for discussion to the General Meeting of Shareholders in a separate item on the agenda.

MAIN DEVIATIONS

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

- The company is required to draw up regulations concerning ownership of and transactions in securities by Supervisory and Management Board members (best practice provisions II.2.6 and III.7.3). Applying these provisions would impose an unduly onerous administrative burden. Instead, Wavin maintains a 'stop-list', stating securities in which trade is prohibited. This register consists of publicly listed competitors, major customers and key suppliers.

- The company deviates from best practice provision II.2.7, which provides that the maximum remuneration in the event of a dismissal of a Management Board member is one year's base salary. For such appointments in the future, the company intends to comply with best practice provision II.2.7. The company is however currently bound by the terms of the employment contracts of the present members of the Management Board, which provide severance payment conditions that may exceed the above maximum. Upon unfair dismissal, Mr. Houben

will be entitled to 12 months' total salary, Mr. Oomens will be entitled to 2 months' total salary per year of service with a maximum of 12 months and Mr. Ten Hove will be entitled to an unspecified severance payment according to Dutch labour law, except in the situation were aforementioned individuals have reached the age of 62. Mr. Taylor will be entitled to an unspecified severance payment according to English labour law.

- The Supervisory Board consists of five members, two of whom are to be considered independent within the meaning of best practice provision III.2.2 of the Code. Mr. Boughton and Mr. Voûte have each been appointed on nomination of the largest shareholder, CVC Capital Partners. The Supervisory Board values the knowledge of Mr. Boughton and Mr. Voûte particularly in financial matters. The Chairman of the Supervisory Board, Mr. Van den Hoek is a partner of Stibbe, one of the advisory firms of the company. Furthermore, as per the listing of Wavin, Mr. Van den Hoek exceeds the maximum number of five Supervisory Board memberships of Dutch listed companies. It is anticipated that this will no longer be the case in the course of 2007. The company believes that his expertise with publicly listed companies in general and his knowledge of Wavin in particular, is of significant value. Due to the above, the two committees of the Supervisory Board also exceed the allowed number of non-independent members as prescribed by best practice provision III.5.1.

Corporate Governance

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

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

- The company deviates from best practice provision V.3.1, regulating the involvement of the external auditor and the audit committee in drawing up the work schedule of the internal auditor, since Wavin does not have an internal auditor.

COMPLIANCE WITH AND ENFORCEMENT OF THE CODE

Wavin intends to discuss with and seek approval from the General Meeting of Shareholders for every substantial change in the corporate governance structure and compliance with the Code. These changes will be discussed under a separate agenda item during the aforementioned meeting.

Management Board

Composition and division of responsibilities

The Management Board currently consists of four members. As per the listing their initial appointment for an indefinite period of time has been changed to four-year contracts pursuant to best practice provision II.1.1.

Corporate Governance

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

Appointment and dismissal

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

The Articles of Association provide that the number of members of the Management Board is determined by the Supervisory Board, and consists of a minimum of one member. In view of the Corporate Governance Code, the articles of association provide that members of the Management Board are appointed for a maximum term of four years, provided, however, that unless such member of the Management Board has resigned at an earlier date, his term of office shall lapse on the day of the annual General Meeting of Shareholders to be held in the fourth year after the year of his appointment. An appointment can be renewed for a term of not more than four years at a time.

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

Approval of objectives and strategy

As is standard practice within Wavin, the Management Board has submitted to the Supervisory Board for review and approval (a) the operational and financial objectives of the Company, (b) the strategy designed to achieve the objectives and (c) the parameters to be applied for measuring performance. The operational and financial objectives of the company are laid down in the budget. The 2006 budget was presented to and approved by the Supervisory Board at its December 2005 meeting. The 2007 budget was approved at the December 2006 meeting of the Supervisory Board.

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

Internal risk management and control system

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

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

'In Control' statement

The 'In Control' statement by the Management Board, including additional information, can be found in the Risk Profile section on page 55 of this report.

Membership of external Supervisory Boards

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

Conflicts of interest

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

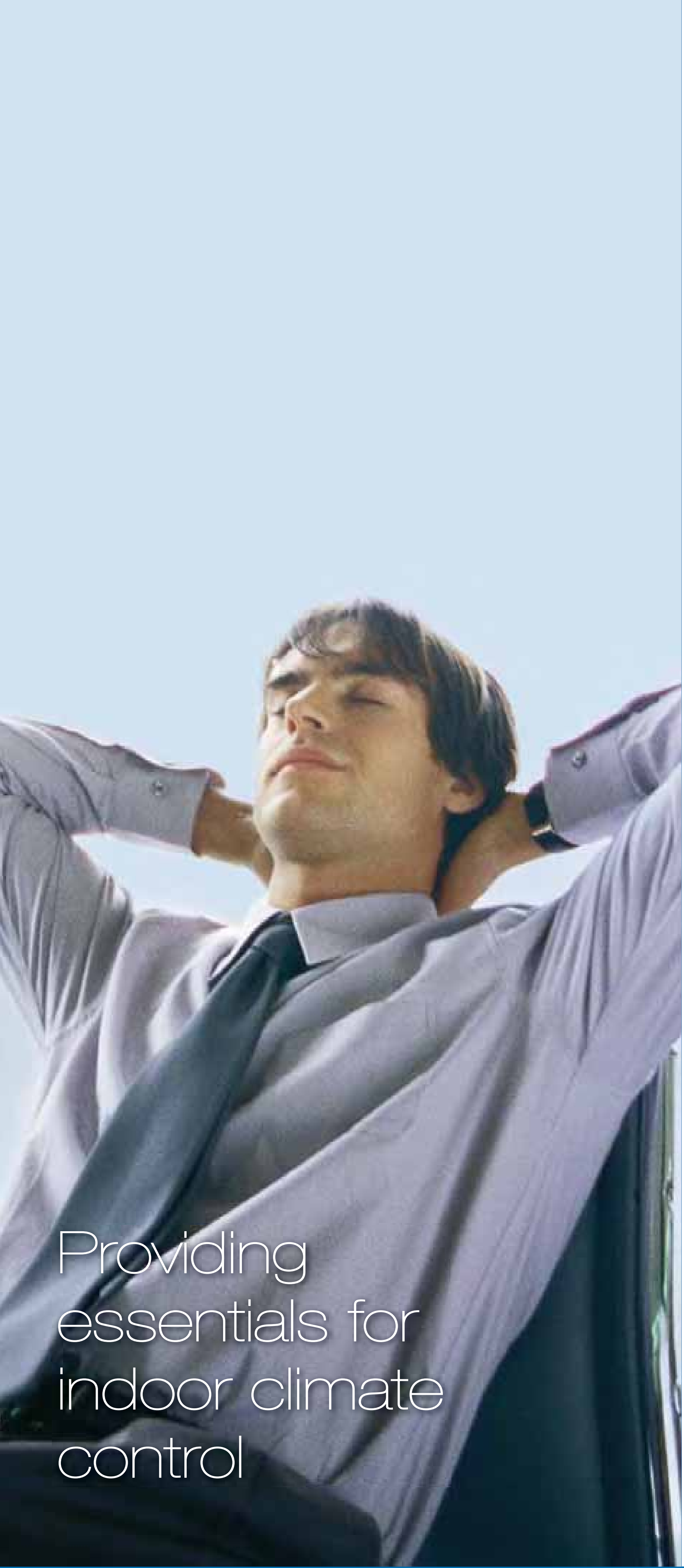
Loans or guarantees

As a matter of policy, Wavin does not extend any loans or guarantees to members of the Management Board.

Employment contracts of the Management Board

The Management Board members have employment contracts with Wavin B.V., a direct subsidiary of Wavin N.V. The employment contracts and the main conditions of employment for members of the Management Board are reviewed periodically. All Management Board members have employment contracts for an indefinite period of time, provided however, that their contract will be terminated when the respective member has reached the age of 62 (63 in case of Mr. A. Taylor). It should be noted that their indefinite appointment as a statutory director of the company has been changed into an appointment for a period of 4 years as per the listing date of Wavin N.V..

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



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

In case of unfair dismissal, Mr. Houben will be entitled to 12 months' total salary, Mr. Oomens will be entitled to 2 months' total salary per year of service with a maximum of 12 months and Mr. Ten Hove will be entitled to a severance payment according to Dutch labour law, except in the situation where aforementioned individuals have reached the age of 62. Mr. Taylor is entitled to a severance payment according to English labour law. This means that best practice provision II.2.7 of the Dutch Corporate Governance Code is deviated from (see page 31).

REMUNERATION POLICY REGARDING THE MANAGEMENT BOARD MEMBERS

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

The remuneration for the Management Board members is set by the Supervisory Board on the recommendation of the Remuneration, Appointment &

Corporate Governance

Corporate Governance Committee (RACG Committee). The remuneration policy will be on the agenda for adoption during the Annual General Meeting of Shareholders on 20 April 2007. Any future 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 complete Supervisory Board. The Supervisory Board has delegated this authority to the RACG Committee. Pursuant to this delegation of authority, and acting within the principles of the remuneration policy, the RACG Committee determines the remuneration packages for the members of the Management Board, including base salary, pension rights, annual bonus and other long-term incentive awards. The RACG Committee may take decisions which reflect special circumstances and make remuneration alterations which will be explained in the next annual report.

Objective

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

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

For 2007 the policy remains unchanged except for a minor increase of the variable pay target and the planned introduction of a new long term incentive plan. These items are covered hereafter, under relevant sections.

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

- a fixed base salary, which is reviewed annually,
- an annual incentive expressed as a percentage of the annual base salary,
- pension contributions,
- other secondary benefits: a company car, health and travel insurance, telephone and a representation allowance.

Details of the individual remuneration packages of the Management Board members over 2005 and 2006 are presented on page 108 of this report.

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

Wavin applies ensures external comparability and internal equality.

Base salary

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

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

Per January 2006 the fixed base salaries were increased between 3.7% to 5%. These increases were approved by the Supervisory Board on recommendation of the RACG Committee.

Annual Incentive

Members of the Management Board participate in an annual incentive plan that is dependent on the achievement on certain financial performance targets determined at the beginning of each calendar year. At their meeting of December 2005, the Supervisory Board approved the 2006 financial performance targets for the total Group on profit (40% weight), cash flow (30% weight), revenue growth (20% weight) and capital expenditure control (10% weight). The financial performance targets were based upon the 2006 operational plan objectives, and are not disclosed for reasons of commercial confidentiality. They account for 80% of the incentive. A further 20% depends on the achievement of certain annually defined individual objectives which are set on the recommendation by the RACG Committee.

After the closing of each financial year the RACG Committee approves the calculated outcome of actual performance versus these preset financial and individual targets. The calculated results are reviewed by Wavin's auditors. The amount of the annual incentive is then calculated and made payable after the finalisation of the audited accounts of the year in question. The RACG Committee has the right to change targets as a result of unforeseen circumstances. This has not been the case in 2006.

In 2006 the annual incentive opportunity for the Dutch Management Board members ranged from 0% to 67.5% of the annual fixed base salary, with a target of 45%. The UK-based Board member Mr. Taylor had a range of 0% to 81%, with a target of 54%. Target incentives are reached when the financial and individual performance are fully met.

In their Board meeting of December 2006, the Supervisory Board decided, on recommendation of the RACG Committee, to increase the 2007 target incentive for the Dutch Board members to 50%, with a range from 0% to 75% of the annual base salary. The reason for this increase is that relevant comparison showed that 50% is the median level in the market for positions at companies with comparable size.

At their meeting of March 2007, the RACG Committee recommended a 2006 incentive payout score of 126% because the pre-defined financial performance targets for the Group, were surpassed. Together with the appraisal of delivery on individual objectives which account for 20% of incentive targets, this has resulted in the following individual pay-out: Mr. Houben (56.7%), Mr. Oomens (55.0%), Mr. Ten Hove (55.3%) and Mr. Taylor (66.0%).

Pension

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

As applicable to all Dutch Wavin employees, the pension arrangements for the three Dutch Management Board members are based on defined benefit with a pension at age 65 and - until 2006 - an early retirement arrangement at age 62. The pensionable salary changed from end salary to an indexed average salary per 2004. As for all Dutch employees, the early retirement arrangement for the Dutch Management Board members was abolished per 1 January 2006. The annual build-up of old age retirement benefits was increased from 1.75% of the pensionable salary to 2.15% annually.

Both Mr. Houben and Mr. Oomens have an additional pension arrangement as of the date they joined Wavin to partly compensate for missed back service in previous careers. Since 2000, Mr. Houben has an indexed arrangement amounting to a 2006 payment of € 29,857 into his pension arrangement with the company. Mr. Oomens received an amount of € 10,000 paid to an insurance company annually since 2004.

As applicable to all UK Hepworth employees, the pension arrangement for UK resident Mr. Taylor is based on defined benefit. The executive pension arrangement for Mr. Taylor is based on an accrual rate of 1/45th with a retirement age of 63. The maximum pension he can accrue will be two thirds of his final earnings capped pensionable salary less any retained benefits. This defined benefit scheme was closed down for new members in 2005 and has been replaced by a defined contribution scheme.

Mr. Taylor has an additional pension arrangement since 1999 amounting to a 2006 payment of € 71,239.

Long-term incentive plan

A long-term incentive plan does not exist at the moment but will be considered in the near future now that the company is listed. Such stock plan will be submitted to the shareholders for approval.

Corporate Governance

Supervisory Board

The Supervisory Board of Wavin N.V. consists of five members, who are appointed by the General Meeting of Shareholders for four years, after which he/she can be reappointed for two further periods of four years. Please refer to the table below for the rotation schedule of the Supervisory Board members.

Name	Date of first appointment	Current term ends
Mr. P.C. van den Hoek	11 May 1999	2007
Mr. M. Boughton	13 Sep 2005	2009
Mr. B.G. Hill	13 Sep 2005	2009
Mr. J.R. Voûte	13 Sep 2005	2009
Mr. R.H.P.W. Kottman	12 Oct 2006	2010

Mr. P.C. van den Hoek is the Chairman of the Supervisory Board. At the beginning of the year under review, the members of the Supervisory Board in addition to Mr. Van den Hoek were Mr. R. van Rappard, Mr. B. Hill, Mr. M. Boughton and Mr. J.R. Voûte. As per the listing Mr. Van Rappard was replaced by Mr. R. Kottman.

In Wavin's IPO prospectus it was announced that Mr. Boughton, who is affiliated to our largest shareholder CVC, would resign from the Supervisory Board within six months after the listing. However, because CVC's remaining shareholder percentage after the listing was higher than initially foreseen, it was decided that Mr. Boughton would continue his position. As soon as CVC owns less than 30% of the outstanding shares one of the CVC-affiliated members will resign from the Supervisory Board. The other CVC-affiliated member will resign from the Supervisory Board as per the moment that CVC ceases to own less than 10% of the outstanding shares.

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

Since 2004, the Supervisory Board operates under its own regulations: the Rules for the Supervisory Board. These regulations have been amended as part of the listing process per 26 September 2006 and are available on the corporate website.

Appointment and dismissal

Supervisory Board members are appointed by the General Meeting of Shareholders. The Articles of Association provide that the General Meeting of Shareholders may suspend and dismiss Supervisory Board members at any time. A resolution of the General Meeting of Shareholders to suspend or dismiss members of the Supervisory Board pursuant to a proposal by the Supervisory Board requires an absolute majority of the votes cast. A resolution of the

General Meeting of Shareholders to suspend or dismiss a member of the Supervisory Board other than pursuant to a proposal of the Supervisory Board requires an absolute majority of the votes cast representing more than 50% of our issued share capital.

Independence and conflict of interest

For more information on the independence of the individual Supervisory Board members, please see the paragraph on the Dutch Corporate Governance Code of this chapter. There are no interlocking directorships, nor are or were any Supervisory Board members employed by the company. The Rules for the Supervisory Board contain provisions regarding potential conflicts of interest. In the year under review, there were no transactions with a potential conflict of interest.

Loans and guarantees

As a matter of policy, Wavin does not extend any loans or guarantees to members of the Supervisory Board.

Fixed remuneration

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

Information regarding the Supervisory Board members

Mr. P.C. van den Hoek – Chairman
Remuneration, Appointment & Corporate Governance Committee (Chairman)
Current position: senior partner at international law firm Stibbe
Other Supervisory Board memberships: Chairman of the Supervisory Board of AON Groep Nederland B.V., ASM International N.V., Buhrman N.V., FD Mediagroep B.V.and Robeco Groep N.V. (including Robeco N.V., Rolinco N.V. and Rorento N.V.), Samlerhuset Group B.V. (member)

Mr. M. Boughton
Audit & Investment Committee, Remuneration, Appointment & Corporate Governance Committee
Current position: Partner of CVC Capital Partners
Other Supervisory Board memberships: CVC Courdatus Group Limited, CVC Capital Partners Limited, Aster 1 S.A. and Aster 2 S.A.

Mr. B.G. Hill
Audit & Investment Committee (Chairman)
Previous Position: Group Managing Director, Products & Distribution CRH Plc.
Other Supervisory Board memberships: non-executive Director at Kingspan Plc.

Mr. R.H.P.W. Kottman
Remuneration, Appointment & Corporate Governance Committee
Current position: Chief Executive Officer, Ballast Nedam N.V.
Other Supervisory Board memberships: Delta Lloyd N.V., Stichting Exploitatie Nederlandse Staatsloterij, Warmtebedrijf Rotterdam and NMC-Nijsse International B.V.
Other Board memberships: Stichting VU Medisch Centrum Fonds, Stichting Management Studies, Gemini Hospital.
Mr. Kottman holds an advisory position at Van Spaendonck Groep B.V.

Mr. J.R. Voûte
Audit & Investment Committee
Current position: Director of CVC Capital Partners
Other Supervisory Board memberships: Acordis companies and Retail Network.

Corporate Governance

Profile

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

Corporate Secretary

The Supervisory Board is being assisted by Mr. J. Kruse, Corporate Secretary, also Corporate Director Strategic Planning & Corporate Affairs.

Audit & Investment Committee

As part of the listing process, the committees of the Supervisory Board have been rearranged. Instead of three separate committees, it was decided to establish an Audit & Investment Committee and a Remuneration, Appointment & Corporate Governance Committee.

Per 31 December 2006, the Audit & Investment Committee consists of Mr. B. Hill (chairman), Mr. J.R. Voûte and Mr. M. Boughton (who qualifies as the financial expert as dictated by the Corporate Governance Code).

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

Remuneration, Appointment & Corporate Governance Committee

Per 31 December 2006, the Remuneration, Appointment & Corporate Governance Committee (RACG Committee) consists of Mr. P.C. van den Hoek (Chairman), Mr. R. Kottman and Mr. M. Boughton. The RACG Committee advises the Supervisory Board on the remuneration of the members of the Management Board and monitors the remuneration policy. In particular the RACG Committee advises the Supervisory Board on the selection criteria and appointment procedures for members of the Management Board and members of the Supervisory Board as well as the proposals for appointments and reappointments, the policy of the Management Board on selection criteria and appointment procedures for senior management and the assessment of the functioning of individual members of the Supervisory Board and the Management Board. Furthermore, it renders advice to the Supervisory Board on Wavin's corporate governance structure.

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

Remuneration of the Supervisory Board

In 2006 the remuneration of the Supervisory Board amounted to € 35,000 for the Chairman and € 25,000 for the members. After the listing of Wavin, it was decided to bring the remuneration of Supervisory Board Members in line with other Dutch listed companies of similar size. The Supervisory Board, at its meeting of December 2006, adopted the recommendation of the Remuneration, Appointment & Corporate Governance Committee to propose a new remuneration level to the General Meeting of Shareholders.

This recommendation for the 2007 remuneration will be € 50,000 per year for the Chairman plus a € 2,500 fixed expense allowance and € 35,000 annually for the other members plus a € 2,000 fixed expense allowance.

SHAREHOLDINGS

Shares owned by Supervisory Board and Management Board

All members of the Management Board and certain members of the Supervisory Board have invested in the company. As per 31 December 2006, they together held 1,740,800 shares divided as follows:

Mr. Van den Hoek	51,200 shares
Mr. Hill	25,600 shares
Mr. Houben	512,000 shares
Mr. Oomens	384,000 shares
Mr. Ten Hove	384,000 shares
Mr. Taylor	384,000 shares

Senior Management Participation Plan

The Stichting Management Wavin held 4,620,800 shares and has issued a corresponding number of depositary receipts for shares to the members of the Management Board and Executive Committee, as well as 75 other key employees of Wavin who invested in the company.

Members of the Management Board and Executive Committee holding these depositary receipts for shares in the context of the Senior Management Participation Plan are not permitted to transfer them, for a period of 365 days following the listing. The same applies to the other key employees, although their holding period is limited to 180 days following the listing.

Each holder of depositary receipts is entitled to request Stichting Management Wavin to be granted a proxy on the basis of which such holder can exercise the voting rights attached to the underlying shares. Ultimately 13 April 2007 all depository receipts will have been converted to shares.

Middle Management Participation Plan

Up to 360 members of Wavin's middle management at the time of the listing were given the opportunity to subscribe for shares at a discount of 30% of the original offer price, up to a maximum amount per employee of between € 5,000 and € 15,000 depending on the tier of management of the employee.

Ultimately, 232 employees have actually subscribed for a total amount of € 1.7 million. The Stichting Management Participatie Wavin has funded the Middle Management Participation Plan by paying 30% of the original offer price per share allotted pursuant to the plan.

Employees holding shares in the context of the Middle Management Participation Plan are not permitted to transfer those shares for a period of 15 months following the listing.

All Employee Cash Bonus Plan

At the listing an All Employee Cash Bonus Plan was implemented pursuant to which all employees who were employed by Wavin for at least one year on 1 October 2006 shall be granted a conditional cash bonus payable in January 2008. The amount of the cash bonus payable to an eligible employee will be equal to the cash equivalent of the market price on 1 January 2008 of 25 shares (plus two shares for each full year of service above five as on 1 October 2006). Payment of the cash bonus is conditional on the employee still being employed by Wavin on 1 January 2008.

SHAREHOLDERS AND GENERAL MEETING OF SHAREHOLDERS

Share Capital – Movements

On 8 August 2005, the company was initially incorporated as a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid). On 26 September 2006 the company was transformed into a public limited liability company called Wavin N.V..

Prior to its listing, the company's authorised capital amounted to € 300,000,000, which was divided into 400,000 ordinary shares, 600,000 preference A shares and 2,000,000 preference B shares, all with a par value of € 100.00.

Immediately prior to the listing, the company's issued and outstanding share capital amounted to 100,180 ordinary shares, 200,000 preference A shares and 500,000 preference B shares.

In the context of the listing of the company, a capital restructuring was effected by means of an amendment of the Articles of Association. This capital restructuring entailed the following:

- each of the ordinary shares then issued and outstanding was converted into 80 ordinary shares;
- each preference A share then issued and outstanding was converted and subsequently split into 80 ordinary shares; and
- each preference B share then issued and outstanding was converted and subsequently split into 80 ordinary shares.

Currently, following and as a consequence of the capital restructuring, the company's authorised share capital amounts to € 320,000,000 and is divided into 128,000,000 ordinary shares and 128,000,000 preference shares, all with a par value of € 1.25.

The preference shares offer a preferred position in case of dividend payments. On 31 December 2006, the company's issued and outstanding share capital amounted to 77,650,764 ordinary shares.

Issue of ordinary shares

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

Pursuant to the Dutch Civil Code, the period of delegation may not exceed five years. Such authority may be renewed by a resolution of the General Meeting of Shareholders for a subsequent period of up to five years each time. If not otherwise determined in the resolution, such authority is irrevocable. In the resolution authorizing the Management Board, the amount and the class of shares which may be issued must be determined. The Articles of Association grant the Management Board the irrevocable authority to issue ordinary shares, or grant rights to subscribe for ordinary shares, up to a maximum of 10% of the outstanding share capital of ordinary shares, with respect to the raising of capital for general purposes and up to a maximum of 10% of the outstanding share capital of ordinary shares with respect to the raising of capital in relation to the financing of possible acquisitions, each for a period up to 16 April 2008. It will be proposed to the General Meeting of Shareholders on 20 April 2007 to renew this authority for another period of 18 months.

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

Acquisition of shares

The company may acquire its own fully paid shares at any time for no consideration ('om niet'), or, subject to certain provisions of Dutch law and the Articles of Association, if (i) the shareholders' equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any statutory reserves, (ii) the company and its subsidiaries would thereafter not hold shares or hold a pledge over its shares with an aggregate nominal value exceeding 10% of the issued share capital, and (iii) the Management Board has been authorized 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 implement transactions pursuant to which it would acquire Wavin shares, by any means of acquisition of title, up to the maximum permitted by the Dutch Civil Code and the Articles of Association for a consideration of at least € 0.01 per share and which may not exceed the average closing price of Shares on Eurolist by Euronext during five consecutive days preceding the day of repurchase increased with 10%. Any shares the company holds in its own capital may not be voted or counted for voting quorum purposes. It will be proposed to the General Meeting of Shareholders on 20 April 2007 to renew this authority for another period of 18 months.

PROFIT APPROPRIATION

For the appropriation of profit please refer to page 121 of this report.

DIVIDEND PROPOSAL

Although Wavin was only listed on 12 October 2006, the General Meeting of Shareholders will be recommended to declare a dividend of € 0.35 per share for the full 2006 financial year.

SPECIAL RIGHTS PROVIDED FOR BY THE ARTICLES OF ASSOCIATION

Anti Takeover measures

Wavin's principle defence against hostile takeovers is the company's ability to issue preference shares to the Stichting Preferente Aandelen Wavin. Such preference shares will be issued, should the Stichting Preferente Aandelen Wavin exercise its option right. A Call Option Agreement to this respect was signed on 17 October 2006.

The Stichting Preferente Aandelen Wavin (the 'Foundation') was formed under the laws of the Netherlands and its statutory purpose is to enhance the continuity, independence and identity in case of a hostile takeover. In short, the Foundation will look after the interests of the company, the enterprise connected therewith and the interests of all other stakeholders, such as shareholders and employees. The Foundation is independent and is neither owned nor controlled by another legal entity.

The Board of the Stichting Preferente Aandelen Wavin consists of Mr. W. Stevens (chairman), Mr. D. Kalff and Mr. A. Westerlaken. The members of the Management Board and the members of the board of the Foundation and the Supervisory Board of Wavin N.V. hereby declare that they are jointly of the opinion that the Foundation is independent of the company, as requested by the Listing Rules of Euronext Amsterdam.

APPOINTMENT OF THE EXTERNAL AUDITOR

At the General Meeting of Shareholders held on 6 March 2006, KPMG Accountants N.V. was appointed as the Company's external auditor for a period of one year, expiring at the next General Meeting of Shareholders.

HR and Social responsibility

Human Resources

Wavin's success is based on the individual talent, skills and experience of its people across the organisation. Quality and result driven people are supported to grow both professionally and personally. In order to attract and retain quality people, Wavin has a number of development programmes in place both locally and companywide. On-the-job learning and working in cross-border and cross-functional teams as well as classroom training are at the core of these programmes.

In 2006, Wavin further focused on management development on a corporate level. Further investments were made in international management exchanges and in challenging and motivating managers to make internal career moves. Focus is as much on high potentials as on senior managers, stimulating ownership and entrepreneurship. Early in their career, young potentials are appointed to junior and middle management positions to ensure their development. A special management course is held annually for young managers from all Wavin entities to develop their knowledge and skills and to share experiences. Performance appraisal systems for employees are common practice within Wavin. This annual discussion provides a platform to discuss progress, job requirements and challenges, motivation as well as personal capabilities and development.

Succession planning is an important tool to secure the timely availability of qualified managers for future vacancies in senior positions. In 2006, Wavin fulfilled 7 out of 10 vacancies on management level with internal candidates. It is the aim of the company to maintain this high level, and it actively works on enlarging the 'pool' of potential candidates. One of the ways of doing this is to get different people involved in international Group projects in the areas of IT, purchasing, supply chain management, sales and marketing, product management and finance.

In 2006, the HR discipline has played an important role in regional integration projects in the UK, the Benelux, Germany and Scandinavia and in the development of employee share participation plans following the stock listing of Wavin.

Local Wavin companies maintain formal processes to inform, consult and involve employees and their representatives on relevant issues. A European Consultative Council has been in existence for several years and provides a forum for discussing issues that extend across national boundaries. Wavin subsidiaries have strong ties with the communities they operate in. They often give active support to local charity projects and initiatives in the areas of sports, art or local community events. These sponsorships range from donations of funds to the supply of material or know how or a combination of those. The international partnership with UNICEF, which was initiated on a corporate level, is increasingly adopted by Wavin subsidiaries.

Social responsibility

HEALTH AND SAFETY

It is one of Wavin's top priorities to safeguard the health and safety of all who work for and with the company. We believe that accidents are avoidable and that the effective management of Health, Safety and Environment (HSE) contributes to the overall business performance. Wavin has an HSE policy in place and Operating Companies comply with all relevant local legislative and regulatory requirements. In numerous cases, Wavin's internal HSE rules exceed national regulations. HSE risks associated with Wavin business activities are systematically identified and controlled, including compliance with ISO 14001 environmental management standards. To achieve this, improvement targets are established, proper budgets are allocated and performance is monitored each year. Once every two years, each Operating Company has to undergo an internal risk assessment of the health and safety management systems. These assessments combined with the focus on the behaviour of workers who are involved in the actual manufacturing process, have led to good results. In 2006 a record low of 2.7 lost time injuries per million hours worked was registered (2005: 3.3), well below the company's benchmark of 3.0.

ENVIRONMENT

Wavin is committed to the environment. Its products and systems play an important role in for example sustainable water usage and our indoor climate systems help increase energy efficiency in buildings. As a leading player, Wavin works with government agencies and specifiers to help raise standards.

HR and Social responsibility

Wavin is well aware of the potential impact of its work on the environment. Sustainability plays an important role at the company. Health, safety and environmental aspects are always considered when new products or manufacturing processes are designed or when investments and acquisition opportunities are considered.

Where materials have been proven environmentally unacceptable or raise health and safety concerns, Wavin endeavours to provide alternative plastic solutions. The company also participates in relevant environmental research carried out by third parties regarding its products, materials and processes.

Wavin re-uses manufacturing waste and strongly promotes post-use product recycling. Research has shown that plastic pipe systems can be recycled several times without loss of quality. With an expected life time of over 50 years the volume of plastic pipes systems available for recycling is rather small, but growing in line with the increased penetration of plastic systems since the 1950's.
As a member of The European Plastic Pipes and Fittings Association (TEPPFA), Wavin is a driving force in the initiative to expand collection and recycling systems for used plastic pipes and fittings. The company supports local collection initiatives in this area such as the Dutch 'BIS' collection system.

Other environmental issues that Wavin focuses on are:

- Energy consumption: the use of energy is closely monitored. Operating companies share best practices on how to save energy
- Transportation: limiting the environmental effects of transportation by efficient route planning
- Further phasing out the use of lead stabilisers in the production of PVC pipes and fittings. It is expected that Wavin has completely replaced lead with other stabilisers by the end of 2007
- The implications of the new European Union REACH legislation (effective in 2007) that regulates the registration and safe use of chemical substances.

Risk Profile

Wavin is exposed to internal and external risks and uncertainties that may affect its business, financial results or result of operations. To mitigate these risks, the company has defined policies and guidelines that are followed throughout the organisation. Internal risk management and control systems are aimed at the adequate and effective control of these risks. Under the explicit understanding that this is not an exhaustive inventory, major risks factors are summarised below.

OPERATIONAL RISKS

Market risks

As the consolidation among Wavin clients continues, Wavin's customer base is relatively concentrated among the largest building products distributors in Europe. The ten largest customers together accounted for 28.4% of revenue in 2006 (2005: 27.5%). The company is well positioned to follow the customers in their expansion, because it offers a complete range of systems and solutions throughout Europe. However, it is company policy to limit inordinate dependence on individual clients. Relationships with key customers are regularly monitored on local and corporate level between parties and address performance as well as service.

Raw material prices

To produce its products, Wavin uses large quantities of polymers such as polyvinyl chloride, polyethylene and polypropylene. The polymers are subject to cyclical price fluctuations. In 2006, Wavin spent € 496.0 million on raw materials, which accounted for 33.0% of revenue. The price of raw materials typically changes on a monthly or quarterly basis. Contracts do not protect Wavin from price fluctuations. As one of the largest purchasers of polymers, Wavin follows developments closely and uses its European market leadership to pass on structural raw material price fluctuations. Historically, the company has been able to pass on a significant portion of the increase in polymer prices to its customers over time, but even in such cases there have been negative short-term impacts to the financial performance.

Product development

Changes in customer requirements and preferences, the emergence of new or substitute technology or evolving industry standards and practices could render existing products and services obsolete or less attractive. The success of Wavin's innovation strategy is dependent on the ability to anticipate customer needs, provide new products and differentiate such products from those of competitors. In addition, Wavin is often required to obtain regulatory permissions or approvals for products from regulators in each of the jurisdictions in which it operates.
Wavin Technology & Innovation – Wavin's central research and development organisation dedicated to the development of next generation products and production processes – employed 54 people at year end. Operating Companies are also involved in product innovations for local markets. Wavin derived approximately 16% of revenue from products introduced over the last five full calendar years.

Risk Profile

Intellectual property risk and infringements

Wavin relies on a combination of patents, trademarks, trade names, product certificates and copyrights to protect the intellectual property of its products. Third parties may be able to commercialise Wavin's innovations or products or use the know-how. To avoid this risk, Wavin actively applies for and manages its patents, product certificates and trademark portfolio.

Health, safety and environmental risk

Wavin's business is subject to a broad and increasingly stringent range of environmental, health and safety laws and other regulations and standards. These relate to amongst others, building and safety codes, avoidance of soil and groundwater contamination, the use and handling of chemical and hazardous materials, waste disposal practices and the manufacturing, composition or quality of construction materials. Wavin has a detailed health, safety and environmental control system in place. Regular audits assure compliance at all levels of the company.

Product defect and warranty risks

Wavin develops complex piping, gas and water control products which may contain defects in design or manufacturing or other errors or failures. This is particularly a risk with new or upgraded products or services, such as hot and cold applications, where Wavin's strict quality control procedures or those of a component supplier may fail to test for all possible conditions of use, or to identify all defects in the design, engineering or specifications of these products. Wavin has stringent development and testing criteria and procedures for both manufactured and bought-in materials and products. In addition, certain risks are covered through product liability insurances.

Risks relating to information management

Wavin's ability to continuously provide customers with products and services and manage operations depends on the continuing operation of legacy IT systems. The Wavin operations increasingly operate across borders and across business functions. This requires uniform and consistent exchange of information. To enable and accelerate these initiatives, Wavin developed Connect/*T*, a five-year programme that will result in a controlled transition to one uniform data platform in the Wavin Group. As a result, existing internal IT governance and risk management systems will be adopted. In 2007 the first roll-out of the new IT systems in several countries will take place.

Manufacturing and operations risk

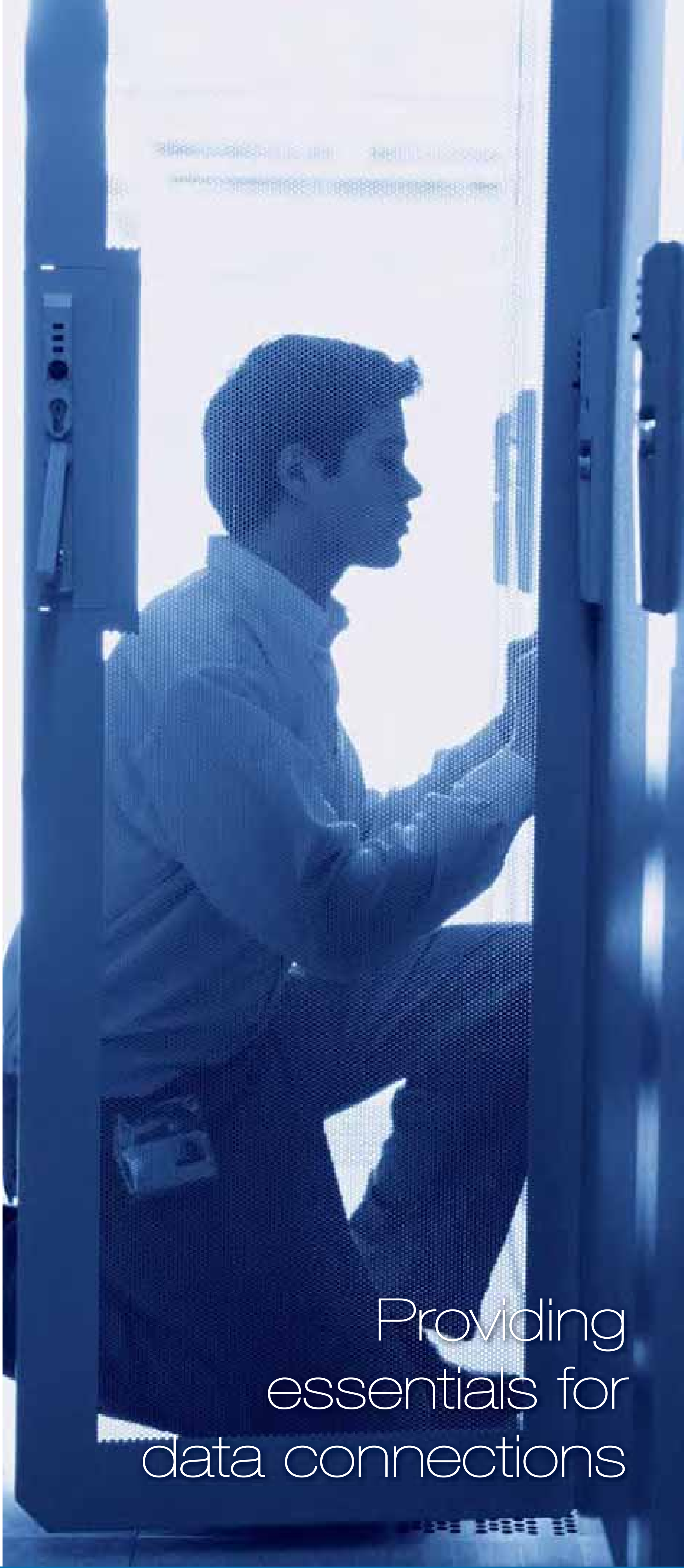
Wavin has production plants in 16 countries and sales offices in an additional 11 countries throughout Europe. As a result, the company needs to manage a number of risks, such as differing labour regulations, environmental and other regulatory requirements and intellectual property protections. In addition, Central and Eastern European countries are subject to greater risks than more mature markets, including, in some cases, increased political, economic and legal risks. 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 intended to improve its operating and financial performance. For example, the company is currently undertaking a number of optimisation and rationalisation projects in the UK, the Netherlands, Germany and Scandinavia, which are focused on integrating complementary sites and facilities, streamlining operations and reducing working capital needs. As a result, Wavin has incurred personnel redundancies and relocation costs at some operating sites. Tight planning and control and past experience limit the inherent risk of these transition processes.

FINANCIAL AND REPORTING RISKS

Currency risks

Wavin's financial statements are prepared under IFRS as adopted by the EU and the company uses the Euro as its reporting currency. However, the business generates substantial revenues, expenses and liabilities in jurisdictions outside the Euro zone.
In 2006, approximately 52.4% of revenue was denominated in currencies other than the Euro, predominantly the British Pound Sterling, the Polish Zloty, Hungarian Forint, Czech Koruna and the Danish and Norwegian and Swedish Krone. Revenue and expenses are translated into Euro at the average exchange rate for the applicable period for inclusion into the consolidated financial statements. Wavin so-



Risk Profile

metimes uses forward exchange contracts and currency swaps to hedge forecasted cash flow transactions. Foreign currency translation risks of non-Euro equity positions in the Group are never hedged. The translation risk is minimised to the extent possible by using natural hedges.

Interest risks

It is Wavin's policy is to limit exposure to interest rate risk significantly. At year-end, Wavin had fixed approximately 79% of the interest rate exposure during the term of the corporate loan facility. As a result Wavin is only sensitive to interest rate movements to a limited extent.

Financing and liquidity

Following the IPO, Wavin has a five-year loan facility of € 750 million. The facility consists of a € 400 million committed Term Loan and a € 350 million committed Revolving Credit facility. In addition, an uncommitted acquisition facility of € 100 million was agreed. The facility accommodates for the seasonal working capital swing. It also supports the company's growth and financing requirements for possible acquisitions.At year end, net debt was € 597.7 million. The company was well within its financial ratios. Net Debt/Ebitda was 3 at year end. In the calculation of these ratios, Ebitda includes the share of net income from minority participations and excludes exceptional items.

Credit risks

Wavin has strict policies around credit and payment terms. These are closely monitored at local operating and corporate level. Despite strong growth in Central and Eastern Europe where payment conditions and behaviour are weaker, the company maintained an excellent collection record and limited growth in its receivables outstanding.

Pension risks

Wavin operates defined benefit and defined contribution plans in several jurisdictions. The wholly owned subsidiaries in the Netherlands operate a defined benefit plan and retain a responsibility towards payment of the agreed contributions. The wholly owned subsidiaries in Norway, the UK and Ireland operate a defined benefit plan and retain a responsibility towards payment to the members of the pension fund including the indexation of the pension rights of pensioners after retirement. The wholly owned subsidiary in Germany has a lump sum arrangement which will be paid to the member upon retirement and in the event of an insolvency of the insurance or reinsurance company connected to the pension arrangement in Germany, Wavin would be liable for paying any outstanding lump-sum amount to qualified employees.

Several defined pension benefit plans, such as those in the Netherlands and the UK, went through restructuring plans in order to address recent changes in the regulations of each jurisdiction's relevant pensions regulator. From 2005 onwards, all new Wavin employees other than those in the Netherlands were offered defined contribution plans. In the UK, Ireland and Norway, Wavin is liable for paying the agreed pensions amounts to the pensioners employed under previous defined benefit systems.

STATEMENT OF CONTROL

The risk management and control system in Wavin is designed to safeguard realisation of the company's objectives. For a description of above systems, please refer to the previous chapter.

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

Wavin aims to comply with the 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.

The Management Board has regularly discussed and assessed Wavin's risk profile, the adequacy of its framework for risk management, including the systems implemented and specific measures for internal control with the Audit & Investment Committee of the Supervisory Board.

With observance of the restrictions above, the Management Board feels that Wavin's risk management and control system during the year under review has provided reasonable assurance that the financial reporting does not contain any material inaccuracies. Although we continuously strive to improve these systems, there are no indications that the risk management and control system will not operate properly in 2007.

Zwolle, 5 March, 2007

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

Supervisory Board Report

2006 will be recorded as the year of Wavin's listing on the Euronext Amsterdam stock exchange. The whole preparation process for the Initial Public Offering was undertaken at short notice and in a swift yet thorough manner.

The markets Wavin operates in showed a favourable trend over the period which was well captured by the company. Wavin's excellent financial and operational performance in the year under review underpins the success of its strategy. The acquisitions done in recent years were integrated in a professional manner and contributed to the Group performance in a sustainable manner. Many improvement projects were undertaken with positive results.

The 25% participation in Iplex in Australia and New-Zealand was divested at the end of the first quarter. A small acquisition in Italy in the strategic hot and cold segment was completed. In the third quarter a Memorandum of Understanding was signed to acquire the plastic pipe and fittings business of Petzetakis in Greece.

SUPERVISORY BOARD MEETINGS

During the period under review, the Supervisory Board met five times with the Management Board according to a preset schedule, to discuss the ordinary course of business and a number of important projects. In addition, a number of meetings was held in preparation for the IPO. The Management Board and the Corporate Secretary attended all meetings with the exception of the private meeting of the Supervisory Board in which the Supervisory Board reviewed its own performance and that of the Management Board. At that meeting, the performance of the Management Board as a whole, and that of its individual members, was reviewed as well. Attendance at the Supervisory Board meetings was above 90%.

The scheduled plenary Supervisory Board meetings handled the financial and operational performance of the Company. A standard agenda item was an update by the Chief Financial Officer on the financial performance. Other subjects which were discussed included topics such as divestment proposals, acquisition prospects, Wavin's IT programme, integration projects and the various pension schemes. The Supervisory Board also discussed the corporate strategy, the risks of the business, and the structure and operation of the internal risk management and control systems.

The extraordinary Supervisory Board meetings around the summer months dealt with the intended IPO. These meetings were held to discuss and decide on the changes in the corporate legal structure, the compliance with corporate governance guidelines, the prospectus, the listing on the Euronext Amsterdam stock exchange and the post-IPO financing structure. Some of these meetings were held by means of a telephone conference.

COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The composition of the Management Board did not change during the year under review. The Supervisory Board had one change in the year under review. Mr. R. van Rappard relinquished his position as Supervisory Board member after 7 years attendance. His visionary outlook and valuable contributions were highly appreciated. He was succeeded by Mr. R. Kottman. The date of appointment, date of reappointment and remaining term of the Supervisory Board members is highlighted in the table on page 118.

SUPERVISORY BOARD COMMITTEES

As a result of the IPO, the four previous Supervisory Board committees (Audit, Investment, Remuneration and Appointment) were regrouped in two new committees, the Audit & Investment Committee and the Remuneration, Appointment & Corporate Governance Committee. The main role of the committees is to provide a focussed 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 42.

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

The Audit & Investment Committee consists of Mr. B. Hill (chairman), Mr. M. Boughton as financial specialist and Mr. J.R. Voûte. Members of the Remuneration, Appointment & Corporate Governance Committee are Mr. R. Kottman, Mr. M. Boughton and Mr. P.C. van den Hoek (chairman).

Report of the Audit & Investment Committee

During the year under review the Audit & Investment Committee met twice in the old constellation and one time after the IPO. In the first meeting in March the annual accounts and financial statements were discussed with the external auditor. In the second meeting in June the investment application procedure was reviewed. In the third meeting held in December the budget and capital investment plans for 2007 were assessed.

The Audit & Investment Committee felt assured that the company used audit, internal control and risk management systems which would enable the company to deliver a statement of 'being in control' in accordance with the best practices of the Dutch Corporate Governance Code providing reasonable assurance that the financial reporting does not contain any material inaccuracies. Risk management, however, can never give an absolute guarantee that all risks are adequately managed or that Wavin's objectives will be realised. In that connection, the Audit & Investment Committee refers to the 'Risk Profile' paragraph on page 51 of this annual report.

The Audit & Investment Committee felt satisfied with the quantity of information and the amount of detail provided by the Management Board, and the manner in which recommendations made had been followed up.

Supervisory Board Report

Report of the Remuneration, Appointment & Corporate Governance Committee

During the year under review the Remuneration and Appointment Committees met twice in the old constellation. The main topics were, incentive targets for the year under review, incentive pay-out for Management Board members over the year 2005, the replacement of Mr. R. Van Rappard by Mr. R. Kottman as Supervisory Board member and the salary adjustments for 2007.

The remuneration of the Management Board and Supervisory Board for 2007 was discussed. For details of the outcome, please refer to the Corporate Governance section on page 31 of this annual report. The Remuneration, Appointment & Corporate Governance Committee recommends the remuneration proposal for the Supervisory Board members to be approved by the General Meeting of Shareholders.

FINANCIAL STATEMENTS AND DIVIDEND

The Financial Statements for the year 2006 have been audited by KPMG Accountants N.V., who issued an opinion which is printed on page 122 of this annual report. The Management Board has drawn up and the Audit Committee has reviewed the Financial Statements and the Supervisory Board recommends that the Financial Statements as well as the dividend over the year 2006 be adopted by the General Meeting of Shareholders in accordance with Article 21 sub 5 of the company's Articles of Association. The Supervisory Board also proposes that the General Meeting of Shareholders discharges the Management Board and the Supervisory Board for their respective management and supervision during the year and that the other resolutions be approved.

APPRECIATION

The Supervisory Board would like to thank the Management Board and all employees for their dedication and the considerable amount of work performed in the continuous endeavour to improve the company's business, thus creating value for its stakeholders. The outstanding financial results in the year under review are a reflection of that relentless effort to excel. The Supervisory Board wishes to extend its special thanks to all staff members who were engaged in the IPO process and the subsequent refinancing of the company.

Zwolle, 5 March, 2007

The Supervisory Board
P.C. van den Hoek, Chairman
B.G. Hill, Vice-Chairman
M. Boughton
R.H.P.W. Kottman
J.R. Voûte

Listing Details

WAVIN SHARES

As from 12 October 2006, Wavin shares are listed on the Dutch Stock Exchange (Euronext Amsterdam). During the public offering, the existing shareholders sold 23.4 million shares which, including the 13.6 million shares that were newly issued at the offering, represent 47.8 percent of the total issued and outstanding common shares of Wavin N.V. after exercise of the over-allotment option. Management did not participate in the over-allotment.

Shareholder	Shares pre-IPO	%	Shares post-IPO	%	Shares post exercise of over-allotment	%
CVC	51,789,680	80.9%	34,888,373	44.9%	31,858,728	41.0%
Alpinvest	5,824,720	9.1%	3,929,251	5.1%	3,587,583	4.6%
Management	6,400,000	10.0%	5,120,000	6.6%	5,120,000	6.6%
Free float	0	0.0%	33,713,140	43.4%	37,084,453	47.8%
Total issued and outstanding shares	**64,014,400**	**100.0%**	**77,650,764**	**100.0%**	**77,650,764**	**100.0%**

Following the public offering on 12 October 2006, the selling shareholders are bound to a lock up period, of which the end date is provided in the table below.

Shareholder	End of lock up period
CVC	11 April 2007
Alpinvest	11 April 2007
Wavin senior management	11 October 2007
Other Wavin management	11 April 2007

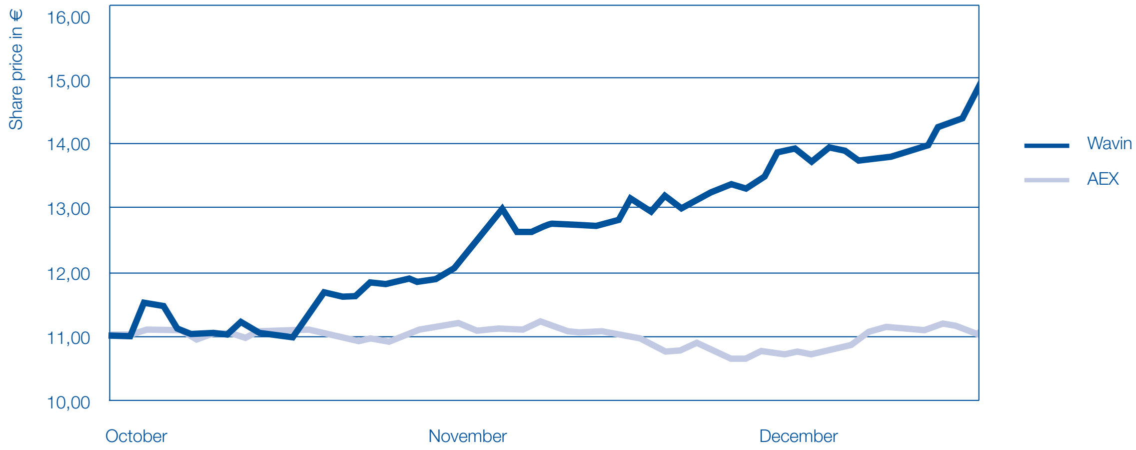
SHARE PRICE DEVELOPMENT

After the public offering on 12 October, the Wavin share price has shown a strong performance. The increase from € 11.00 at the time of the IPO to € 14.80 at the close on 29 December (the last trading day of the year) results in a return of 34.5%. The graphs below display the performance of the Wavin share in relation to the AEX index as from the moment of the public offering.

Period	High	Low	Volume (x 1,000)
October 2006	11.87	10.90	5,649
November 2006	14.00	11.60	4,703
December 2006	15.50	13.20	4,004
Full Year 2006	**15.50**	**10.90**	**14,356**

Based on the trading volume in 2006, Wavin was included in the Dutch small cap index (AScX) on 2 March 2007.

Listing Details



DISCLOSURES OF LARGE SHAREHOLDERS

Pursuant to the Dutch Act on the disclosure of voting power and capital interest in securities issuing institutions (Wet melding zeggenschap en kapitaalbelang in effectenuitgevende instellingen) (the "Disclosure Act"), any person who, directly or indirectly, acquires or disposes of an interest in Wavin's capital or voting rights must immediately give written notice to the AFM (Autoriteit Financiële Markten) if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person meets, exceeds or falls below the following thresholds: 5.0%, 10.0%, 15.0%, 20.0%, 25.0%, 30.0%, 40.0%, 50.0%, 60.0%, 75.0% and 95.0%. These obligations apply as of 1 November 2006. The AFM will publish any notification pursuant to the Disclosure Act in a public registry. The table below provides the last notification of each of the entities that have made a notification pursuant to the Disclosure Act after 1 November 2006.

Filing entity	Number of shares	Percentage of total issued and outstanding shares
Teryl S.A. (CVC)[1]	34,841,467	44.87%
Alpinvest Partners 2003 B.V.	3,548,509	4.57%
Stichting Management Wavin	4,620,800	5.95%

[1]Formerly Wavin Luxembourg S.A.

As far as Wavin is aware, there are no other holders of more than 5% of the shares (as referred to in the Disclosure Act).

DIVIDEND POLICY

Wavin N.V. intends to declare dividends in respect of the 2006 financial year and thereafter, with interim dividends declared in September and final dividends declared in May of each year. Interim dividends are expected to represent 40% of the First Half Year net result attributable to the equity holders.

The company aims to declare its first dividend in May 2007, which is expected to be a final dividend in respect of the 2006 financial year. The future dividend policy is to allocate an annual dividend of between 40% to 50% of net profit, assuming the performance of the company is in line with expectations and provided such distribution is legally permitted. Shareholders will have the choice to receive this dividend in the form of cash or ordinary shares.

DIVIDEND 2006

For the 2006 financial year, the full dividend as will be proposed to the General Meeting of Shareholders is € 0.35 per share. This dividend will be payable as of 22 May 2007 to all holders of common shares Wavin N.V. As of 24 April 2007, the shares of Wavin N.V. will be traded ex-dividend.

INVESTOR RELATIONS POLICY

As Wavin is committed to maintain a high quality investor relations programme the company adheres to frequent and transparent communication with the investor community such as its shareholders, other investors, analysts and debt providers. Fair and simultaneous disclosure to all stakeholders forms an important part of this. The CFO, in close cooperation with the CEO, takes on the direct responsibility for the investor relations function and is committed to entertain a structural and constructive dialogue with current and potential shareholders. In order to ensure a good understanding and in-depth knowledge of the company within the financial community, Wavin aims to provide a thorough and balanced disclosure in its annual report, financial reporting, investor presentations and press releases. In addition, whereas a dedicated IR representative covers an important part of the day-to-day contacts with the financial community, a substantial amount of management time is reserved for in-house investor meetings and analyst/investor conferences as well as for investor road shows to the main financial centres and presentations at broker conferences.

INVESTOR INFORMATION AND CONTACT

Wavin has part of its corporate website dedicated to provide information on the company to the financial community. This website covers a broad range of information such as: financial reports, press releases, Analyst/Investor Presentations, Financial Calendar, listing information, Corporate Governance structure, share information and other financial information.

For further information please contact:

Wavin Investor Relations
Email: InvestorRelations@wavin.com
Tel: +31 (0)38 – 429 4209
Fax: +31 (0)38 – 429 4238

FINANCIAL CALENDAR

Event	Date
Registration date AGM[1]	5 April 2007
AGM 2006	20 April 2007
Ex-dividend date	24 April 2007
Dividend payment	22 May 2007
Half year earnings 2007	6 September 2007

[1]Annual General Meeting of Shareholders

Glossary of terms

In this annual report definitions are as follows:

Operating profit:	Total result from operating activities before interest and tax
EBITDA:	Operating profit before depreciation, amortisation and non-recurring items
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 non-current investments less deferred tax assets less current liabilities (trade and other liabilities, income tax payable, current provisions and liabilities classified as held for sale)
Return on average Net Capital Employed:	Recurring result from operating activities before amortisation goodwill and amortisation assets acquired through business combinations divided by average Net Capital Employed
Debt / Equity ratio:	Net Debt divided by Total Equity
2005 Figures:	These figures comprise the Wavin Group in 2005 including Wavin Holdings BV, Beheermaatschappij Wavin BV and Wavin B.V. and all subsidiaries. For details, see paragraph (a) of the chapter General

Financial Statements

Group Financial Statements

Consolidated balance sheet

As at 31 December 2006

(€ x 1,000)	Note	2006	2005*
Assets			
Property, plant and equipment	14	375,105	383,887
Intangible assets	15	510,854	506,227
Investments in associates	16	15,569	49,014
Other non-current investments	17	1,754	1,325
Deferred tax assets	18	11,338	3,934
Total non-current assets		**914,620**	**944,387**
Inventories	19	200,591	166,199
Other current investments	17	177	189
Trade and other receivables	20	327,764	298,120
Income tax receivable	13	-	10,821
Assets classified as held for sale	4	3,988	5,205
Cash and cash equivalents	21	17,041	68,260
Total current assets		**549,561**	**548,794**
Total assets		**1,464,181**	**1,493,181**
Equity			
Issued capital		97,063	10,018
Share premium		131,949	-
Reserves		2,029	1,505
Retained earnings		64,423	(5,903)
Total equity attributable to equity holders of the company		**295,464**	**5,620**
Minority interest		**4,477**	**4,658**
Total equity	22	**299,941**	**10,278**
Liabilities			
Interest-bearing loans and borrowings	24	596,904	962,579
Employee benefits	25	29,976	28,181
Deferred government grants	27	130	354
Provisions	28	8,805	16,531
Deferred tax liabilities	18	134,139	136,219
Other non-current liabilities		2,888	3,505
Total non-current liabilities		**772,842**	**1,147,369**
Interest-bearing loans and borrowings	24	3,261	4,771
Bank overdrafts	24	14,611	10,177
Provisions	28	6,934	767
Income tax payable	13	5,878	16,915
Trade and other payables	29	358,912	299,722
Liabilities classified as held for sale	4	1,802	3,182
Total current liabilities		**391,398**	**335,534**
Total liabilities		**1,164,240**	**1,482,903**
Total equity and liabilities		**1,464,181**	**1,493,181**
Total equity	22	299,941	10,278
Subordinated loans and preference shares	24	-	267,876
Guaranteed capital		**299,941**	**278,154**

* adjusted to reflect change in accounting policy (see paragraph (c) of the significant accounting policies)

Consolidated income statement

For the year ended 31 December 2006

(€ x 1,000)	Note	2006 Recurring	2006 Non-recurring **	2006 Total*	2005 Pro Forma * Recurring	2005 Pro Forma * Non-recurring **	2005 Pro Forma * Total
Continuing operations							
Total revenue	2	1,501,490	-	1,501,490	1,330,670	-	1,330,670
Revenue discontinued operations	3	(11,081)	-	(11,081)	(27,889)	-	(27,889)
Revenue continuing operations		1,490,409	-	1,490,409	1,302,781	-	1,302,781
Cost of sales		(1,081,298)	(6,117)	(1,087,415)	(946,983)	(7,149)	(954,132)
Gross profit		**409,111**	**(6,117)**	**402,994**	**355,798**	**(7,149)**	**348,649**
Other operating income	6	5,623	-	5,623	5,956	-	5,956
Selling and distribution expenses		(156,397)	(892)	(157,289)	(140,199)	(98)	(140,297)
Administrative expenses		(97,405)	(10,071)	(107,476)	(88,346)	(4,163)	(92,509)
Research and development expenses		(9,395)	-	(9,395)	(8,843)	-	(8,843)
Other operating expenses	7	(13,622)	488	(13,134)	(26,447)	21	(26,426)
Result from operating activities		**137,915**	**(16,592)**	**121,323**	**97,919**	**(11,389)**	**86,530**
Finance income		2,777	10,777	13,554	2,142	-	2,142
Finance expenses		(76,240)	(21,391)	(97,631)	(50,750)	-	(50,750)
Net finance costs	10	**(73,463)**	**(10,614)**	**(84,077)**	**(48,608)**	**-**	**(48,608)**
Share of profit of associates		3,315	-	3,315	7,255	-	7,255
Profit on sale of associates	3	-	38,963	38,963	-	-	-
Profit before income tax		**67,767**	**11,757**	**79,524**	**56,566**	**(11,389)**	**45,177**
Income tax expense	12	(20,570)	14,291	(6,279)	(17,763)	3,471	(14,292)
Profit from continuing operations		**47,197**	**26,048**	**73,245**	**38,803**	**(7,918)**	**30,885**
Discontinued operations							
Profit (loss) from discontinued operations (net of income tax)	3	171	-	171	(1,161)	-	(1,161)
Profit for the period		**47,368**	**26,048**	**73,416**	**37,642**	**(7,918)**	**29,724**
Attributable to:							
Equity holders of the company		45,687	26,048	71,735	36,644	(7,918)	28,726
Minority interest	22	1,681	-	1,681	998	-	998
Profit for the period		**47,368**	**26,048**	**73,416**	**37,642**	**(7,918)**	**29,724**

Earnings per share

(€)	Note	2006 Continuing operations	2006 Total	2005 Pro Forma * Continuing operations	2005 Pro Forma * Total
Earnings per share (year end)	23	0.92	0.92	0.47	0.45
Recurring earnings per share (year end) ***	23	0.59	0.59	0.59	0.57
Earnings per share (weighted average)	23	1.07	1.07	0.47	0.45

* For the full year 2005. For details we refer to paragraph (a), of the chapter General. Figures are adjusted to reflect change in accounting policy (see paragraph (c) of the Significant accounting policies).

** For the definition of non-recurring we refer to paragraph (ac) of the Significant accounting policies. For details we refer to note 11 of the Group financial statements.

*** Recurring earnings per share is negatively influenced by higher finance costs due to the pre-IPO leveraged finance structure.

Consolidated income statement

For the year ended 31 December 2006

(€ x 1,000)	Note	2006 Total	2005 * 8 August up to and incl. 31 December Total
Continuing operations			
Total revenue	2	1,501,490	479,382
Revenue discontinued operations	3	(11,081)	-
Revenue continuing operations		1,490,409	479,382
Cost of sales		(1,087,415)	(325,698)
Gross profit		**402,994**	**153,684**
Other operating income	6	5,623	5,956
Selling and distribution expenses		(157,289)	(80,983)
Administrative expenses		(107,476)	(32,218)
Research and development expenses		(9,395)	-
Other operating expenses	7	(13,134)	(25,129)
Result from operating activities		**121,323**	**21,310**
Finance income		12,708	2,160
Finance expenses		(96,785)	(26,636)
Net finance costs	10	**(84,077)**	**(24,476)**
Share of profit of associates		3,315	2,412
Profit on sale of associates	3	38,963	-
Profit before income tax		**79,524**	**(754)**
Income tax expense	12	(6,279)	(658)
Profit from continuing operations		**73,245**	**(1,412)**
Discontinued operations			
Profit (loss) from discontinued operations (net of income tax)	3	171	(1,379)
Profit for the period		**73,416**	**(2,791)**
Attributable to:			
Equity holders of the company		71,735	(3,040)
Minority interest	22	1,681	249
Profit for the period		**73,416**	**(2,791)**

Earnings per share

(€)	Note	2006 Continuing operations	2006 Total	2005 * Continuing operations	2005 * Total
Earnings per share (year end)	23	0.92	0.92	(0.03)	(0.05)
Recurring earnings per share (year end) **	23	0.59	0.59	0.08	0.06
Earnings per share (weighted average)	23	1.07	1.07	(0.03)	(0.05)

* For the period 8 August up to and including 31 December 2005. For details we refer to paragraph (a), of the chapter General. Figures are adjusted to reflect change in accounting policy (see paragraph (c) of the Significant accounting policies).

** Recurring earnings per share is negatively influenced by higher finance costs due to the pre-IPO leveraged finance structure.

Consolidated Statement of recognised income and expense

For the year ended 31 December 2006

(€ x 1,000)	Note	2006	2005*
Foreign currency translation differences on foreign operations	22	(2,042)	(580)
Fair value adjustment financial instruments	22	1,528	-
Revaluation of property, plant and equipment		-	(338)
Costs related to the initial public offering (net of income tax)	22	(5,332)	-
Translation reserve minority interest	22	200	105
Other changes in equity	22	(43)	-
Income and expense recognised directly in equity		**(5,689)**	**(813)**
Profit for the period		73,416	(2,791)
Total recognised income and expense for the period		**67,727**	**(3,604)**
Attributable to:			
Equity holders of the company		65,846	(3,958)
Minority interest		1,881	354
Total recognised income and expense for the period		**67,727**	**(3,604)**

* For the period 8 August up to and including 31 December 2005. For details we refer to paragraph (a), of the chapter General.

Consolidated statement of cash flows

For the year ended 31 December 2006

(€ x 1,000)	Note	2006	2005*
Result from operating activities		**121,323**	**86,530**
Depreciation	14	50,750	43,669
Amortisation	15	10,346	21,480
Change in trade working capital	20, 29	(4,218)	(17,129)
Operating cash flow		***178,201***	***134,550***
Change in other working capital		502	4,274
Change in employee benefits	25	1,795	347
Change in provisions	28	(1,559)	7,169
Dividends received from associates	22	2,202	7,217
Income tax expense	12	(6,279)	(14,399)
Free operating cash flow		**174,862**	**139,158**
Investments in property, plant & equipment and intangible assets	14, 15	(50,902)	(53,774)
Disposals and value adjustments	14, 15	4,664	2,036
Other changes in property, plant & equipment and intangible assets	14, 15	(6,336)	(2,643)
Change in other financial assets	17	(429)	1,024
Other changes in associates		456	(8,944)
Proceeds from sale of associates	3	73,065	-
Change in securities		12	(65)
Change in deferred tax	18	(9,484)	1,303
Change in deferred government grants		(224)	(83)
Change in other non-current liabilities		(617)	2,550
Acquired property, plant & equipment and intangible assets	5, 14, 15	(131)	(462,018)
Goodwill on acquisitions	5, 14, 15	(4,236)	(114,595)
Acquired other assets and liabilities	5	(1,509)	93,139
Net cash from (used in) investing activities		**4,329**	**(542,070)**
Proceeds from shares issued	22	150,000	10,018
Net financing costs	10	(84,077)	(48,608)
Change in interest bearing loans and borrowings	24	(295,675)	521,771
Dividend paid to minority shareholders	22	(2,062)	-
Costs share-based payment plans	22	5,105	-
IPO costs (net of income tax)	22	(5,332)	-
Equity restatement due to change in shareholders	22	-	13,471
Result from discontinued operations		171	(1,046)
Other changes in equity	22	(1,464)	2,250
Net cash from (used in) financing activities		**(233,334)**	**497,856**
Net increase (decrease) of cash and cash equivalents		**(54,143)**	**94,944**
Cash and cash equivalents less current bank debt at 1 January	21	53,312	(41,632)
Cash and cash equivalents less current bank debt at 31 December	21	**(831)**	**53,312**

* based on the full year figures 2005. For details we refer to paragraph (a), of the chapter General.

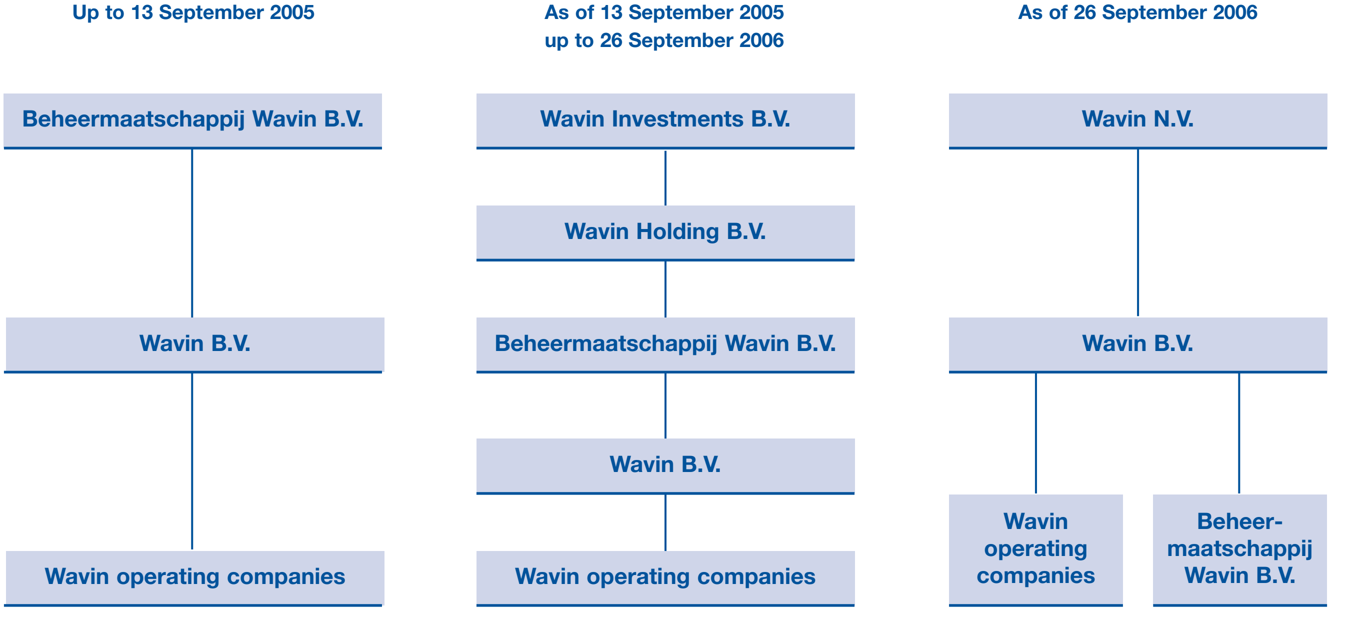
General

(a) Reporting entity

On 26 September 2006, Wavin Investments B.V. was converted into a public limited liability company and renamed Wavin N.V.. Wavin N.V. (the "Company") is domiciled in Zwolle, the Netherlands. The Group is primarily involved in the production and sales of plastic pipe systems and solutions.

_(i)_ Change in Group structure

After the closing of the IPO intra-group companies were restructured to create a more efficient corporate structure. This legal restructuring included the transfer of all the shares of Wavin B.V. from Beheermaatschappij Wavin B.V. to Wavin N.V., the transfer of all shares of Beheermaatschappij Wavin B.V. from Wavin Holding B.V. to Wavin B.V. and the merger of Wavin Holding B.V. into Wavin N.V.. As a result of the Change in Ownership, on 13 September 2005, Wavin Investments B.V, (a company incorporated on 8 August 2005), through its wholly-owned subsidiary, Wavin Holding B.V. (also incorporated on 8 August 2005), acquired Beheermaatschappij Wavin B.V., until then the parent company of the group. The only activity of Wavin Investment B.V. and Wavin Holding B.V. was participating in and financing of the group. Wavin Investment B.V. was the ultimate parent company in which shareholders contributed share capital and shareholder loans in connection with the change of ownership in 2005.



_(ii)_ Reporting structure

The consolidated financial statements of the Company for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates covering the period 1 January 2006 up to and including 31 December 2006.

The comparative figures in the consolidated balance sheet comprise the figures of Wavin Investments B.V. (later converted into a N.V. and renamed Wavin N.V.) and its subsidiaries and the Group's interest in associates. The comparative figures in the consolidated income statement, consolidated statement of cash flows and related disclosure notes comprise the pro forma figures of the Wavin Group in 2005, including Wavin Investments B.V., Wavin Holdings B.V., Beheermaatschappij Wavin B.V. (the former ultimate holding company), Wavin B.V. and all subsidiaries. The effects of the acquisition of Beheermaatschappij Wavin B.V., Wavin B.V. and all subsidiaries by Wavin Holdings B.V. on 13 September 2005 have been included from that date on. These effects mainly relate to purchase price allocation including revaluations and to the Group refinancing at that date.

Comparative information for 2005 as included in the consolidated financial statements of Wavin Investment B.V. only covers the period 8 August 2005 (which is the date of the incorporation of Wavin Investment B.V.) until 31 December 2005, unless stated otherwise. These financial statements include the operations of Beheermaatschappij Wavin B.V. as from 13 September 2005. The comparative figures in the notes cover, unless otherwise stated, the pro forma full year 2005 figures for Beheermaatschappij Wavin B.V., Wavin B.V. and all subsidiaries to show the results, cash flows and developments in the balance sheet positions on a comparable annual basis.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) further to the IAS Regulation (EC 1606/2002) ("IFRSs as adopted by the EU", in this document further referred to as IFRS).

These financial statements are based on IFRSs that are adopted by the EU and effective at 31 December 2006.

The company financial statements have been prepared in accordance with the financial reporting requirements included in Part 9, Book 2 of the Dutch Civil code.

The financial statements were authorised for issue by the Management Board on 5 March 2007.

Significant accounting policies

(a) Basis of preparation

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. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

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

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about 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 regularly reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Note 5 Business combinations;
- Note 14 Valuation of land;
- Note 18 Utilisation of tax losses;
- Note 25 Measurement of defined benefit obligations;
- Note 28 & 33 Provisions and contingencies.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all subsidiaries.

(b) Basis of consolidation

***(i)* Subsidiaries**

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise 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 share of third parties in the result and equity of the consolidated Subsidiaries has been deducted from the net profit after tax and equity of the individual Subsidiaries. See page 101 for the outline of the company's principal direct and indirect participations.

***(ii)* Associates**

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

***(iii)* Transactions eliminated on consolidation**

Intragroup balances and transactions, and any unrealised gains arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised net gains after tax arising from transactions with associates and 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.

(c) Changes in accounting policies

Wavin is using a notional cash pool system for financing of different group companies. The accounting policy with regard to the cash pool has been changed in order to give a better insight in the actual debt position of the Group. As of 2006 the positive and negative positions under the cash pool systems are netted. As a consequence the finance income and finance expenses related to these systems are also netted as of 2006.

Accounting policy (c) continued

The impact on the different comparative figures can be summarised as follows:

Net finance costs (note 10 of the Group financial statements)

(€ x 1,000)	2005 income	2005 expense
Interest 2005 - as reported	4,924	(47,165)
Reclassification interest 2005	(3,242)	3,242
Interest 2005 - restated	**1,682**	**(43,923)**

Cash and cash equivalents (note 21 of the Group financial statements)

(€ x 1,000)	2005
Bank balances at 31 December 2005 - as reported	172,622
Reclassification credit position of cash pool system as per 31 December 2005	(104,519)
Bank balances at 31 December 2005 - restated	**68,103**

Interest bearing loans and borrowings (note 24 of the Group financial statements)

(€ x 1,000)		2005	
	Secured bank overdrafts	Unsecured bank overdrafts	Total reclassi-fication
As reported at 31 December 2005	72,776	41,380	
Reclassification credit position of cash pool system as per 31 December 2005	(66,007)	(38,512)	(104,519)
As restated at 31 December 2005	**6,769**	**2,868**	

(d) Foreign currency

***(i)* Foreign currency transactions**

Transactions in foreign currencies are translated to Euro at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Euro 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)* Financial statements of 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. 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.

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

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

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

(e) 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. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resulting gain or loss depends on the nature of the item being hedged (see Significant accounting policy (f)). The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Significant accounting policies

(f) Hedging

***(i)* Cash flow hedges**

For derivative financial instruments that are designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any hedge is recognised in the income statement immediately. Any gain or loss arising from changes in the time value of the derivative financial instruments is excluded from the measurement of hedge effectiveness and is recognised in the income statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

***(ii)* Hedge of monetary assets and liabilities**

When a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

***(iii)* Hedge of net investment in foreign operation**

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

(g) Property, plant and equipment

***(i)* Owned assets**

With the exception of land all items of property, plant and equipment are stated at cost, i.e. the acquisition cost or the full production costs, less cost reducing subsidies received from the government, accumulated depreciation (see below) and impairment losses (see Significant accounting policy (p)). Land is shown at actual value based on periodic, but at least triennial valuations based on actual data of governmental bodies or valuation reports from experts. Our experience is that in the intervening years changes in valuation are not material. Increases in the carrying amount arising on revaluation of land are credited to the revaluation reserve in shareholders' equity. Upon disposal of premises, the relevant portion of the revaluation reserve is released and transferred from the revaluation reserve to retained earnings.

Property that is being constructed or developed for future use as investment property is classified under property, plant and equipment in progress and stated at cost until construction or development is complete, at which time it is reclassified as investment property. The assets which have been ordered but for which no invoices have been received yet, have not been included in the property, plant and equipment in progress. These orders are disclosed under capital commitments.

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

***(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 (see below) and impairment losses. Lease payments under operational lease contracts are accounted for as costs in the income statement.

***(iii)* Subsequent expenditure**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised when it is probable that the future economic benefits embodied within the part will flow to the Group and costs can be measured reliably. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

***(iv)* Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. The rates for depreciation at cost are:

Surfacing	10 %
Buildings	2.5 %
Installations	5 - 10 %
Production machinery	5 - 15 %
Heads, cones, moulds	10 - 12.5 %
Transport	20 %
Computer hardware	33.33 %
Computer hardware as part of a large information technology project	20 %
Office equipment/furniture	10 %

Additions during the year are written off proportionally.
The residual value, useful lives and depreciation methods are reassessed annually.

(h) Intangible assets

***(i)* Goodwill**

All business combinations are accounted for by applying the purchase method in accordance with IFRS 3. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired, calculated according to the Wavin accounting principals. Cost directly related to an acquisition such as legal advice, fiscal advice, due diligence, etc. are added to the acquisition price.

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of deemed costs, which represents the amount recorded under previous applied Dutch GAAP. Existing goodwill as at 1 January 2004 is carried forward at its book value.

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

Internally generated goodwill is not recognised as an asset. Negative goodwill (badwill) is recognised immediately as income.

***(ii)* Brand names**

The Group carries assets in the balance sheet for the major brands acquired since 1 January 2004, such as “Wavin” and “Hep$_2$O”. Internally generated brands are not capitalised. Acquired brand values are calculated based on the Group’s valuation methodology, which is based on royalty fee assumptions or cash flow projections based on the Interbrand valuation techniques. Consequently it is the brand value in its widest sense. Brand names have an infinite live as there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. Furthermore:

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

***(iii)* Business combinations**

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

***(iv)* 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. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see Significant accounting policy (p)).

***(v)* 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 Significant accounting policy (p)). Expenditure on internally generated goodwill, patents, brands, etc. is recognised in the income statement as an expense as incurred.

***(vi)* 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 as incurred.

***(vii)* Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives 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:

Other assets from business combinations	20 - 50%
Know how / licensees	20%
Capitalised development costs	20%
Software	33.33%
Software (large information technology projects)	20%

Significant accounting policies

Accounting policy (h) continued

Brand names are an indissolubly 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.

(i) 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.

(j) Deferred tax assets

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

(k) Other current investments

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

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

(l) Inventories

Inventories are stated at the lower of cost (see Significant accounting policy (z)) 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 expenditure incurred in acquiring the inventories and in bringing them in their existing location and condition. Costs include for own manufactured inventories and work in progress an appropriate share of overheads based on normal operating capacity.

(m) Trade and other receivables

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

(n) Assets classified as held for sale

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

(o) Cash and cash equivalents

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

(p) Impairment

The carrying amounts of the Group's assets other than other current investments (see Significant accounting policy (j)), inventories (see Significant accounting policy (l)) and deferred tax assets (see Significant accounting policy (j) and (ae)) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

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

The recoverable amount of other assets is the greater of the net selling price and value in use. In assessing the value in use, the estimated cash flows are discounted to their net present value using a 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 cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

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. An impairment loss of goodwill is not reversed.

(q) Equity

***(i)* Retained earnings / appropriation of profit**

The net profit for the year under review is credited to the retained earnings. 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.

(r) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at nominal value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(s) Employee benefits

***(i)* Defined contribution plans**

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement when they incurred.

***(ii)* Defined benefit plans**

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

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

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan.

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

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

***(iv)* Current benefits**

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

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

(t) Share-based payment transactions

The grant date fair value of share appreciation rights granted to employees is recognised as a non-recurring employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of share rights that vest.

The grant date fair value of shares granted to employees is recognised as a non-recurring employee expense with a corresponding increase in equity. The amount recognised as an expense reflects the actual number of shares granted at the moment of listing of the Wavin shares at the Amsterdam Stock Exchange.

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

(u) 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 profit and loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the costs of an asset are recognised in profit or loss on a systematic basis in relation to the depreciation period of the assets concerned.

(v) 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**

The warranties provision is recognised when the underlying products or services are sold. The provision is 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 communicated.

***(iii)* Others**

The other provisions mainly consist of provisions for the obligation to take back returnable packaging 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.

(w) Deferred Tax liabilities

Long term tax liabilities resulting from temporary differences between commercial and fiscal valuations per fiscal entity are capitalised as deferred tax liability as long as they are expected to result in a cash outflow. If it is not probable that a Group company will pay profit taxes in the coming years due to negative results, the deferred tax liability is not recognised.
Tax losses carried forward for compensation of losses with future profits that may reasonably be expected to materialise in the foreseeable future are presented as deferred tax assets (see Significant accounting policy (j)).

(x) Trade and other payables

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

(y) Revenue

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

(z) Cost of sales

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

- the costs of raw materials and supplies, energy 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 the manufacturing.

(aa) Research costs

Research costs are charged to income as incurred.

(ab) 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.

(ac) Non-recurring income and expenses

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

(ad) 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 on financing activities, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payments is established.

Finance expenses comprise interest expense on borrowings, fees relating to the arrangement of new borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

(ae) Income tax expense
Income tax is accounted for in accordance with the tax regulations in the country of domicile concerned.

Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the income statement unless it relates to items recognised directly to equity, in which case it is recognised directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates valid at the balance sheet date and any adjustment to tax payable in respect of previous years.

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

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

(ag) 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.

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

(ai) 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 different methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(aj) New standards and interpretations not yet implemented
A number of new standards, amendments to standards ad interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these consolidated financial statements:

- IFRS 7 *Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which becomes mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to Group's financial instruments and share capital.
- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* addresses the application of IAS 29 when a economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any impact on the consolidated financial statements.
- IFRIC 8 *Scope of IFRS 2 Share-based payments* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Group's 2007 financial statements, with retrospective application required it is not expected to have any impact on the consolidated financial statements.
- IFRS 8 *Operating Segments* sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which they operate, and its major customers. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require additional disclosures on these items.
- IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether embedded derivatives should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9 will become mandatory for the Group's 2007 financial statements, is not expected to have any impact on the consolidated financial statements.
- IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, and will apply to goodwill, investments in equity instruments and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e. 1 January 2005).
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* provides guidance in applying IFRS 2 Share-based Payment in three circumstances:
  - Share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation – is this an equity-settled or cash-settled transaction?
  - A parent grants rights to its equity instruments to employees of its subsidiary – how to account in the individual entities' financial statements?
  - A subsidiary grants rights to equity instruments of its parent to its employees – how to account in the individual entities' financial statements?

  IFRIC 11 will become mandatory for the Group's 2008 financial statements and is not expected to have an impact on the consolidated financial statements.

Notes to the Group financial statements

1. Exchange rate of key currencies

The principal exchange rates against the Euro used in preparing the balance sheet and the statement of income are:

(€)	Balance sheet		Income statement	
	2006	2005	2006	2005
Pound Sterling	0.6715	0.6857	0.6812	0.6829
Polish Zloty	3.8310	3.8550	3.8927	4.0505
Danish Krone	7.4560	7.4630	7.4598	7.4534
Norwegian Krone	8.2380	8.0100	8.0431	8.0185
Czech Koruna	27.4850	28.9500	28.3304	29.9630
Hungarian Forint	251.7700	253.0000	264.1947	247.7250
Australian Dollar	1.6691	1.6120	1.6654	1.6318

2. Segment reporting

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

Inter-segment pricing is determined at an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Geographic segments

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

- UK and Ireland;
- North West Europe (the Netherlands, Germany, Belgium, Austria);
- Nordic Europe (Denmark, Norway, Sweden, Finland, Baltic states);
- Central and Eastern Europe (Poland, Russia, Czechia, Ukraine, Slovakia);
- South West Europe (France, Portugal);
- South East Europe (Italy, Hungary, Romania, Switzerland);
- Other (Wavin Overseas, Wavin T&I, Wavin Head Office and other small holding companies).

Notes to the Group financial statements

Note 2 continued

Geographic segmentation

(€ x 1,000)	UK / Ireland	North West Europe	Nordic Europe	Central & Eastern Europe	South West Europe	South East Europe
2006						
Total external revenue	449,750	314,144	219,001	186,975	161,943	131,472
Intersegment revenue	5,518	35,192	8,559	29,835	4,612	8,417
Total segment revenue	**455,268**	**349,336**	**227,560**	**216,810**	**166,555**	**139,889**
Result from operating activities before non-recurring items before depreciation and amortisation	**67,435**	**30,848**	**25,467**	**37,080**	**10,985**	**12,455**
Depreciation and amortisation	17,423	11,299	7,882	9,062	4,982	2,786
Result from operating activities before non-recurring items	**50,012**	**19,549**	**17,585**	**28,018**	**6,003**	**9,669**
Non-recurring operational costs	(7,119)	(314)	(3,336)	278	(183)	6
Result from operating activities	**42,893**	**19,235**	**14,249**	**28,296**	**5,820**	**9,675**
Net finance costs						
Share of profit of associates						
Profit (loss) on sale of associates						
Profit before income tax						
Income tax						
Profit for the period						
2005						
Total external revenue	402,483	299,970	189,711	146,143	149,342	109,979
Intersegment revenue	2,110	25,421	7,986	19,595	2,961	8,100
Total segment revenue	**404,593**	**325,391**	**197,697**	**165,738**	**152,303**	**118,079**
Result from operating activities before non-recurring items before depreciation and amortisation	**61,427**	**27,852**	**18,603**	**29,398**	**7,134**	**10,475**
Depreciation and amortisation	13,727	11,424	7,232	7,079	4,579	2,811
Result from operating activities before non-recurring items	**47,700**	**16,428**	**11,371**	**22,319**	**2,555**	**7,664**
Non-recurring operational costs	(8,149)	129	(47)	(242)	(515)	-
Result from operating activities	**39,551**	**16,557**	**11,324**	**22,077**	**2,040**	**7,664**
Net finance costs						
Share of profit of associates						
Gain (loss) on sale of discontinued operations	(1,379)					
Profit (loss) on sale of associates						
Profit before income tax						
Income tax						
Profit for the period						

(€ x 1,000)	UK / Ireland	North West Europe	Nordic Europe	Central & Eastern Europe	South West Europe	South East Europe
2006						
Segment assets	537,264	185,000	247,126	178,287	106,468	90,411
Investment in associates	-	-	-	-	-	-
Total assets	**537,264**	**185,000**	**247,126**	**178,287**	**106,468**	**90,411**
Total liabilities	**512,035**	**131,746**	**204,037**	**167,031**	**85,001**	**73,218**
Acquired through business combinations	-	-	-	-	-	4,367
Capital expenditure	8,859	10,752	8,645	10,646	4,209	1,880
Depreciation	13,932	11,008	6,867	8,285	4,466	2,306
Amortisation of intangible assets	3,351	901	1,015	589	377	480
Impairment losses on non-current assets	2,395	-	-	188	246	-
2005						
Segment assets	518,107	180,509	213,897	153,763	105,626	75,681
Investment in associates	-	-	-	-	-	-
Total assets	**518,107**	**180,509**	**213,897**	**153,763**	**105,626**	**75,681**
Total liabilities	**530,888**	**137,812**	**205,872**	**151,020**	**87,578**	**62,935**
Acquired through business combinations	200,273	-	3,296	4,353	-	-
Capital expenditure	13,626	10,011	7,728	13,712	4,486	1,955
Depreciation	10,784	10,310	6,383	6,602	4,210	2,405
Amortisation of intangible assets	2,125	752	849	477	354	406
Impairment losses on non-current assets	818	362	-	-	15	-

Note 2 continued

Geographic segmentation

Other	Elimi-nations	Conso-lidated	Less dis-continued operations	Continuing operations	(€ x 1,000)
					2006
38,205	-	1,501,490	(11,081)	1,490,409	Total external revenue
7,590	(99,723)	-	-	-	Intersegment revenue
45,795	**(99,723)**	**1,501,490**	**(11,081)**	**1,490,409**	**Total segment revenue**
12,008	**-**	**196,278**	**(238)**	**196,040**	**Result from operating activities before non-recurring items before depreciation and amortisation**
4,691	-	58,125	-	58,125	Depreciation and amortisation
7,317	**-**	**138,153**	**(238)**	**137,915**	**Result from operating activities before non-recurring items**
(5,924)	-	(16,592)	-	(16,592)	Non-recurring operational costs
1,393	**-**	**121,561**	**(238)**	**121,323**	**Result from operating activities**
(84,058)	-	(84,058)	(19)	(84,077)	Net finance costs
3,315	-	3,315	-	3,315	Share of profit of associates
38,963	-	38,963	-	38,963	Profit (loss) on sale of associates
		79,781	(257)	79,524	Profit before income tax
		(6,365)	86	(6,279)	Income tax
		73,416	**(171)**	**73,245**	**Profit for the period**
					2005
33,042	-	1,330,670	(27,889)	1,302,781	Total external revenue
6,987	(73,160)	-	-	-	Intersegment revenue
40,029	**(73,160)**	**1,330,670**	**(27,889)**	**1,302,781**	**Total segment revenue**
8,513	**-**	**163,402**	**(334)**	**163,068**	**Result from operating activities before non-recurring items before depreciation and amortisation**
18,297	-	65,149	-	65,149	Depreciation and amortisation
(9,784)	**-**	**98,253**	**(334)**	**97,919**	**Result from operating activities before non-recurring items**
(2,565)	-	(11,389)	-	(11,389)	Non-recurring operational costs
(12,349)	**-**	**86,864**	**(334)**	**86,530**	**Result from operating activities**
(48,617)	-	(48,617)	9	(48,608)	Net finance costs
7,255	-	7,255	-	7,255	Share of profit of associates
	-	(1,379)	1,379	-	Gain (loss) on sale of discontinued operations
	-	-	-	-	Profit (loss) on sale of associates
		44,123	1,054	45,177	Profit before income tax
		(14,399)	107	(14,292)	Income tax
		29,724	**1,161**	**30,885**	**Profit for the period**

Other	Elimi-nations	Conso-lidated	Less dis-continued operations	Continuing operations	(€ x 1,000)
					2006
1,304,733	(1,200,677)	1,448,612	(3,988)	1,444,624	Segment assets
15,569	-	15,569	-	15,569	Investment in associates
1,320,302	**(1,200,677)**	**1,464,181**	**(3,988)**	**1,460,193**	**Total assets**
641,907	**(650,735)**	**1,164,240**	**(1,802)**	**1,162,438**	**Total liabilities**
-	-	4,367	-	4,367	Acquired through business combinations
5,911	-	50,902	-	50,902	Capital expenditure
1,196	-	48,060	-	48,060	Depreciation
3,494	-	10,207	-	10,207	Amortisation of intangible assets
-	-	2,829	-	2,829	Impairment losses on non-current assets
					2005
932,186	(735,602)	1,444,167	(5,205)	1,438,962	Segment assets
49,014	-	49,014	-	49,014	Investment in associates
981,200	**(735,602)**	**1,493,181**	**(5,205)**	**1,487,976**	**Total assets**
840,281	**(533,483)**	**1,482,903**	**(3,182)**	**1,479,721**	**Total liabilities**
368,691	-	576,613	-	576,613	Acquired through business combinations
2,256	-	53,774	-	53,774	Capital expenditure
1,780	-	42,474	-	42,474	Depreciation
16,517	-	21,480	-	21,480	Amortisation of intangible assets
-	-	1,195	-	1,195	Impairment losses on non-current assets

Note 2 continued

Business segments

The secondary segmentation, which is based on business segments, is limited to the segmentation of revenue only. Due to the integration of the business units in our operating facilities it is not possible to allocate assets and capital expenditures to individual business units. The Group comprises two Strategic Business Units, which in turn are divided in different business units:

Building & Installation

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

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

Civils & Infrastructure

Below-ground plastic pipe systems for foul water discharge, water management, cable ducting, and water and gas distribution.

Foul Water Systems	Systems used to discharge foul water or storm water from buildings and hard surfaces to water purification plants.
Water Management	Systems used to remove, attenuate and infiltrate rain- and storm water.
Water & Gas	Systems (pressure pipes and fittings) for the supply and distribution of potable water and gas, including pipe line rehabilitation solutions.
Cable Ducting Systems	Systems (micro fittings, micro ducts and corrugated pipes) used to guide and protect power lines as well as fibre-optic cables and bundles.

(€ x 1,000)	Revenue	
	2006	2005
Hot & Cold	269,834	189,362
Soil & Waste	206,109	180,472
Other Building Systems	60,663	56,556
Building & Installation	**536,606**	**426,390**
Foul Water Systems	556,777	515,525
Water Management	65,569	48,176
Cable Ducting	58,681	46,891
Water & Gas	223,324	221,860
Civils & Infrastructure	**904,351**	**832,452**
Unallocated	**60,533**	**71,828**
Total revenue	**1,501,490**	**1,330,670**
Discontinued operations	(11,081)	(27,889)
Revenue continuing operations	**1,490,409**	**1,302,781**

3. Discontinued investments and discontinued operations

Discontinued investments

Early 2006 the investments in Iplex Australia, Iplex New Zealand and Espace Real Estate Switzerland and Alphavin in Switzerland as well as the drainage activities in the Netherlands were classified as held for sale.

In March 2006 the company disposed of its 25% shareholding in Iplex Pipelines in Australia and New Zealand. In 2006 these investments contributed a profit of € 0.1 million (2005: € 4.9 million). This disposal resulted in a gain on sale of € 36.2 million.

The 11% shareholding in the Swiss real estate company Espace Real Estate AG was disposed in February 2006. This disposal resulted in a gain of € 2.4 million. In 2006 and 2005 this shareholding had no significant contribution to the net profit.

In October 2006 the 33% shareholding in Alphavin Switzerland was sold which resulted in a profit on disposal of € 0.4 million. In 2006 and 2005 this shareholding had no significant contribution to the net profit.

The gains mentioned are included in the profit on sale of associates.

Discontinued operations

The assets related to the irrigation activities of Kulker SAS in France have been classified as held for sale in 2005, following the announcement that this activity will be divested. In the year 2006 the activity contributed € 11.1 million (2005: € 12.2 million) to the consolidated revenue and an equal profit as in 2005 of € 0.2 million to the net profit for the year. The divestment process is not completed yet.

Note 3 continued

Results of discontinued operations

(€ x 1,000)	2006	2005
Revenue	11,081	27,889
Expenses	(10,824)	(27,564)
Result from operating activities	257	325
Income taxe expense	(86)	(107)
Results from operating activities, net of income tax	171	218
Gain on sale of discontinued operation	-	(1,379)
Income tax on gain on sale of discontinued operation	-	-
Profit (loss) for the period	**171**	**(1,161)**
Basic earnings (loss) per share (€ x 1)	0.00	(0.02)

The comparative figures reflect the sale of Hepworth Building Products Ltd.'s concrete division and the drainage activities in Pressigny, France.

Cash flows from discontinued operations

(€ x 1,000)	2006	2005
Net cash from operating activities	171	389
Net cash from investing activities	-	6,707
Net cash from financing activities	-	(1,550)
Net cash from (used in) discontinued operation	**171**	**5,546**

Effect of disposals on individual assets and liabilities of the Group

(€ x 1,000)	2006	2005
Effect of the disposal on individual assets and liabilities of the Group		
Property, plant and equipment	-	3,832
Inventories	-	4,671
Trade and other receivables	-	-
Employee benefits	-	(50)
Other provisions	-	(133)
Trade and other payables	-	(63)
Net identifiable assets and liabilities	**-**	**8,257**
Consideration paid, satisfied in cash	**-**	**6,707**
Cash disposed of	-	-
Net cash inflow	**-**	**6,707**

4. Assets and liabilities held for sale

Assets classified as held for sale

The assets related to the irrigation activities of Kulker SAS in France were classified as held for sale in 2005 following the announcement that this activity would be divested. The divestment process is not yet completed. The assets and liabilities classified as held for sale can be specified as follows:

(€ x 1,000)	2006	2005
Property, plant and equipment	386	345
Inventory	864	1,256
Trade and other receivables	2,738	3,604
Total assets held for sale	**3,988**	**5,205**

Note 4 continued

Liabilities classified as held for sale

(€ x 1,000)	2006	2005
Provisions	245	235
Trade and other payables	1,557	2,947
Total liabilities held for sale	**1,802**	**3,182**

5. Acquisitions of subsidiaries

Acquisitions

On 1 April 2006 100% of the shares of AFA Srl in Italy were acquired. The company is a distributor of plastic pipe systems for hot and cold applications. The purchase prices on a debt free basis amounting to € 5.9 million, was partly satisfied in cash and will partly be paid in the coming years if certain objectives, which are agreed in an earn out arrangement, will be realised. The acquisition was accounted for using the purchase method. In 2006 the subsidiary contributed € 6.6 million to the consolidated revenue and € 0.5 million to the consolidated net profit for the year.

If the acquisition had occurred on 1 January 2006, management estimates that consolidated revenue would have been € 9.2 million and consolidated profit for the year would have been € 0.7 million.

Effect of acquisitions

The above mentioned acquisition had the following effect on the Group's assets and liabilities at the acquisition date:

(€ x 1,000)		2006	
	Carrying amounts	Fair value adjustments	Recognised values
Property, plant and equipment	14	-	14
Intangible assets	30	87	117
Financial assets	-	55	55
Inventories	1,221	(118)	1,103
Trade and other receivables	2,527	-	2,527
Cash and cash equivalents	20	-	20
Trade and other payables	(2,121)	-	(2,121)
Net identifiable assets and liabilities	**1,691**	**24**	**1,715**
Goodwill on acquisition	4,260	(24)	4,236
Consideration paid, satisfied in cash	**5,951**	**-**	**5,951**
Cash (acquired)	(20)	-	(20)
Net cash outflow	**5,931**	**-**	**5,931**

The consideration paid includes approximately € 0.1 million acquisitions costs.
The assets acquired were adjusted to fair value at the date of acquisition. All acquired assets and liabilities were remeasured during the due diligence process.

Fair value adjustments according to IFRS 3

IFRS 3 requires recognising acquired identifiable assets, liabilities and contingent liabilities at fair value. Fair value adjustments were limited because the main asset, being the AFA brand name, was already owned by the Wavin Group.

Certain of the above mentioned fair values of assets and (contingent) liabilities are provisional estimates based on best information available at the time of determining those values. IFRS 3 allows adjustments to this provisional accounting within a timeframe of 12 months after acquisition if it can be demonstrated that new information does provide better evidence about the fair value of any asset or (contingent) liability at the date of acquisition. In 2006 no adjustments to the provisional accounting in 2005 have been made.

Goodwill

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

6. Other operating income

(€ x 1,000)	2006	2005
Gain on disposal of intangible assets	-	6
Gain on disposal of property, plant and equipment	866	344
Foreign exchange differences	545	885
Government grants received	312	251
Various commissions	708	781
Other	3,192	3,689
Total	**5,623**	**5,956**

Other operating income includes royalty income, rental income, receipt of insurance claims etc..

7. Other operating expenses

(€ x 1,000)	2006	2005
Loss on disposal of non-current assets	(409)	(539)
Amortisation of assets acquired through business combinations	(5,102)	(16,358)
Taxes, other than income tax	(4,248)	(4,082)
Other	(3,375)	(5,447)
Total	**(13,134)**	**(26,426)**

Expenses related to the amortisation of assets acquired through business combinations represent the amortisation of order portfolio and customer contracts. For further details see note 15 to the Group financial statements.

8. Personnel expenses

(€ x 1,000)	Note	2006	2005
Salaries and wages		(239,380)	(221,351)
Social security contributions		(38,330)	(36,760)
Contributions to defined contribution plans		(10,223)	(8,487)
Expenses related to defined benefit plans	25	(8,006)	(6,315)
Other personnel expenses		(9,650)	(10,374)
Total recurring personnel expenses		**(305,589)**	**(283,287)**
Equity settled share based payment transactions	26	(779)	-
Cash settled share based payment transactions	26	(4,326)	-
Total		**(310,694)**	**(283,287)**

9. Personnel employed

The total average full time equivalent of employees is:

	2006	2005
Direct employees	3,338	3,490
Indirect employees	3,731	3,508
Total average full time equivalents	**7,069**	**6,998**
Number of employees at 31 December	**6,704**	**6,813**

Of the average number 909 FTE's are stationed in the Netherlands and 6,160 FTE's outside the Netherlands. For further details we refer to page 26 through 30 of the annual report.

10. Net finance costs

(€ x 1,000)	2006	2005*
Finance income		
Interest income	2,692	1,682
Gain on sale of financial instruments	10,743	-
Currency differences on loans	119	396
Net gain on disposal of other investments	-	64
	13,554	**2,142**
Finance expense		
Interest expense	(69,468)	(43,923)
Interest on preference shares	(6,772)	(6,827)
Impairment of fees paid for old loans	(21,391)	-
	(97,631)	**(50,750)**
Total net finance costs	**(84,077)**	**(48,608)**

* adjusted to reflect change in accounting policy (see paragraph (c) of the Significant accounting policies).

The gain on sale of financial instruments includes € 10.8 million profit on the sale of the financial instruments related to the Group financing as of September 2005. Due to the refinancing in October 2006 the financial instruments related to the former Group financing including caps, collars and interest rate swaps with a total hedged amount of € 518 million, have been sold.

The impairment charge of € 21.4 million regarding the unamortized fee costs relates to the group refinancing in September 2005, as a result of the repayment of the shareholder loan and bank borrowings in October 2006. These loans are repaid with the proceeds of the IPO and the funds drawn under the new finance facility. For further details regarding the new loans we refer to note 24.

Higher margins of the previous (leveraged) finance facilities of € 865 million, the 12% interest on preference shares of € 70 million and 10% interest charges on shareholders loans of € 195 million had a significant impact on the 2006 results.

11. Non-recurring income and expense

(€ x 1,000)	Note	2006	2005
Restructuring costs		(10,379)	(9,377)
Share based payments		(5,105)	-
Other		(1,108)	(2,012)
Total non-recurring operational costs		**(16,592)**	**(11,389)**
Profit on sale of financial instruments	10	10,777	-
Impairment fees old syndicated loans	10	(21,391)	-
Total non-recurring finance costs		**(10,614)**	**-**
Profit on sale of associates	3	**38,963**	**-**
Tax rate adjustments	12	11,394	-
Capitalization losses carried forward Germany	18	4,385	-
Capital gain tax	12	(5,630)	-
Non-recurring tax benefits		4,142	3,471
Total non-recurring income tax		**14,291**	**3,471**
Total non-recurring income and expense		**26,048**	**(7,918)**

Restructuring costs in 2006 relate to the integration of the Group's activities in the United Kingdom following the 2005 acquisition of Hepworth Building Products ltd., as well as the integration of activities in the Nordic Europe and North West Europe regions. Share-based payment expenses relate to a one-off allocation of shares granted to Wavin employees due to the IPO of the Group.

In 2006 usage of losses carried forward are included in recurring income. Losses carried forward of € 4.4 million are capitalised for our German operations due to the improved profitability. This income is classified as non-recurring due to the long period in which the losses were generated.

12. Income tax expense

Recognised in the income statement

(€ x 1,000)	Note	2006	2005
Current tax expense			
Current year		(18,313)	(13,881)
Adjustments for prior years		623	(692)
		(17,690)	**(14,573)**
Deferred tax expense			
Organisation and reversal of temporary differences		(2,785)	(665)
Reduction in tax rates		11,394	(68)
Benefit from tax losses recognised		8,346	907
Capital gain taxes		(5,630)	-
		11,325	**174**
Income tax expense excluding tax on sale of discontinued operation		**(6,365)**	**(14,399)**
Income tax expense from continuing operations		(6,279)	(14,292)
Income tax expense from discontinued operations (excluding gain on sale)	3	(86)	(107)
Total income tax expense		**(6,365)**	**(14,399)**

Deferred tax expense includes a charge of € 4.0 million for identified tax exposures in the Group.

The € 11.4 million tax income regarding the reduction of tax rates is fully related to the reduction of the corporate tax rate in the Netherlands. This enacted tax rate decreased from 29.6% in 2006 to 25.5% in 2007. Wavin N.V. had a recognized deferred tax liability of € 80.7 million at 31 December 2005 resulting from the recognition of intangible assets such as brand names following the change in shareholders in 2005. The decrease in the corporate tax rate reduced this liability by € 11.4 million.

The benefit from tax losses recognised of € 8.3 million is mainly related to capitalisation of losses carried forward following improved result developments in Germany (€ 4.4 million) and a merger of legal entities in France (€ 0.9 million).

Capital gain taxes of € 5.6 million are related to capital gain taxes due in Australia on the fiscal profit realised on the sales of Iplex Australia (see note 3 of the Group financial statements).

Reconciliation of effective tax rate

	2006		2005	
	%	€ x 1,000	%	€ x 1,000
Profit before tax		79,524		45,177
Gain on sale of associates		(38,963)		-
Profit (loss) from discontinued operations (before tax)		257		(1,054)
Interest on preference shares		6,772		6,827
Share of profit of associates		(3,315)		(7,255)
Adjusted profit before tax		**44,275**		**43,695**
Income tax using the average group domestic tax rate	29.6%	(13,105)	31.5%	(13,764)
Effect of taxes in foreign jurisdictions	(7.6%)	3,354	(10.7%)	4,697
Non-deductable expenses	10.1%	(4,453)	5.3%	(2,315)
Capital gain taxes	12.7%	(5,630)	-	-
Tax rate adjustments	(25.7%)	11,394	0.0%	(5)
Recognition of previously not recognised tax losses	(18.9%)	8,346	-	-
Other effects	14.2%	(6,271)	6.9%	(3,012)
Total effective tax rate / tax	**14.4%**	**(6,365)**	**33.0%**	**(14,399)**

Other effects mainly comprise of the charge of € 4.0 million to the deferred tax provision for identified tax exposures in the Group.

Deferred income tax recognised directly in equity

(€ x 1,000)	2006	2005
Relating to revaluation of property, plant and equipment	-	85
Total	**-**	**85**

13. Income tax receivables and payables

Income tax receivable and payable positions are not eliminated at group level but represent the individual positions of the legal entities or fiscal unities. The current tax receivable of nil (2005: € 10.8 million) represents the amount of income taxes recoverable in respect to current and prior periods that exceed payments. Income tax payable of € 5.8 million (2005: € 16.9 million) is the amount of income taxes payable with respect to fiscal profits in current and prior periods.

14. Property, plant & equipment

(€ x 1,000)	Land and buildings	Machinery and equipment	Other assets	Under construction	Total
Cost					
Balance at 1 January 2005	**201,757**	**526,456**	**68,947**	**13,503**	**810,663**
Acquisitions through business combinations	70,521	197,407	4,540	-	272,468
Investments	6,297	31,382	6,598	4,206	48,483
Transfer to assets classified as held for sale	(425)	(259)	(232)	-	(916)
Disposals	(2,219)	(12,613)	(4,544)	-	(19,376)
Effect of movements in exchange rates	1,205	5,005	581	-	6,791
Balance at 31 December 2005	**277,136**	**747,378**	**75,890**	**17,709**	**1,118,113**
Balance at 1 January 2006	**277,136**	**747,378**	**75,890**	**17,709**	**1,118,113**
Acquisitions through business combinations	-	14	-	-	14
Investments	4,247	34,876	6,025	(1,325)	43,823
Disposals	(3,350)	(34,560)	(3,034)	-	(40,944)
Effect of movements in exchange rates	1,530	3,500	3,179	-	8,209
Balance at 31 December 2006	**279,563**	**751,208**	**82,060**	**16,384**	**1,129,215**
Depreciation and impairment losses					
Balance at 1 January 2005	**(90,098)**	**(387,057)**	**(56,406)**	**-**	**(533,561)**
Acquisitions through business combinations	(13,863)	(153,075)	(4,003)	-	(170,941)
Depreciation charge for the year	(5,694)	(31,466)	(5,314)	-	(42,474)
Transfer to assets classified as held for sale	206	194	171	-	571
Impairment losses	-	(1,180)	(15)	-	(1,195)
Disposals	1,516	11,730	4,190	-	17,436
Effect of movements in exchange rates	(474)	(3,187)	(401)	-	(4,062)
Balance at 31 December 2005	**(108,407)**	**(564,041)**	**(61,778)**	**-**	**(734,226)**
Balance at 1 January 2006	**(108,407)**	**(564,041)**	**(61,778)**	**-**	**(734,226)**
Depreciation charge for the year	(7,086)	(35,051)	(5,923)	-	(48,060)
Impairment losses	(107)	(2,255)	(328)	-	(2,690)
Disposals	778	33,321	2,645	-	36,744
Effect of movements in exchange rates	(1,074)	(2,753)	(2,051)	-	(5,878)
Balance at 31 December 2006	**(115,896)**	**(570,779)**	**(67,435)**	**-**	**(754,110)**
Carrying amounts					
At 1 January 2005	**111,659**	**139,399**	**12,541**	**13,503**	**277,102**
At 31 December 2005	**168,729**	**183,337**	**14,112**	**17,709**	**383,887**
At 1 January 2006	**168,729**	**183,337**	**14,112**	**17,709**	**383,887**
At 31 December 2006	**163,667**	**180,429**	**14,625**	**16,384**	**375,105**

Note 14 continued

Depreciation charge and impairment losses

The depreciation charge and impairment losses are recognised in the following line items in the income statement:

(€ x 1,000)	2006	2005
Cost of sales - recurring activities	(35,892)	(32,542)
Cost of sales - non-recurring activities	(2,971)	-
Administrative expenses	(11,887)	(11,127)
Total	**(50,750)**	**(43,669)**

Land

In line with the Group accounting policy, land is revaluated every three years to its fair value. On 31 December 2006 the accumulated revaluation of land amounted to € 29.4 million (2005 € 29.4 million). The next revaluation will take place in 2007.

Impairment loss

If an impairment indicator exists, an impairment calculation is performed. In cases when the carrying value of an asset exceeds the recoverable amount, an impairment charge is recognised in income. Due to the integration of activities in the United Kingdom, Nordic Europe and North West Europe regions in 2006, some production lines have been impaired. In 2006, € 2.7 million (2005: € 1.2 million) was recognised as an impairment charge.

Acquisition through business combinations

Acquisition through business combinations in 2006 reflects the acquisition of AFA Srl. in Italy. Acquisition through business combinations in 2005 reflects mainly the acquisition of Hepworth Building Products Ltd.

Leased plant and machinery

The Group has no material financial lease agreements.

Security

At 31 December 2006 no properties are pledged. Within the current syndicated loan facility, the Group is committed not to encumber or alienate its property, plant and equipment unless approval is obtained from the lenders. Under the previous facility property with a value of € 187.6 million were pledged to secure the facility in 2005. All these securities have been released after the full repayment in October 2006.

Assets under construction

Assets under construction of € 16.4 million (2005: € 17.7 million) are mainly related to investments in production equipment and installations of the operating companies in Poland, the UK, the Netherlands and France.

15. Intangible assets

(€ x 1,000)	Note	Goodwill	Brand names	Other assets from business combinations	Develop-ment costs	Software	Other intangible assets	Total
Cost								
Balance at 1 January 2005		**36,604**	**-**	**-**	**4,546**	**27,271**	**5,039**	**73,460**
Acquisitions through business combinations		114,595	326,148	33,422	317	-	880	475,362
Additions		54	-	-	-	2,078	1,152	3,284
Internally developed assets		-	-	-	2,007	-	-	2,007
Disposals		-	-	-	(14)	(479)	(108)	(601)
Effect of movements in exchange rates		(2,318)	2,540	265	(1)	228	(662)	52
Balance at 31 December 2005		**148,935**	**328,688**	**33,687**	**6,855**	**29,098**	**6,301**	**553,564**
Balance at 1 January 2006		**148,935**	**328,688**	**33,687**	**6,855**	**29,098**	**6,301**	**553,564**
Acquisitions through business combinations	5	4,236	-	117	-	-	-	4,353
Additions		-	-	100	-	4,831	43	4,974
Internally developed assets		-	-	-	2,105	-	-	2,105
Disposals		-	-	(1,023)	(17)	(167)	(1,243)	(2,450)
Effect of movements in exchange rates		1,515	2,383	110	7	392	(159)	4,248
Balance at 31 December 2006		**154,686**	**331,071**	**32,991**	**8,950**	**34,154**	**4,942**	**566,794**
Amortisation and impairment losses								
Balance at 1 January 2005		**(1,679)**	**-**	**-**	**(1,060)**	**(19,681)**	**(3,873)**	**(26,293)**
Acquisitions through business combinations		-	-	-	(240)	-	(36)	(276)
Amortisation charge for the year		-	-	(16,358)	(985)	(3,645)	(492)	(21,480)
Impairment losses		-	-	-	-	-	-	-
Disposals		-	-	-	14	478	13	505
Effect of movements in exchange rates		(36)	-	7	1	(151)	386	207
Balance at 31 December 2005		**(1,715)**	**-**	**(16,351)**	**(2,270)**	**(22,999)**	**(4,002)**	**(47,337)**
Balance at 1 January 2006		**(1,715)**	**-**	**(16,351)**	**(2,270)**	**(22,999)**	**(4,002)**	**(47,337)**
Acquisitions through business combinations	5	-	-	-	-	(4)	4	-
Amortisation charge for the year		-	-	(5,201)	(1,207)	(2,843)	(682)	(9,933)
Impairment losses		(274)	-	-	-	(139)	-	(413)
Disposals		-	-	1,023	17	166	780	1,986
Effect of movements in exchange rates		(34)	-	(27)	(6)	(431)	255	(243)
Balance at 31 December 2006		**(2,023)**	**-**	**(20,556)**	**(3,466)**	**(26,250)**	**(3,645)**	**(55,940)**
Carrying amounts								
At 1 January 2005		**34,925**	**-**	**-**	**3,486**	**7,590**	**1,166**	**47,167**
At 31 December 2005		**147,220**	**328,688**	**17,336**	**4,585**	**6,099**	**2,299**	**506,227**
At 1 January 2006		**147,220**	**328,688**	**17,336**	**4,585**	**6,099**	**2,299**	**506,227**
At 31 December 2006		**152,663**	**331,071**	**12,435**	**5,484**	**7,904**	**1,297**	**510,854**

The additions 2006 in software comprise for an amount of € 3.5 million the development of a new Group-wide IT platform which is still in progress.

Note 15 Continued

Amortisation and impairment charge

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

(€ x 1,000)	2006	2005
Cost of sales	(4)	(7)
Administrative expenses	(3,934)	(4,130)
Research and development expenses	(1,207)	(985)
Other operating expenses	(5,201)	(16,358)
Total	**(10,346)**	**(21,480)**

Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the group at which the goodwill is monitored for internal management purposes. The aggregate carrying amount of goodwill allocated to each region is as follows:

(€ x 1,000)	2006	2005
UK / Ireland	15,491	15,203
North West Europe	1,384	1,658
Nordic Europe	9,805	9,777
Central & Eastern Europe	23,183	22,018
South West Europe	15	15
South East Europe	5,864	1,628
Wavin NV	96,921	96,921
Total	**152,663**	**147,220**

In assessing whether goodwill has been impaired, the carrying amount of the cash generating unit is compared with the recoverable amount of the cash generating unit. The recoverable amount is the higher of value in use and fair value less costs to sell. The group estimates value in use using a discounted cash flow model. The actual operating results and operating plans for the coming years is the source for information for the determination of the value in use. It contains forecasts of sales volumes and revenues (including assumptions regarding developments in raw material prices and inflation rates) for the different segments, costs and capital expenditure. For years not covered by the operating plans, results are extrapolated using an assumed growth rate of 2.5% (2005: 2.5%). A pre tax discount rate of 7.4% (2005: 8.3%) has been used in discounting the projected cash flows. This discount rate is derived from the group's post tax weighted average cost of capital. We have performed sensitivity analysis on the base case assumptions and have concluded that no reasonably possible changes in key assumptions would cause the carrying amount to exceed its recoverable amount. Except for a minor goodwill position related to certain activities which has been impaired, the recoverable amount of goodwill was determined to be higher than the carrying amount, thus no impairment loss was recognised.

Brand names

The Interbrand valuation technique applied to value the brands, conceptually values also other intangible elements such as intellectual property and customer relations. Consequently it is the brand value in its widest sense. Technically, these elements should be separately stated. However, given the practical difficulties in undertaking a valuation of customer reliably, the calculation has been undertaken as part of this larger brand valuation exercise. Brand names are considered to have an indefinite life because of the ability to transfer it to new product groups. Consequently brand names are not amortised but tested for impairment annually. In assessing whether brand names have been impaired, the carrying amount of the cash generating unit is compared with the recoverable amount of the cash generating unit. The recoverable amount is the higher of value in use and fair value less costs to sell. The Group estimates value in use using the same discounted cash flow model used for the impairment testing on goodwill. The recoverable amount of brand names was determined to be higher than the carrying amount, thus no impairment loss was recognised.

Business combinations

The carrying amount of business combinations represents the recognised assets consisting of order portfolio and customer contracts which meet the conditions for recognition under IFRS 3. For these assets there were no impairment indicators in 2006.

Development costs

The carrying amount of development costs represents the capitalised expenses related to new internally developed products and production processes. On an annual base an impairment test is performed by estimating the recoverable amount based on its value in use. Value in use was determined by discounting the future cash flows. Revenue growth is based on actual sales on these products and the expectations for the coming years. A pre-tax discount rate of 7.4% was applied in determining the recoverable amount. The discount rate was estimated based on an industry average weighted cost of capital. The recoverable amount of development costs was determined to be higher than the carrying amount, thus no impairment loss was recognised.

Software

The carrying amount of software represents the capitalised expenses related to new (internally developed) software solutions and related implementation expenses. In 2006 there were no impairment indicators, except for a small company specific software development project which was cancelled.

Other intangible assets

The carrying amount of other intangible assets include capitalised expenses related to licenses, trademarks, patents etc. In 2006 there were no impairment indicators related to these assets.

16. Investments in associates

The Group has the following significant investments in associates:

	Country	Ownership 2006	2005
GF Wavin AG	Switzerland	40%	40%
Aquatec Sistemas S.A.	Spain	33%	33%
Espace Real Estate SA	Switzerland	-	11%
Iplex Pipelines	Australia / New Zealand	-	25%

Summary financial information on associates – 100%

(€ x 1,000)	Assets	Liabilities	Equity	Revenues	Profit / Loss
2006					
GF Wavin AG	60,926	29,360	31,566	74,833	8,337
Aquatec Sistemas S.A.	1,306	741	565	2,230	(244)
Total	**62,232**	**30,101**	**32,131**	**77,063**	**8,093**
2005					
GF Wavin AG	53,520	21,949	31,571	64,900	7,152
Aquatec Sistemas S.A.	1,345	537	808	3,987	(338)
Espace Real Estate SA	100,016	54,812	45,204	13,428	767
Iplex Pipelines	218,406	74,329	144,077	342,580	34,688
Total	**373,287**	**151,627**	**221,660**	**424,895**	**42,269**

During 2006 the investments in Iplex Australia, Iplex New Zealand and Espace Real Estate in Switzerland were sold (for further details see note 3 to the Group financial statements). For all companies profit reflects the net profit with the exception of Iplex, which reflects the profit from ordinary activities before interest and tax.

17. Other investments

(€ x 1,000)	Note	2006	2005
Non-current investments			
Non-current loans		-	913
Guaranteed deposits		187	139
Interest instruments	30	1,288	-
Other non-current investments		279	273
Total		**1,754**	**1,325**
Current investments			
Financial assets held for trading		177	189
Total		**177**	**189**

The non-current loans relate to loans granted to associates and third parties.

18. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are attributable to:

(€ x 1,000)	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
Intangible assets	-	-	94,092	107,958	94,092	107,958
Property, plant and equipment	-	-	38,513	32,540	38,513	32,540
Financial assets	-	-	740	1,990	740	1,990
Inventories	-	-	736	401	736	401
Other current assets	119	-	-	627	(119)	627
Tax losses carried forward	13,486	2,860	-	-	(13,486)	(2,860)
Provision for employee benefits	5,458	6,444	-	-	(5,458)	(6,444)
Other provisions	1,388	1,224	-	-	(1,388)	(1,224)
Interest bearing loans and other borrowings	-	-	415	356	415	356
Capital gain taxes	-	-	5,630	-	5,630	-
Other liabilities	801	1,059	3,927	-	3,126	(1,059)
Tax assets / liabilities	**21,252**	**11,587**	**144,053**	**143,872**	**122,801**	**132,285**
Set off of tax	(9,914)	(7,653)	(9,914)	(7,653)	-	-
Net tax assets / liabilities	**11,338**	**3,934**	**134,139**	**136,219**	**122,801**	**132,285**
Utilised losses carried forward	**-**	**-**	**2,720**	**1,737**	**2,720**	**1,737**

Deferred tax assets and liabilities decreased mainly due to the tax rate adjustment in the Netherlands from 29.6% to 25.5% as explained in note 12 of the Group financial statements. Following the improved results of the German operations, Wavin Germany capitalised € 13.0 million of tax losses carried forward. The tax asset relating to the compensable losses of the Dutch fiscal unity increased due to negative result over 2006.

Deferred tax liabilities increased due to the possible capital gain tax claim of € 5.6 million on the profit of the sale of the Iplex participations (for details see note 12 of the Group financial statements).

Unrecognised deferred tax assets

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

(€ x 1,000)	2006	2005
Deductible temporary differences not capitalised	194	(8)
Tax losses not capitalised	18,700	25,300
Withholding taxes not capitalised	2,700	2,400
Total	**21,594**	**27,692**

The above mentioned tax assets have not been recognised because it is not probable that taxable profit will be available against which the Group can utilise the benefits in the near future. There are no time restrictions on the utilisation of not capitalized taxes for an amount of € 14.8 million. Unrecognised taxes of the Dutch Wavin entities for an amount of € 2.5 million (of which € 1.4 million pre fiscal unity losses) will expire in 2011. Unrecognised taxes of Wavin Switzerland for an amount of € 1.4 million will expire in the period 2007 until 2013. Withholding taxes not capitalised relate to the Dutch taxes which will not expire, but can only be compensated when all tax losses have been utilised.

Note 18 Continued

Movement in temporary differences during the year

(€ x 1,000)	Balance at 1 January	Acquired through business combinations	Recognised in profit and loss	Reclassification	Used for purpose	Translation differences	Balance at 31 December
2005							
Intangible assets	(305)	109,627	105	-	-	(1,469)	107,958
Property, plant and equipment	17,011	15,723	(64)	-	(85)	(45)	32,540
Financial assets	(254)	1,300	1,118	-	-	(174)	1,990
Inventories	265	-	225	-	-	(89)	401
Other current assets	474	-	(62)	-	-	215	627
Tax losses carried forward	(3,963)	-	(910)	-	1,737	276	(2,860)
Provision for employee benefits	(6,659)	-	269	-	-	(54)	(6,444)
Other provisions	(724)	-	(309)	-	-	(191)	(1,224)
Interest bearing loans and borrowings	895	-	(505)	-	-	(34)	356
Other liabilities	(2,409)	-	(41)	-	-	1,391	(1,059)
Tax (assets) / liabilities	**4,331**	**126,650**	**(174)**	**-**	**1,652**	**(174)**	**132,285**
2006							
Intangible assets	107,958	-	(14,531)	102	-	563	94,092
Property, plant and equipment	32,540	-	3,525	2,110	-	338	38,513
Financial assets	1,990	-	(2,273)	452	-	571	740
Inventories	401	-	(148)	577	-	(94)	736
Other current assets	627	-	(426)	-	-	(320)	(119)
Tax losses carried forward	(2,860)	-	(8,346)	(3,175)	647	248	(13,486)
Provision for employee benefits	(6,444)	-	968	(4)	-	22	(5,458)
Other provisions	(1,224)	-	(141)	(62)	-	39	(1,388)
Interest bearing loans and borrowings	356	-	59	-	-	-	415
Capital gain taxes	-	-	5,630	-	-	-	5,630
Other liabilities	(1,059)	-	4,358	-	-	(173)	3,126
Tax (assets) / liabilities	**132,285**	**-**	**(11,325)**	**-**	**647**	**1,194**	**122,801**

The reclassification shows adjustments to the opening balance between tax losses carried forward and valuation differences.

19. Inventories

(€ x 1,000)	2006	2005
Raw materials and consumables	23,759	22,894
Finished products and merchandise	167,154	134,429
Other inventories	9,678	8,876
Total inventories	**200,591**	**166,199**
Inventories stated at fair value less costs to sell	**1,743**	**1,888**

In 2006 provision for obsolete stocks amounts to € 16.3 million (2005: € 14.4 million). The charge and reversal to the income statement are included in costs of sales. In 2006 raw materials, consumables and changes in finished goods recognised as cost of sales amounted to € 717.4 million (2005: € 635.1 million).

20. Trade and other receivables

(€ x 1,000)	2006	2005
Trade receivables	291,997	270,693
Amounts receivable from associates	111	443
Other receivables and prepayments	35,656	26,984
Total	**327,764**	**298,120**

Trade receivables are shown net of an allowance for doubtful debts of € 7.3 million (2005: € 10.7 million) arising from the likely non-payment by customers. The impairment loss recognised in the current year was € 1.6 million (2005: € 1.3 million). The other receivables include a receivable on related parties for an amount of € 4.3 million regarding the different share-based payment programes after the IPO (for further details see note 26 of the Group financial statements).

21. Cash and cash equivalents

(€ x 1,000)	2006	2005*
Bank balances	16,896	68,103
Cash	145	157
Cash and cash equivalents	**17,041**	**68,260**

* adjusted to reflect change in accounting policy (see paragraph (c) of the significant accounting policies).

At 31 December the bank balances were freely available.

22. Capital and reserves

Reconciliation of movement in capital and reserves

Attributable to the equity holders of the company

(€ x 1,000)	Issued capital	Share premium	Legal & statutory reserve	Translation reserve	Hedging reserve
Balance at 1 January 2005	**432**	**22**	**6,592**	**(5,356)**	**-**
Profit for the period as till 8 August	-	-	-	-	-
Other changes in equity	-	-	-	6,118	-
Change in topholding	(432)	(22)	(6,592)	(762)	-
Minority interest in acquired net assets	-	-	-	-	-
Profit for the period as from 8 August	-	-	2,412	-	-
Reclassification reserves	-	-	11	-	-
Equity settled transactions, net of tax	-	-	-	-	-
Shares issued	10,018	-	-	-	-
Currency differences	-	-	-	(580)	-
Other changes in equity	-	-	-	-	-
Balance at 31 December 2005	**10,018**	**-**	**2,423**	**(580)**	**-**
Balance at 1 January 2006	**10,018**	**-**	**2,423**	**(580)**	**-**
Profit for the period	-	-	3,315	-	-
Reclassification reserves	-	-	567	1,302	-
Reclassification due to sale of associates	-	-	(1,175)	-	-
Shares issued	87,045	132,955	-	-	-
Share-based payment plans	-	4,326	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-
Dividends received from associates	-	-	(2,202)	-	-
IPO costs	-	(5,332)	-	-	-
Realisation curency differences	-	-	-	(1,107)	-
Currency differences	-	-	-	(2,042)	-
Fair value adjustments financial instruments	-	-	-	-	1,528
Other changes in equity	-	-	-	-	-
Balance at 31 December 2006	**97,063**	**131,949**	**2,928**	**(2,427)**	**1,528**

Note 22 continued

(€ x 1,000)

Revaluation reserve	Retained earnings	Total	Minority interest	Total equity	
24,267	**(77,313)**	**(51,356)**	**3,517**	**(47,839)**	**Balance at 1 January 2005**
-	31,766	31,766	749	32,515	Profit for the period as till 8 August
-	-	6,118	-	6,118	Other changes in equity
(24,267)	45,547	13,472	(4,266)	9,206	Change in topholding
-	-	-	4,304	4,304	Minority interest in acquired net assets
-	(5,452)	(3,040)	249	(2,791)	Profit for the period as from 8 August
-	(11)	-	-	-	Reclassification reserves
-	(440)	(440)	-	(440)	Equity settled transactions, net of tax
-	-	10,018	-	10,018	Shares issued
-	-	(580)	-	(580)	Currency differences
(338)	-	(338)	105	(233)	Other changes in equity
(338)	**(5,903)**	**5,620**	**4,658**	**10,278**	**Balance at 31 December 2005**
(338)	**(5,903)**	**5,620**	**4,658**	**10,278**	**Balance at 1 January 2006**
-	68,420	71,735	1,681	73,416	Profit for the period
338	(2,207)	-	-	-	Reclassification reserves
-	1,175	-	-	-	Reclassification due to sale of associates
-	-	220,000	-	220,000	Shares issued
-	779	5,105	-	5,105	Share-based payment plans
-	-	-	(2,062)	(2,062)	Dividends paid to minority shareholders
-	2,202	-	-	-	Dividends received from associates
-	-	(5,332)	-	(5,332)	IPO costs
-	-	(1,107)	-	(1,107)	Realisation curency differences
-	-	(2,042)	200	(1,842)	Currency differences
-	-	1,528	-	1,528	Fair value adjustments financial instruments
-	(43)	(43)	-	(43)	Other changes in equity
-	**64,423**	**295,464**	**4,477**	**299,941**	**Balance at 31 December 2006**

Note 22 continued

Share capital and share premium

(€ x 1,000)	2006	2005
On issue at 1 January 2006 / 8 August 2005	10,018	18
Conversion of preference shares	70,000	-
Issued for cash	150,000	10,000
Contribution share-based payments	4,326	-
IPO costs (net of income tax)	(5,332)	-
On issue at 31 December - fully paid	**229,012**	**10,018**

Authorised shares

At 31 December 2005, the authorised ordinary share capital comprised of 400,000 ordinary shares with a par value of € 100.00. Prior to the Initial Public Offering each authorised ordinary share was split in 80 new shares with a par value of € 1.25 and an additional 96,000,000 ordinary shares with a par value of € 1.25 were authorised for issuance. The total authorised ordinary share capital exists therefore per 31 December 2006 out of 128,000,000 ordinary shares with a par value of € 160 million. Next to the ordinary shares the company authorised 128.000,000 preference shares with a par value of € 1.25 for future issuance.

Issued shares

At 31 December 2005, the issued ordinary share capital comprised of 10,018 ordinary shares with a par value of € 100.00. Prior to the Initial Public Offering 700,000 preference shares with a par value of € 100.00 were converted into ordinary shares. After the conversion all ordinary shares were split into 80 new shares with a par value of € 1.25 and an additional 13,636,364 new shares with a par value of € 1.25 and an issuance price of € 11.00 were issued and fully paid. The total issued ordinary share capital exists per 31 December 2006 out of 77,650,764 shares with a par value of € 97.1 million and a share premium of € 133.0 million.

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 share-holders meeting of the Company. All shares rank equally with regard to the Company's residual assets.
Movement of the number of shares is as follows:

	2006	2005
Issued ordinary shares at 1 January	100,180	-
Conversion of preference shares to ordinary shares	700,000	-
Total shares after conversion of preference shares	**800,180**	**-**
Effect of division of shares	63,214,220	-
Effect of shares issued	13,636,364	100,180
Issued ordinary shares at 31 December	**77,650,764**	**100,180**

Share-based payment plans

Two management participation foundations, of which one foundation is a shareholder in Wavin, have set up three different share plans for Wavin employees. These plans are fully financed by the foundations but as they qualify as share-based payment plans under IFRS 2 all costs are charged to the income statement of Wavin N.V. as non-recurring costs. The contribution by the Foundations of € 4.3 million relating to the cash-settled plans is processed directly in equity as share premium reserve and recorded as a receivable. The expenses relating to the equity-settled share-based payment plans are processed directly in the retained earnings. For further details we refer to notes 20 and 26 of the Group financial statements.

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.

Legal & statutory reserve

Legal reserves are consisting of the retained earnings 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.

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. The reclassification to retained earnings mainly reflects the balance of the realized translation differences on the Australian Dollar which is realized due to the sale of the associated company Iplex.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments and net investment hedge instruments where the hedged transaction has not yet occurred.

Revaluation reserve

The revaluation reserve relates to the revaluation of land at its fair value after deducting a provision for deferred tax liabilities.

Note 22 continued

Retained earnings
Share issuance costs of € 7.6 million regarding the initial public offering, which were mainly related to bankers, legal and prospectus costs were charged directly to equity after deducting a tax asset of € 2.3 million.

Dividends
In 2006 and 2005, no dividends on ordinary shares were paid to the equity holders of the company. In 2006, a dividend of € 2.1 million was paid to one of the third party shareholders of an entity, which is consolidated within the Group and as a result this payment has been treated as a dividend for accounting purposes.

23. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 December 2006 was based on the profit attributable to ordinary shareholders of € 71.7 million (2005: € 28.7 million) and a weighted average number of ordinary shares outstanding of 67,003,192 (2005: 64,014,400), calculated as follows:

(€ x 1,000)	2006			2005		
	Continuing operation	Discontinued operation	Total	Continuing operation	Discontinued operation	Total
Net profit attributable to ordinary shareholders	71,564	171	71,735	29,887	(1,161)	28,726
Recurring net profit attributable to ordinary shareholders	45,516	171	45,687	37,805	(1,161)	36,644

Share capital and share premium

(€ x 1,000)	Note	2006	2005 *
Issued ordinary shares at 1 January		64,014,400	-
Effect of shares issued		-	8,014,400
Effect of conversion of preference shares	22	-	56,000,000
Effect of shares issued on 12 October	22	2,988,792	-
Weighted average number of ordinary shares		**67,003,192**	**64,014,400**

* Weighted average number of shares for 2005 reflects the shareholders structure after the conversion of preference shares and after the division. For details we refer to note 22 of the Group financial statements.

The share appreciation rights granted in 2006 do not have an impact on the dilution of shares as these shares are already issued. For further details we refer to note 26 of the Group financial statements.

24. Interest bearing loans and borrowings

(€ x 1,000)	2006	2005*
Non-current liabilities		
Preference shares	-	72,532
Loans from shareholders	-	195,344
Secured bank loans	9	693,378
Unsecured bank loans	596,895	1,051
Finance lease liabilities	-	274
Total	**596,904**	**962,579**
Current liabilities		
Current portion of secured bank loans	-	50
Current portion of unsecured bank loans	-	4,191
Discounted drafts	3,254	1,055
Current portion of finance lease liabilities	7	15
Secured bank overdrafts	4,220	6,769
Unsecured bank overdrafts	10,391	2,868
Total	**17,872**	**14,948**

* adjusted to reflect change in accounting policy (see paragraph (c) of the Significant accounting policies).

Following the IPO the company was refinanced. The preference shares have been converted into ordinary shares and the shareholder loan and syndicated loan facility have been repaid in October 2006 and a new credit facility arrangement was closed with bankers. For further details we refer to note 30.

Note 24 continued

Terms and debt repayment schedule

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and currency risk, see note 30.
The group was until the IPO largely financed through shareholder loans, preference shares and a syndicated loan facility. Furthermore, the Group had some bilateral facilities with several banks. With the exception of the bilateral facilities all these facilities have been repaid in October 2006 following the IPO and the closing of a new credit facility.

The key terms of the new credit facility are:
- € 750 million facility, consisting of a € 400 million committed term loan facility and a € 350 million committed revolving credit facility;
- Uncommitted € 100 million term loan facility;
- 5 year bullet, repayment in one amount at final maturity date;
- Interest rate is local Interbank Offered rate plus a margin based on the leverage ratio in accordance with a margin grid in which the maximum margin is 0.90% (90 bps).
- Covenant ratio relates to:

Ratios	2006	
	Actual	Required
Leverage ratio	2.98	< 3.50

Wavin is in compliance with this ratio and expects to be compliant during the term of the loans.

The term loans are fully drawn and from the revolving facility € 198.6 million is drawn.

Under the facility the Group is committed not to encumber or alienate its assets unless approval is obtained from the lenders. Lenders have approved next to some specific indebtedness a threshold of € 200.0 million for permitted guarantees or indebtedness.

In addition to the syndicated group facility, the Group has bilateral credit facilities with several banks for an amount of € 47.6 million.

For further details including maturities and interest rates we refer to note 30.

The transaction costs related to the new credit facility of € 750 million, which was signed in October 2006, will be amortised using the effective interest method during the period of the borrowings. The transaction costs are mainly related to arrangement and underwriting fees, legal fees, consultancy fees (tax, audit etc.) and syndication costs.

25. Employee benefits

(€ x 1,000)	2006	2005
Present value of unfunded obligations	11,780	11,101
Present value of funded obligations	162,943	160,588
Total present value of obligations	**174,723**	**171,689**
Fair value of plan assets	(163,877)	(141,003)
Unrecognised actuarial gains and losses	15,572	(2,505)
Recognised liability for defined benefit obligations	**26,418**	**28,181**
Cash-settled share-based payments liability	3,558	-
Total employee benefits	**29,976**	**28,181**

Unfunded obligations

Unfunded obligations include mainly service awards and jubilee commitments, qualifying as other long term benefit plans, which are recognised in the Dutch, German, Irish, Polish and Italian operating companies. The liability included in the balance sheet in this respect amounts to € 6.7 million (2005: € 6.5 million).

Liability for defined benefit obligations

Wavin has defined benefit pension plans in Norway, Ireland, the UK, Germany, France, Italy and the Netherlands. All other pension arrangements are defined contribution plans. In the UK and Ireland the pension liabilities are covered by a company pension fund. The company is liable for any deficits of these funds. Plan assets of these funds do not include investments in the company. The pension fund of Wavin Ltd. had a deficit of € 15.8 million in September 2005 after which it has been agreed with the trustees and the regulator that Wavin will pay in this deficit in twenty quarterly instalments of which the first one was due in November 2005. Wavin has issued a bank guarantee in this respect to the trustees of this fund of which the value per December 2006 amounted to € 11.9 million.

Note 25 continued

With the exception of EuroCeramic B.V. the pension liabilities of the Dutch Wavin entities are covered by a multi employer pension fund. Although the company is not liable for any deficits in this fund it qualifies as a defined benefit system as the company might be entitled to a possible reward if the board of the pension fund would decide on a premium reduction or premium refund. The positions are not recognised in the balance of the company as the pension fund is not able to allocate the assets and liabilities to the individual companies. Therefore the defined benefit plan is treated as a defined contribution plan. Based on a 4% nominal discount rate the liability coverage ratio as per 31 December 2006 is 134% (2005: 126% based on a discount rate of 3.7%). The defined benefit schemes of EuroCeramic B.V., Wavin Germany and Wavin Norway are sourced out to insurance companies. The exposures related to the pension liabilities in France and Italy are fully accrued for.

Movements in the liability for defined benefit obligations were:

(€ x 1,000)	2006	2005
Liability for defined benefit obligations at 1 January	**171,689**	**139,517**
Effect of movements in foreign exchange	2,777	3,252
Contributions received	2,762	2,378
Movements directly in equity	-	(70)
Movements to defined contribution plan	(54)	(259)
Benefits paid by the plan	(6,176)	(4,944)
Actuarial (gains) losses not recognised (see below)	(12,988)	18,244
Actuarial (gains) losses recognised in the income statement (see below)	(199)	(8)
Service costs and interest (see below)	16,912	13,579
Liability for defined benefit obligations at 31 December	**174,723**	**171,689**

Plan assets

Movements in the plan assets were:

(€ x 1,000)	2006	2005
Fair value of plan assets at 1 January	**141,003**	**112,669**
Effect of movements in foreign exchange	2,457	2,599
Contributions paid into the plan	12,434	8,765
Benefits paid by the plan	(5,813)	(4,926)
Expected return on plan assets	8,729	7,263
Actuarial (losses) gains not recognised (see below)	5,089	14,647
Actuarial (losses) gains recognised the income statement (see below)	(22)	(14)
Fair value of plan assets at 31 December	**163,877**	**141,003**

Plan assets consist of the following:

(€ x 1,000)	2006	2005
Equity securities	122,870	94,215
Government bonds	38,650	45,169
Property	1,485	999
Other	872	620
Total fair value of plan assets	**163,877**	**141,003**

Expense recognised in the income statement

(€ x 1,000)	2006	2005
Current service costs	8,688	6,300
Past service costs	-	212
Interest on obligation	8,224	7,067
Expected return on plan assets	(8,729)	(7,263)
Actuarial gains and losses to extent recognised	(177)	6
Expense recognised in the income statement	**8,006**	**6,322**

Note 25 continued

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

(€ x 1,000)	2006	2005
Cost of sales	4,428	4,095
Selling and distribution expenses	2,293	1,456
Administrative expenses	1,285	771
Total	**8,006**	**6,322**
Actual return on plan assets	**14,833**	**19,352**

Actuarial gains and losses not recognised

(€ x 1,000)	2006	2005
Cumulative amount at 1 January	(2,505)	1,092
Not recognised during the period	18,077	(3,597)
Cumulative amount at 31 December	**15,572**	**(2,505)**

Principal actuarial assumptions at the balance sheet date

(expressed as weighted averages)	2006	2005
Discount rate at 31 December	5.5	5.0
Expected return on plan assets at 31 December	6.3	6.2
Future salary increases	3.8	3.5
Future pension increases	2.8	2.5

26. Share-based payments

During 2006 the foundations Stichting Management Participatie Wavin and Stichting Werknemersbinding Wavin established different share-based payment programs for Wavin employees to stimulate the awareness of the development of the Wavin shares after the completion of the IPO. Although the foundations are financing the programs they qualify as a share-based payment for Wavin. Wavin has accounted for these programs in line with IFRS 2. The different programs are:

- The middle management share plan offered all middle management of the Group the possibility to buy a certain number of shares in Wavin N.V. with a discount of 30% on the issue price against which the shares were first listed on 12 October 2006. A lock up period of 15 months after the IPO date is applicable. Middle management purchased 155.000 shares under this plan for an amount of € 1.7 million. The related costs regarding this plan amounted to € 0,6 million which was fully expensed in 2006.
- A bonus incentive scheme grants a selected number of employees to receive shares in the Company at the IPO date. In total 5,000 shares or € 0.1 million were granted under this plan and fully expensed in 2006.
- A bonus incentive scheme entitles a selected number of employees to receive shares in the Company. These shares will be granted when these employees are still employed after the vesting period. The terms and conditions of the grants are as follows; all shares will be physically delivered:

Grant date / employees entitled	Vesting Conditions	Number of shares
Share appreciation rights granted to senior employees on 27 October 2006	1 years' service	10,750
Share appreciation rights granted to senior employees on 27 October 2006	2 years' service	16,000
Share appreciation rights granted to senior employees on 27 October 2006	3 years' service	82,000
Total		**108,750**

(€ x 1,000)	2006
Fair value at grant date	1,251,250
Share price at grant date	11.00
Share price as per 31 December	14.80

Note 26 continued

The foundations Stichting Management Participatie Wavin and Stichting Werknemersbinding Wavin also offered a cash settled share based bonus plan to all Wavin employees, with the exception of managers being current shareholders, at the date of the IPO. At the IPO date each eligible employee received a conditional cash bonus right to the amount of 25 virtual shares. Employees, who were employed more than five years at the IPO date, received additional 2 virtual shares for each additional employed full year. 240,434 virtual shares with a total value of € 3.2 million (including employers social security premiums) are allocated by these foundations to Wavin employees under this cash bonus plan at IPO date. This amount has been recognized at stock rate per 31 December 2006 for an amount of € 4.3 million, which is recorded as an expense in 2006. The amount of the cash payment will be determined based on the share price of the company per 1 January 2008. The bonus is paid out as per 1 January 2008, if the employee is still employed at this date.

Employee expenses

(€ x 1,000)	2006
Discount granted on purchase of shares	562
Shares granted in 2006	74
Expense arising from cash settled plans in 2006	4,326
Effect of share appreciation rights granted in 2006	143
Total expense recognised as employee costs	**5,105**
Total carrying amount of liabilities for cash-settled arrangements	**3,558**
Total unrecognized value of liability for vested benefits	**1,467**

27. Deferred government grants

Deferred government grants are investment grants received for investments in machinery and equipment in France and Italy in order to stimulate employment of (disabled) people. They are released to the income statement in relation to the depreciation of the underlying assets. The remaining book value of these grants amounts to € 0.1 million (2005: € 0.4 million).

28. Provisions

(€ x 1,000)	Warranty	Restructuring	Other provisions	Total
Balance at 1 January 2006	**2,669**	**7,460**	**7,169**	**17,298**
Acquisitions / divestments	-	-	152	152
Provisions made during the year	1,488	4,099	1,770	7,357
Provisions used during the year	(1,449)	(6,678)	(479)	(8,606)
Provisions reversed during the year	(138)	(78)	(164)	(380)
Other movements	82	(23)	3	62
Effect of movements in foreign exchange	18	(195)	33	(144)
Balance at 31 December 2006	**2,670**	**4,585**	**8,484**	**15,739**
Non-current	1,444	1,374	5,987	8,805
Current	1,226	3,211	2,497	6,934

Warranty

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

Restructuring

The provision of € 7.5 million at 31 December 2005 was mainly used for restructuring activities in the UK. In 2006 the Padiham and Manchester sites and three depots in the UK were closed. Some smaller provisions were used for reorganisations in France, Norway and Benelux.

In 2006 provisions were made for reorganisations in Scandinavia and the integration of activities in the Netherlands and Germany.

Note 28 continued

Other provisions

The other provisions per 31 December 2006 mainly consist of provisions for the obligation to take back returnable packaging in Germany (€ 2.1 million), quarry restoration obligations related to the clay activities of Hepworth (€ 2.6 million) and environmental commitments at the Dutch production location (€ 1.4 million).

29. Trade and other payables

(€ x 1,000)	2006	2005
Trade payables	287,469	239,194
Non-trade payables and accrued expenses	69,721	60,168
Amounts payable to associates	1,722	360
Total trade and other payables	**358,912**	**299,722**

30. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, they are generally offset by opposite effects on the items being hedged.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with counterparties with whom the Group has a signed netting agreement as well as high credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

The Group adopts a policy of ensuring that at least 50% of its exposure to changes in interest rates on bank loans is on a fixed rate basis. Interest rate swaps and collars, denominated in EUR, GBP, DKK, PLN and CZK, have been entered into to achieve this purpose. The instruments mature over the next five years following the maturity of the related loans and have an average rate of 4.1% (2005: 3.5%). At 31 December 2006 the Group had interest rate swaps and collars with a notional contract amount of € 470.0 million with an average duration of 4.2 years. (2005: € 518.0 million with an average duration of 4.5 years).

Following the refinancing in October 2006 the total interest instruments portfolio with a notional contracted amount of € 518.0 million was sold. The gain on sale of € 10.8 million was recorded as financial income. At the same date a new hedge portfolio with a notional amount of € 470.0 million was agreed.

The net fair value of interest instruments at 31 December 2006 of € 1.3 million (2005: € 0.1 million negative) was recognised in equity net of tax. The net fair value comprised € 1.4 million in assets and € 0.1 million in liabilities.

Note 30 continued

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date taking into account the relevant financial instruments and the periods in which they reprice.

(€ x 1,000)	2006								
	Effective interest rate	Nominal value	Amortised costs	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Preference shares	-	-	-	-	-	-	-	-	-
Euro Shareholder loans	-	-	-	-	-	-	-	-	-
Secured bank loans:									
Euro fixed rate non current	6.50%	9	-	9	-	1	3	5	-
Unsecured bank loans:									
Euro syndicated term loan floating rate	4.88%	237,500	1,555	235,945	77,500		-	158,445	-
CZK syndicated term loan floating rate	4.41%	66,691	436	66,255	30,781	-	-	35,474	-
DKK syndicated term loan floating rate	5.03%	119,871	906	118,965	34,871	-	-	84,094	-
GBP syndicated term loan floating rate	6.38%	150,782	1,017	149,766	50,261	-	-	99,505	-
PLN syndicated term loan floating rate	5.82%	25,581	203	25,378	5,221	-	-	20,157	-
Euro floating rate	4.05%	556	-	556	81	81	163	231	-
Euro floating rate	5.00%	5		5	1	1	1	2	
GBP fixed rate	7.00%	26	-	26	26	-	-	-	-
Unsecured bank overdrafts									
DKK & NOK floating rate	5.00%	2,600	-	2,600	2,600	-	-	-	-
Euro floating rate	4.35%	2,411	-	2,411	2,411	-	-	-	-
PLN floating rate	4.90%	3,848	-	3,848	3,848	-	-	-	-
GBP floating rate	7.50%	959	-	959	959	-	-	-	-
Other currencies floating rate	misc.	573	-	573	573	-	-	-	-
Financial lease liabilities	-	7	-	7	-	7	-	-	-
Secured bank overdrafts:									
Cash pool multicurrency	3.56%	562	-	562	562	-	-	-	-
Euro floating rate	3.90%	3,291	-	3,291	3,291	-	-	-	-
Other currencies floating rate	misc.	367	-	367	367	-	-	-	-
Discounted drafts	4.03%	3,253	-	3,253	3,253	-	-	-	-
Cash and cash equivalents:									
Current account bankers & cash	misc	(17,041)	-	(17,041)	(17,041)	-	-	-	-
Total		**601,851**	**4,116**	**597,735**	**199,565**	**90**	**167**	**397,913**	**-**

Note 30 continued

(€ x 1,000)				2005*					
	Effective interest rate	Nominal value	Amortised costs	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Preference shares	12.00%	72,532	-	72,532	-	-	-	-	72,532
Euro Shareholder loans	10.29%	200,958	5,614	195,344	-	-	-	-	195,344
Secured bank loans:									
Euro floating rate (Term A)	4.92%	16,500	600	15,900	-	990	1,370	9,042	4,498
Euro floating rate (Term B)	5.17%	175,170	6,060	169,110	-	-	-	-	169,110
Euro floating rate (Term C)	5.69%	175,150	6,132	169,018	-	-	-	-	169,018
GBP floating rate (Term A)	7.15%	114,360	4,175	110,185	-	6,862	9,492	62,669	31,162
GBP floating rate (Term B)	7.41%	4,022	147	3,875	-	-	-	-	3,875
GBP floating rate (Term C)	7.93%	4,021	146	3,875	-	-	-	-	3,875
NOK floating rate (Term A)	5.00%	9,737	363	9,374	-	584	808	5,336	2,646
DKK floating rate (Term B)	5.19%	65,714	2,390	63,324	-	-	-	-	63,324
DKK floating rate (Term C)	5.71%	65,693	2,391	63,302	-	-	-	-	63,302
PLZ floating rate (Term A)	7.10%	35,817	1,272	34,545	-	2,149	2,973	19,628	9,795
CZK floating rate (Term A)	4.57%	44,500	1,597	42,903	-	2,670	3,694	24,386	12,153
HUF floating rate (Term A)	8.84%	8,279	312	7,967	-	497	687	4,537	2,246
Euro floating rate (other)	1.30%	38	-	38	38	-	-	-	-
CZK floating rate (other)	2.50%	12	-	12	12	-	-	-	-
Unsecured bank loans:									
Euro floating rate non current	4.31%	965	-	965	92	86	163	393	231
GBP floating rate non current	7.00%	86	-	86	26	26	34	-	-
Euro floating rate current	2.33%	540	-	540	540	-	-	-	-
PLN floating rate current	6.15%	3,598	-	3,598	3,598	-	-	-	-
LTL floating rate current	2.70%	53	-	53	53	-	-	-	-
Unsecured bank overdrafts	2.50%	2,868	-	2,868	2,868	-	-	-	-
Financial lease liabilities	3.87%	289	-	289	116	93	80	-	-
Secured bank overdrafts:									
Others	2.91%	6,769	-	6,769	6,769	-	-	-	-
Discounted drafts	2.65%	1,055	-	1,055	1,055	-	-	-	-
Cash and cash equivalents:									
Cash pool mutlicurrency	(3.37)%	(15,767)	-	(15,767)	(15,767)	-	-	-	-
Others	(2.45)%	(52,493)	-	(52,493)	(52,493)	-	-	-	-
Total		**940,466**	**31,199**	**909,267**	**(53,093)**	**13,957**	**19,301**	**125,991**	**803,111**

* adjusted to reflect change in accounting policy (see paragraph (c) of the significant accounting policies).

Foreign currency transaction risk

With its presence in almost thirty countries the Group incurs foreign currency transaction risks on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operating companies. The currencies giving rise to this risk are primarily Pound Sterling, Polish Zloty, Danish Krone, Czech Koruna, Hungarian Forint and Australian Dollar.

The Group identifies the imbalance between incoming and outgoing transaction flows in the different currencies. Material imbalances are hedged in order to minimise potential volatility in results which could arise as a result of currency fluctuations. The Group uses forward exchange contracts, options or swaps to hedge its foreign currency risk. Most of the derivatives used have maturities of less than one year after the balance sheet date. Where necessary, derivatives are rolled over at maturity.

Foreign currency translation risk

The translation risk of all non Euro equity positions within the group is never hedged. The translation risk is minimised to the extent possible by using natural hedges. In respect of 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.

Forecast transactions

The forward exchange contracts and currency swaps hedging forecasted transactions are classified as cash flow hedges and stated at fair value. The net fair value of the forward exchange contracts and currency swaps used as hedges of forecasted transactions at 31 December 2006 was nil (2005: € 0.4 million).

Note 30 continued

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of net financing costs. The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies, at 31 December 2006 was nil (2005: nil), are recognised in other receivables.

Hedge of net investment in foreign subsidiary

The Group's Swiss Franc swap is designated as a hedge of the Group's investment in its participations in Switzerland. The carrying amount of the swap at 31 December 2006 was € 8.4 million (2005: € 8.7 million), which includes the impact of changes in interest rates. A foreign exchange loss of € 0.3 million (2005: gain of € 0.1 million) was recognised in equity. An Australian Dollar swap was unwinded after the sale of the Iplex participation. This resulted in a release to the financial income line in the income statement of € 0.6 million.

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At 31 December 2006 multi currency fixed interest rate agreements were concluded for € 470.0 million by means of interest rate swaps with an average remaining term of 4.2 years and an average interest rate of 4.1%. As 78.3% of the Group's net debt has been hedged it is estimated that a general increase in interest rates of 1.0% would result in a decrease of the Group's profit before tax by approximately € 1.3 million. Interest rate swaps have been included in this calculation.

Fair values

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

31. Operating leases

(€ x 1,000)	2006	2005
Less than one year	8,337	6,554
Between one and five years	13,717	10,281
More than five years	5,178	19
Total	**27,232**	**16,854**

The Group leases a number of warehouse and factory facilities and internal transport equipment under operating leases. The leases typically run for an initial period of between five and ten years, with an option to renew the lease after that date. None of the leases includes purchase liabilities or contingent rentals. The total amount committed is approximately € 27.2 million (2005: € 16.9 million).

During the year ended 31 December 2006 € 9.8 million was recognised as an expense in the income statement in respect of operating leases (2005: € 7.9 million).

32. Capital commitments

With respect to the purchase of investment goods, obligations have been entered into and orders have been placed to a value of € 11.6 million (2005: € 12.3 million). Rent and service agreements were concluded for an amount of € 7.2 million (2005: € 6.4 million). The amount due within one year is € 2.7 million (2005: € 1.7 million)

33. Contingent liabilities

At 31 December 2006 bank guarantees issued for bid bonds and performance bonds, mainly on behalf of Wavin Overseas B.V. amount to approximately € 2.3 million (2005: € 2.4 million). The Group is defending different actions brought by employees, suppliers or customers in different countries in Europe. While liability is not admitted, the possible fines and legal costs are provided for when it is anticipated that defence against the action might be unsuccessful. Based on legal advice, the directors do not expect the outcome of the actions to have a material effect on the Group's financial position.

Wavin N.V. is together with a number of Group companies guaranter for drawings (31 December 2006: € 600.4 million) under the syndicated loan facility of € 750.0 million.

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

Notes to the Group financial statements

34. 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). Related party relationships also exist with the shareholders Wavin Luxembourg SA, Stichting Management Participatie Wavin, Stichting Werknemersbinding Wavin, Stichting Continuïteit Wavin, Supervisory Board members, Management Board members and other executive officers.

Transactions with shareholders

In 2005 Wavin Luxembourg S.A. and Alpinvest Investments contributed € 195.0 million subordinated shareholders loans to Wavin N.V.. The subordinated loans to Wavin N.V. were repaid in 2006. Stichting Management Participatie Wavin has set up three different share plans for Wavin employees. These plans are partly financed by Stichting Management Participatie (for further details see note 26)

Other related party transactions

During the year ended 31 December 2006, associates purchased goods from the Group in the amount of € 1.3 million (2005: € 2.8 million) and at 31 December 2006 associates owed the Group € 1.6 million (2005: € 0.1 million). Sales of associates to the Group amounted to € 12.8 million (2005: € 11.9 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. These transactions were conducted at arm's length with terms comparable to transactions with third parties. During the year ended 31 December 2006 the Group received € 2.2 million (2005: € 7.2 million) dividend from associates. The decrease of dividend received is related to the divestment of Iplex.

35. Transactions with key management personnel

Directors and executive officers of the Company and their immediate relatives have no control in the company.

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

Management Board members are not entitled to equity compensation benefits.

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 Committee with respect to service contracts of the Management Board we refer to page 36 of this annual report.

Overview of Remuneration 2006

The remuneration of the Management Board includes salaries, performance related bonuses, emoluments and other compensations.

(€)	Remuneration	Employer's pension contributions	Annual bonus	Medical and other benefits	Social security and other payments	Total remuneration
2006						
Philip Houben	401,804	116,171	227,823	44,540	2,082	792,420
Pim Oomens	294,580	73,337	161,990	39,142	4,450	573,499
Henk ten Hove	304,590	65,589	168,316	33,805	4,450	576,750
Andy Taylor	306,896	87,704	215,971	32,789	75,165	718,525
Total	**1,307,870**	**342,801**	**774,100**	**150,276**	**86,147**	**2,661,194**
2005						
Philip Houben	382,670	113,181	217,433	57,113	56,525	826,922
Pim Oomens	283,250	72,766	154,570	38,525	86,525	635,636
Henk ten Hove	290,086	64,368	160,910	36,063	46,525	597,952
Andy Taylor*	216,805	51,507	223,672	21,725	79,968	593,677
Total	**1,172,811**	**301,822**	**756,585**	**153,426**	**269,543**	**2,654,187**

* Mr. Taylor joined us in April 2005 and became a member of our Management Board in September 2005. The listed renumeration for mr Taylor relates to the 9 month period from April to December 2005. Mr Taylor remuneration is paid in pound Sterling. In the above table his remuneration has been converted into euro using a 2005 average exchange rate of £ 0.6829 per € 1.00.

In 2005 the remuneration regarding social security and other payments included an incidental bonus because of the successful refinancing of the company.

Note 35 continued

Shares held by the Management Board

(Number of shares)	2006	2005			
	Ordinary	Total after split of shares	Total before split of shares	Ordinary	Pref. A.
Philip Houben	512,000	640,000	8,000	1,000	7,000
Pim Oomens	384,000	480,000	6,000	750	5,250
Henk ten Hove	384,000	480,000	6,000	750	5,250
Andy Taylor	384,000	480,000	6,000	750	5,250
Total	**1,664,000**	**2,080,000**	**26,000**	**3,250**	**22,750**

Before the initial public offering, each preference share was converted into an ordinary share. All shares have been split into 80 ordinary shares before the initial public offering. For comparison purposes the total shares owned as of 31 December 2005 have been recalculated showing the effect of the split of the shares.

Remuneration of the Supervisory Board

The income statement includes the following remuneration for the Supervisory Board:

(€ x 1,000)	2006	2005
Paul van den Hoek	35	35
Brian Hill	25	6
Rolly van Rappard	20	21
Marc Boughton	25	6
Jan Reinier Voûte	25	6
René Kottman	5	-
Fons Driessen	-	14
Jan Drost	-	19
Herman Kemperman	-	19
Jan Oosterhof	-	19
Andrew Land	-	14
Correction former years	-	(37)
Total	**135**	**122**

The correction former years on remuneration 2005 relates to released accruals for previous years.

Shares held by the Supervisory Board

The income statement includes the following remuneration for the Supervisory Board:

(Number of shares)	2006	2005			
	Ordinary	Total after split of shares	Total before split of shares	Ordinary	Pref. A.
Paul van den Hoek	51,200	64,000	800	100	700
Brian Hill	25,600	32,000	400	50	350
Mark Boughton	-	-	-	-	-
Jan Reinier Voûte	-	-	-	-	-
René Kottman	-	-	-	-	-
Total	**76,800**	**96,000**	**1,200**	**150**	**1,050**

As a result of the initial public offering, each preference share is converted to an ordinary share. All shares have been split into 80 ordinary shares as a result of the initial public offering. For comparison purposes the total shares owned as of 31 December 2005 have been recalculated showing the effect of the split of the shares.

36. Group companies

The Group's ultimate parent company is Wavin N.V.. Please refer to the outline of the corporate structure for an overview of the subsidiaries of the Group.

37. Subsequent events

On 5 February 2007 we announced the acquisition of Polyfemos, a Norwegian supplier of cable duct systems for Telecom access networks as of the first of January. Polyfemos has 20 employees and realised revenues in 2006 of approximately € 5 million. In February 2007 we established a sales company in Serbia, Wavin Balkan d.o.o..

In January 2007 we announced the proposed closure of the manufacturing site in Lichfield, United Kingdom. Wavin intends to transfer the injection moulding activities from Lichfield to its site in Doncaster, United Kingdom. Approximately 115 employees at the Lichfield site could potentially be affected by the transfer. Trade Unions have been informed and formal consultation has started.

Company balance sheet

As at 31 December 2006

(€ x 1,000)	Note	2006	2005
Assets			
Property, plant and equipment	A	23,629	-
Intangible assets	B	319,310	-
Investments in subsidiaries	C	58,155	78,435
Interest-bearing loans and borrowings	D	-	201,107
Other non-current assets		3,818	-
Total non-current assets		**404,912**	**279,542**
Trade and other receivables	E	8,326	70
Income tax receivable	F	7,609	130
Cash and cash equivalents	G	35	-
Total current assets		**15,970**	**200**
Total assets		**420,882**	**279,742**
Equity			
Issued capital		97,063	10,018
Share premium		131,949	-
Reserves		4,134	1,505
Retained earnings		62,318	(5,903)
Total equity	H	**295,464**	**5,620**
Liabilities			
Interest-bearing loans and borrowings	I	52,500	273,490
Employee benefits		3,558	-
Deferred tax liabilities	K	63,692	-
Total non-current liabilities		**119,750**	**273,490**
Total current liabilities	I	**5,668**	**632**
Total liabilities		**125,418**	**274,122**
Total equity and liabilities		**420,882**	**279,742**

Company income statement

For the full year ended 31 December 2006

(€ x 1,000)	Note	2006	2005 8 August up to and incl. 31 December
Net income from associated companies	J	89,117	(665)
Other net income		(17,382)	(2,375)
Profit for the period		**71,735**	**(3,040)**

Notes to the company financial statements

General

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

The company financial statements of Wavin N.V. have been prepared in using the option of section 362 of Book 2 of the Netherlands 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 using the equity method.

As the financial data of Wavin N.V. are included in the consolidated financial statements, the statement of income of Wavin N.V. is condensed in conformity with section 402 of Book 2 of the Netherlands Civil Code.

Change in Group structure

After the closing of the IPO in October 2006 the intra-group companies were restructured to create a more efficient corporate structure. This legal restructuring included the merger of Wavin Holding B.V. into Wavin N.V. which has a significant impact on the company balance sheet. For further details see chapter General of the Group financial statements.

A. Property, plant and equipment

These assets fully relate to the fair value adjustments after the acquisition in 2005 of Beheermaatschappij Wavin B.V. by Wavin Holdings B.V. For details we refer to note 14 of the Group financial statements.

B. Intangible assets

These assets fully relate to the purchase price allocation of the goodwill paid by Wavin Holdings B.V. for the acquisition of the shares of Beheermaatschappij Wavin B.V. For details we refer to note 15 of the Group financial statements.

C. Investments in subsidiaries

(€ x 1,000)	2006	2005
Balance at 1 January	**78,435**	**-**
Share capital issued	-	80,018
Profit for the period	89,117	(665)
Effects of merger Wavin N.V. and Wavin Holding B.V.	44,228	-
Currency differences	(2,450)	-
Dividends received	(151,000)	-
Other movements in the reserves	(175)	(918)
Balance at 31 December	**58,155**	**78,435**

D. Interest-bearing loans and borrowings

(€ x 1,000)	2006	2005
Non-current assets		
Subordinated loans to subsidiaries	-	201,107
Total	**-**	**201,107**

In 2005 Wavin N.V. issued subordinated loans with a nominal value of € 195.0 million and accrued interest of € 6.1 million to seven subsidiaries which have been repaid in full as part of the refinancing as elucidated in note 24 of the Group financial statements.

E. Trade and other receivables

Trade and other receivables are related for an amount of € 3.9 million to interest receivables from consolidated subsidiaries and for an amount of € 4.3 million, receivables relate to the share based payment plans from Stichting Management Participatie Wavin and Stichting Werknemersbinding Wavin (see note 26 of the Group financial statements).

F. Income tax receivable

Income tax receivable is fully compensated by the tax liability of other Dutch Wavin companies within the fiscal unity.

G. Cash and cash equivalents

(€ x 1,000)	2006	2005
Bank balances	35	-
Cash and cash equivalents	**35**	**-**

At 31 December the bank balance was freely available.

Notes to the Company financial statements

Company balance sheet

(€ x 1,000)	2006	2005
Share capital		
Opening balance	**10,018**	**18**
Shares issued	87,045	10,000
Closing balance	**97,063**	**10,018**
Share premium reserve		
Opening balance	**-**	**-**
Shares issued	132,955	
Contribution share-based payment plans	4,326	-
IPO costs	(5,332)	-
Closing balance	**131,949**	**-**
Legal reserves		
Revaluation reserve		
Opening balance	**(338)**	**-**
Reclassification of reserves	338	(338)
Closing balance	**-**	**(338)**
Capitalised development costs		
Opening balance	**-**	**-**
Capitalisation during the year	2,105	-
Amortisation during the year	-	-
Closing balance	**2,105**	**-**
Not distributable profits		
Opening balance	**2,423**	**-**
Reclassification of reserves	2,707	2,423
Dividends received from associates	(2,202)	-
Currency differences	-	-
Closing balance	**2,928**	**2,423**
Translation reserve participations		
Opening balance	**(580)**	**-**
Reclassification reserves	1,302	-
Currency differences	(3,149)	(580)
Closing balance	**(2,427)**	**(580)**
Hedging reserve		
Opening balance	**-**	**-**
Fair value adjustments financial instruments	1,528	-
Closing balance	**1,528**	**-**
Total legal reserves	**4,134**	**1,505**
Retained earnings		
General reserve		
Opening balance	**(2,863)**	**-**
Net profit previous year	(3,040)	-
Capital taxes	-	(440)
Reclassification reserves	(4,347)	(2,423)
Movement to legal reserve for capitalised development costs	(2,105)	-
Dividends received from associates	2,202	-
Share-based payment plans	779	-
Other	(43)	-
Closing balance	**(9,417)**	**(2,863)**
Profit for the period		
Opening balance	**(3,040)**	**-**
Transfer to general reserve	3,040	-
Net profit year under review	71,735	(3,040)
Closing balance	**71,735**	**(3,040)**
Total retained earnings	**62,318**	**(5,903)**
Shareholders´ equity		
Opening balance	**5,620**	**18**
Movements in equity on balance	289,844	5,602
Closing balance	**295,464**	**5,620**

Note H continued

Share capital and share premium

(€ x 1,000)	2006	2005
On issue at 1 January 2006 / 8 August 2005	10,018	18
Conversion of preference shares	70,000	-
Issued for cash	150,000	10,000
Contribution share-based payments	4,326	-
IPO costs (net of income tax)	(5,332)	-
On issue at 31 December - fully paid	**229,012**	**10,018**

Authorised shares

At 31 December 2005, the authorised ordinary share capital comprised of 400,000 ordinary shares with a par value of € 100.00. Prior to the Initial Public Offering each authorised ordinary share was split in 80 new shares with a par value of € 1.25 and an additional 96,000,000 ordinary shares with a par value of € 1.25 were authorised for issuance. The total authorised ordinary share capital exists therefore per 31 December 2006 out of 128,000,000 ordinary shares with a par value of € 160 million. Next to the ordinary shares the company authorised 128.000,000 preference shares with a par value of € 1.25 for future issuance.

Issued shares

At 31 December 2005, the issued ordinary share capital comprised of 10,018 ordinary shares with a par value of € 100.00. Prior to the Initial Public Offering 700,000 preference shares with a par value of € 100.00 were converted into ordinary shares. After the conversion all ordinary shares were split into 80 new shares with a par value of € 1.25 and an additional 13,636,364 new shares with a par value of € 1.25 and an issuance price of € 11.00 were issued and fully paid. The total issued ordinary share capital exists per 31 December 2006 out of 77,650,764 shares with a par value of € 97.1 million and a share premium of € 133 million.

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 meetings of the Company. 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.

Movement of the number of shares is as follows:

	2006	2005*
Issued ordinary shares at 1 January	100,180	-
Conversion of preference shares to ordinary shares	700,000	-
Total shares after conversion of preference shares	**800,180**	**-**
Effect of division of shares	63,214,220	-
Effect of shares issued	13,636,364	100,180
Issued ordinary shares at 31 December	**77,650,764**	**100,180**

Two management participation foundations, of which one foundation is a shareholder in Wavin, have set up three different share plans for Wavin employees. These plans are fully financed by the foundations but as they qualify as share-based payment plans under IFRS 2 all costs are charged to the income statement of Wavin N.V. as non-recurring costs. The payment by the Foundation of € 5.1 million is processed directly in equity as share premium reserve. For further details we refer to note 26 of the Group financial statements.

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.

Capitalised developments costs

The legal reserve for capitalised development costs represents the capitalised development costs within the Group. This amount is not available for dividend distribution.

Not distributable profits

Not distributable profits consists the retained earnings 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.

Translation reserve participations

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. The reclassification to retained earnings mainly reflects the balance of the realized translation differences on the Australian Dollar which is realized due to the sale of the associated company Iplex.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments and net investment hedge instruments where the hedged transaction has not yet occurred.

Revaluation reserve

The revaluation reserve relates to the revaluation of land at its fair value after deducting a provision for deferred tax liabilities.

Notes to the Company financial statements

Note H continued

Retained earnings
Share issuance costs of € 7.6 million regarding the initial public offering, which were mainly related to bankers, legal and prospectus costs were charged directly to equity after deducting a tax asset of € 2.3 million.

Dividends
In 2006 and 2005, no dividends on ordinary shares were paid to the equity holders of the company. In 2006, a dividend of € 2.1 million was paid to one of the third party shareholders of an entity, which is consolidated within the Group and as a result this payment has been treated as a dividend for accounting purposes.

I. Interest-bearing loans and borrowings received

(€ x 1,000)	2006	2005
Non-current liabilities		
Unsecured bank loans	52,500	-
Subordinated loans from shareholders	-	200,958
Preference shares	-	72,532
Total	**52,500**	**273,490**

The subordinated loans received from shareholders with a nominal value of € 195.0 million and with a remaining term to 13 September 2017 and the interest included has been repaid in full as part of the refinancing. The preference shares have been converted into ordinary shares and the accrued interest included in the liability of € 2.5 million has been repaid.

J. Net Income from Associated Companies
Net income from associated companies relates to Wavin N.V.'s share in earnings of its associates. For further details see note C.

K. Deferred tax liabilities
This tax liability fully relates to the intangible assets and Property, plant & equipment.

L. Contingent liabilities
Wavin N.V. is together with a number of Group companies guaranter for drawings (31 December 2006: € 600.4 million) under the syndicated loan facility of € 750.0 million.

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 Civil Code). This regards all Dutch Group companies with the exception of Rezo and EuroCeramic.

Zwolle, 5 March 2007

MANAGEMENT BOARD

Philip Houben

Pim Oomens

Henk ten Hove

Andy Taylor

SUPERVISORY BOARD

Paul van den Hoek (Chairman)

Marc Boughton

Brian Hill

Jan Reinier Voûte

René Kottman

Other information

WAVIN MANAGEMENT (per 31 December 2006)

Supervisory Board*

Paul van den Hoek (Chairman) – Dutch (1939)
Appointed 1999, current term ends 2007

Brian Hill – Irish (1944)
Appointed 2005, current term ends 2009

Marc Boughton – British (1964)
Appointed 2005, current term ends 2009

Jan Reinier Voûte – Dutch (1973)
Appointed 2005, current term ends 2009

René Kottman – Dutch (1945)
Appointed 2006, current term ends 2010

Management Board

Philip Houben, President & CEO – Dutch (1950)
Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2000)

Pim Oomens, Executive Vice President and CFO – Dutch (1956)
Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2004)

Henk ten Hove Executive Vice President – Dutch (1952)
Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2002)

Andy Taylor Executive Vice President – British (1955)
Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2005)

Business Management

Calum Forsyth – British (1966)
Managing Director UK and Ireland

Maarten Roef – Dutch (1964)
Managing Director North West Europe

Ole Arenfeldt Jensen – Danish (1962)
Managing Director Nordic Europe

Maciej Trojnarski – Polish (1951)
Managing Director, Central & Eastern Europe

Pierre Favrot – French (1946)
Managing Director South West

Nicola Negri – Italian (1961)
Managing Director SE Europe

Bjarne Olesen – Danish (1951)
Executive Director Strategic Business Unit Building and Installation

Rolf Mellink – Dutch (1965)
Executive Director Strategic Business Unit Civils and Infrastructure

* For more information, please see chapter Corporate Governance on page 41.

Principal direct and indirect participations

Unless stated otherwise, this listing relates to 100% 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	
Handelsonderneming Schinkel Schouten B.V.,	Hoogeveen	www.schinkelschouten.com
De Hoeve Kunststofrecycling B.V.,	Hardenberg (50%)	
Wavin Overseas B.V.,	Dedemsvaart	www.wavinoverseas.com
Wavin Technology & Innovation B.V.,	Dedemsvaart	
Wavin Staf B.V.,	Zwolle	
Wavin Assurantie B.V.,	Zwolle	
EuroCeramic B.V.,	Belfeld	www.euroceramic.nl

AUSTRIA

RCS Raum Clima Systeme GmbH & Co KG,	Ybbs an der Donau (87.5%)	

BELGIUM

Wavin Belgium N.V.,	Aalter	www.wavin.be
MSC-Wavin N.V.,	Hamme	

BULGARIA

Wavin Bulgaria EOOD,	Sofia	www.wavin.bg

CHINA

Foshan Hepworth Pipe Company Ltd.,	Foshan	www.wavin.cn

CROATIA

Wavin d o.o.,	Sesvete (Zagreb)	www.wavin.hr

CZECHIA

Wavin Ekoplastik s.r.o.,	Kostelec nad Labem	www.wavin.cz

DENMARK

Nordisk Wavin A/S,	Hammel	www.wavin.dk

ESTONIA

Wavin Estonia OU,	Harjumaa	www.wavin.ee

FINLAND

Wavin-Labko Oy,	Kangasala	www.wavin.fi

FRANCE

Wavin France S.A.S.,	Varennes-sur-Allier, Sorgues,	www.wavin.fr
	Sully-sur-Loire, Haute Goulaine, Saint-Nazaire	www.europe-geothermie.com
Kulker S.A.S.,	Sully-sur-Loire	

GERMANY

Wavin GmbH,	Twist, Westeregeln	www.wavin.de
Elwa Wassertechnik GmbH,	Lingen	

HUNGARY

Wavin Hungary Kft.,	Zsámbék	www.wavin.hu

IRELAND

Wavin Ireland Ltd.,	Balbriggan (Dublin)	www.wavin.ie

ITALY

Wavin Italia SpA,	S. Maria Maddalena	www.wavin.it
Chemidro SpA,	Udine	www.chemidro.com

Other information

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
POLAND		
Wavin Metalplast-BUK Sp.z.o.o.,	Buk (99%)	www.wavin.pl
Arot Sp.z.o.o.,	Leszno	www.arot.pl
MPC Sp.z.o.o.,	Strzelin (51%)	www.mpc.pl
PORTUGAL		
Wavin Portugal-Plásticos S.A.,	Estarreja	www.wavin.pt
ROMANIA		
Wavin Romania,	Bucharest	www.wavin.ro
RUSSIA		
OOO Wavin Rus,	Moskou	www.wavin.ru
SERBIA		
Wavin Balkan d o.o.,	Belgrade	
SLOVAK REPUBLIK		
Wavin Slovakia spol s.r.o.,	Banovce	
SPAIN		
Aquatecnic S.A.,	Madrid (30%)	www.aquatecnic.es
SWEDEN		
AB Svenska Wavin,	Eskilstuna	www.wavin.se
SWITZERLAND		
Georg Fischer Wavin AG,	Schaffhausen (40%)	
Wavin Swisspipe AG,	Bern Liebefeld	www.wavin.ch
UNITED KINGDOM		
Wavin Plastics Ltd.,	Chippenham	www.wavin.co.uk
Hepworth Building Products Ltd.,	Sheffield	www.hepworthbp.co.uk
Thermoboard Ltd.,	Exeter	www.thermoboard.co.uk
UKRAINE		
Wavin Ukrain O.O.O.,	Kiev	www.wavin.ua

The cities mentioned are the main places of business of the companies concerned. Based on sect. 379 and 414, title 9, Book 2 of the 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 profits 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 point. If and to the extent that the profit is not sufficient to fully make a distribution meant afore in this paragraph, the deficit shall be paid from the reserves. In case of cancellation with repayment of preferred shares, on the day of repayment a distribution shall be made on the cancelled preference shares, which distribution shall be calculated to the extent possible in accordance with the provision referred to above and with regard to the current financial year to be calculated time wise over the period from the first day of the current financial year, or if the preferred shares have been issued after such day, as from the day of issue, until the day of repayment without prejudice to the provisions of article 2:105 paragraph 4 Dutch Civil Code. In the event that in an financial year the profit or the distributable reserves (as the case may be) are not sufficient to make the distributions meant above in this article, the provisions above shall apply over the following financial years until the deficit has been cleared;
   - secondly, the part of the profit remaining after application of the first bullet shall be at the disposal of the general meeting.

4. After the approval of the Supervisory Board, the Management Board may make interim distributions only to the extent that the requirements set forth in paragraph 1 above are satisfied as apparent from an (interim) financial statement drawn up in accordance with the law.
5. After the approval of the Supervisory Board, the Management Board may decide that a distribution on shares is not made entirely or partly in cash, but rather in shares in the company.
6. On the recommendation of the Management Board, subject to the approval of the Supervisory Board, the general meeting may decide to make payments to holders of shares from the distributable part of the shareholders' equity.
7. Any claim a shareholder may have to a distribution shall lapse after five years, to be computed from the day on which such a distribution becomes payable.

Proposal for profit allocation

With observance of article 22, of the Articles of Association, it is proposed that dividend on ordinary shares of € 0.35 will be distributed. Following the acceptance of this proposal the holder of common shares will receive a dividend of € 0.35 per share of € 1.25. The dividend will be made available from 22 May 2007.

Other information

Auditors' Report

To The Supervisory Board and Shareholders of Wavin N.V.

Report on the financial statements

We have audited the accompanying financial statements 2006 (as set out on pages 63 to 123) of Wavin N.V., Zwolle. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, income statement, statement of recognised income and expense and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements (as set out on pages 111 to 116) comprise the company balance sheet as at 31 December 2006, the company profit and loss account for the year then ended and the notes.

Management's responsibility
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters affecting opinion
As a result of a change in company's group structure in 2005, the comparative figures for the prior year reflect the period 8 August 2005 up to and including 31 December 2005. The statement of cash flows and certain notes to the financial statements concerning the comparative figures reflect however the full year 2005 instead of the period 8 August 2005 up to and including 31 December 2005.

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 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, except for the absence of the statement of cash flows and certain notes to the financial statements concerning the comparative figures for the period 8 August 2005 up to and including 31 December 2005 as referred to in the paragraph "matters affecting opinion".

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 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of matter
The comparative figures included in these financial statements have been derived from the preceding year's financial statements, on which a disclaimer of opinion was issued on the grounds of the importance of the following finding:
We have been unable to form an opinion retrospectively about whether the consolidated balance sheet of the acquired company Beheermaatschappij Wavin B.V. as per 13 September 2005 gives a true and fair view of the financial position, which opinion can serve as a basis for the audit of the consolidated and company financial statements of the company for the year 2005. If the amounts in this balance sheet were to require adjustment, this would directly affect the result reported for period 8 August 2005 up to and including 31 December 2005. Both the composition and the amount of the result for the period 8 August 2005 up to and including 31 December 2005 therefore remain uncertain.
The aforementioned circumstances only apply to the comparative figures and are not applicable in the current financial year.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 5 March 2007

KPMG ACCOUNTANTS N.V.

E.J.L. van Leeuwen RA

Summary of last five years

(€ x 1 million unless otherwise stated)		IFRS 2006	IFRS 2005	IFRS 2004	DGAAP 2003	DGAAP 2002
Consolidated Balance Sheet						
Property, plant and equipment		375.1	383.9	277.1	265.1	260.3
Intangible assets		510.9	506.2	47.2	37.9	11.4
Financial non-current assets		28.6	54.3	52.0	50.3	50.4
Total non-current assets		**914.6**	**944.4**	**376.3**	**353.3**	**322.1**
Inventories		200.6	166.2	138.6	116.4	136.3
Trade and other receivables		332.0	314.3	213.8	132.1	132.0
Cash and cash equivalents		17.0	68.3	85.6	6.9	4.2
Total current assets		**549.6**	**548.8**	**438.0**	**255.4**	**272.5**
Total assets		**1,464.2**	**1,493.2**	**814.3**	**608.7**	**594.6**
Total equity attributable to equity holders of the company		**295.4**	**5.6**	**(51.4)**	**61.3**	**38.1**
Minority interest		4.5	4.7	3.5	2.6	4.7
Total equity		**299.9**	**10.3**	**(47.9)**	**63.9**	**42.8**
Liabilities						
Interest bearing loans and borrowings		596.9	962.6	440.8	271.2	257.2
Employee benefits		30.0	28.2	27.6	3.7	3.9
Provisions		8.8	16.5	5.2	15.3	23.8
Other non-current liabilities		137.2	140.1	18.0	17.9	16.6
Total non-current liabilities		**772.8**	**1,147.4**	**491.6**	**308.1**	**301.5**
Short term borrowings		17.9	15.0	127.2	74.2	94.9
Provisions		6.9	0.7	2.2	-	-
Other current liabilities		366.6	319.8	241.2	162.5	155.4
Total current liabilities		**391.4**	**335.5**	**370.6**	**236.7**	**250.3**
Total equity and liabilities		**1,464.2**	**1,493.2**	**814.3**	**608.7**	**594.6**
Balance sheet ratios						
Net capital employed		1,045.0	1,050.1	433.5	389.5	381.4
Debt / equity ratio *	ratio	2.0				
Key data per share						
Number of shares outstanding **	x 1,000	77,651	64,014	-	-	-
Result attributable to equity holders of the company		71.7	28.7	34.7	30.5	28.6
Dividend		-	-	-	-	2.4
Shareprice at year end	€	14.80	-	-	-	-

* Previous years figures are not comparable, due to leverage financing before 2006.

** Number of shares for 2005 and 2006 reflects the shareholders structure after the IPO.

Note: The consolidated figures up to and including 2003 are in line with Dutch GAAP (book 2, title 9, Dutch Civil Code). As from 2004 IFRS has been adopted. Figures up to and including 2004 are the consolidated figures of Beheermaatschappij Wavin B.V. whereas 2005 contains the pro forma consolidated figures of Wavin Investments B.V.. The pro forma consolidated figures comprise the Wavin Group in 2005, including Wavin B.V. and all subsidiaries, Beheermaatschappij Wavin B.V. (the former ultimate holding company) and Wavin Holdings B.V. which was also established in the year 2005. For details we refer to note 1 of the Group financial statements.

Summary of last five years

(€ x 1 million unless otherwise stated)		IFRS 2006	IFRS 2005	IFRS 2004	DGAAP 2003	DGAAP 2002
Consolidated Income Statement						
Continuing operations						
Revenue including discontinued operations		1,501.5	1,330.7	1,020.3	937.2	922.3
Revenue discontinued operations		(11.1)	(27.9)	(2.8)	-	-
Revenue continuing operations		1,490.4	1,302.8	1,017.5	937.2	922.3
Cost of sales		(1,081.3)	(947.0)	(756.4)	(680.6)	(671.3)
Gross profit		**409.1**	**355.8**	**261.1**	**256.6**	**251.0**
Other operating expenses		(271.2)	(257.9)	(191.1)	(193.3)	(191.0)
Result from operating activities before non-recurring operational result		**137.9**	**97.9**	**70.0**	**63.3**	**60.0**
Non-recurring operational result		(16.6)	(11.4)	(1.1)	-	-
Result from operating activities		**121.3**	**86.5**	**68.9**	**63.3**	**60.0**
Net finance costs		(84.1)	(48.6)	(29.7)	(22.4)	(23.8)
Share of profit of associates		3.3	7.3	5.0	5.3	5.5
Profit (loss) on sale of associates		39.0	-	-	-	-
Profit before income tax		**79.5**	**45.2**	**44.2**	**46.2**	**41.7**
Income tax expense		(6.3)	(14.3)	(9.5)	(15.6)	(12.7)
Profit from continuing operations		**73.2**	**30.9**	**34.7**	**30.6**	**29.0**
Discontinued operations						
Profit (loss) from discontinued operations (net of income tax)		0.2	(1.2)	0.7	-	-
Profit for the period		**73.4**	**29.7**	**35.4**	**30.6**	**29.0**
Other key financials						
EBITDA		196.3	163.4	108.3	96.9	92.7
EBIT		121.3	86.5	69.0	63.3	60.0
Depreciation		50.8	43.7	33.0	29.7	29.2
Ratios continuing operations						
Net cash from operating activities		174.9	139.2	76.7	118.0	67.5
EBITDA as % of revenue	%	13.1%	12.3%	10.6%	10.3%	10.1%
Other ratios						
Average number of employees	x 1	7,069	6,998	5,239	5,092	4,846
Number of employees	x 1	6,704	6,813	5,060	4,885	4,765

CAUTIONARY NOTE
REGARDING FORWARD-LOOKING STATEMENTS

This publication contains forward-looking statements. Forward-looking statements are statements that are not based on historical fact, including statements about our beliefs and expectations. Any statement in this publication that expresses or implies our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Such statements are based on plans, estimates and projections as currently available to the management of Wavin. Forward-looking statements therefore speak only as of the date they are made and we assume no obligation to publicly update any of them in the light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of significant factors could therefore cause actual future results to differ materially from those expressed or implied in any forward-looking statement. Such factors include but are not limited to conditions in the regions from which we derive a substantial portion of our revenue, potential defaults on the part of borrowers or trading counterparties, Wavin's relationship with its key customers, relationships with key suppliers, whether market conditions or other factors permit us to pass on any increases in the costs of raw materials and our ability to effectively compete with our competitors. The forward-looking statements contained in this publication are made as of the date hereof and Wavin assumes no obligation to update any forward-looking statement contained in this publication.

COLOPHON

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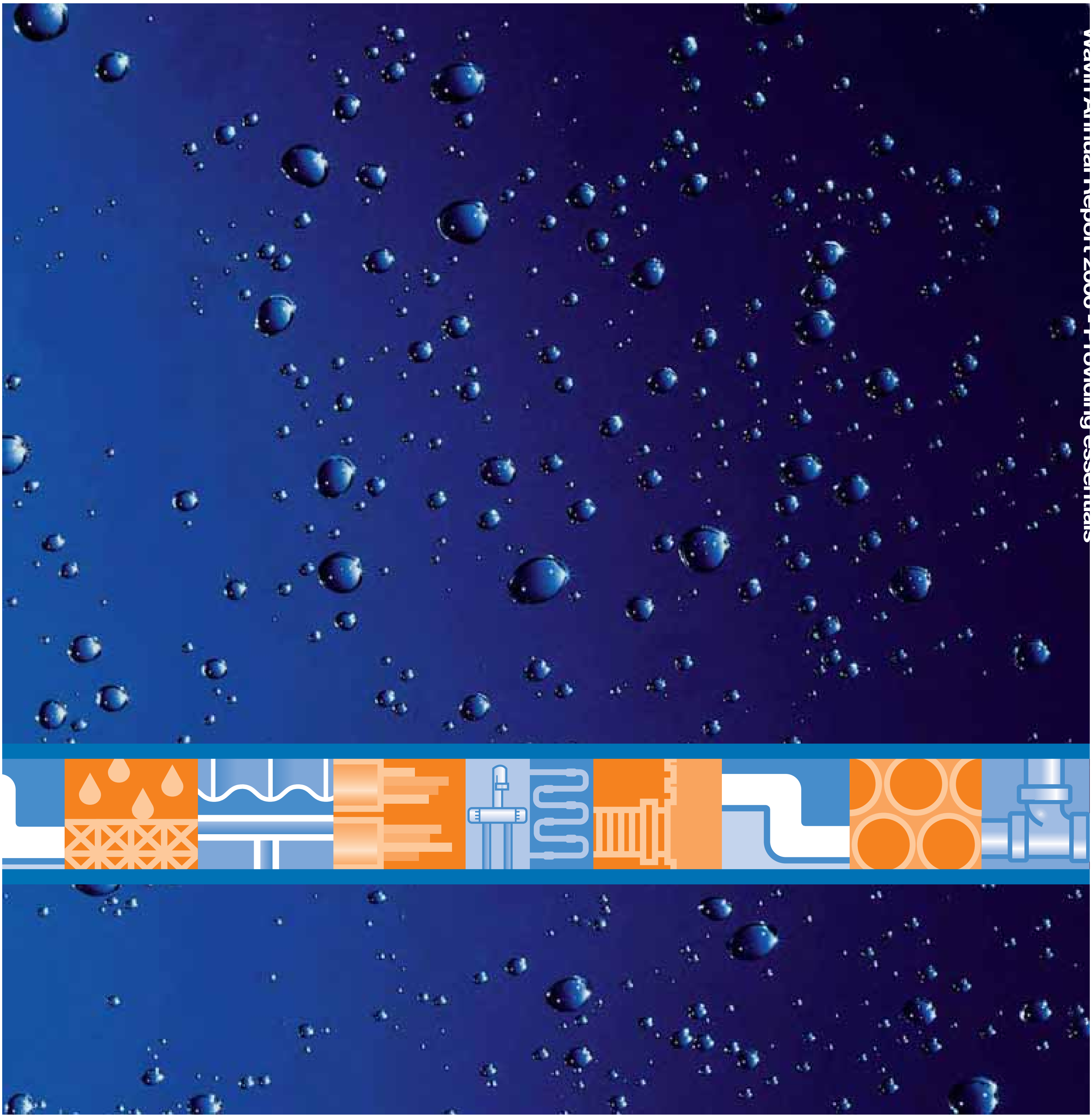

www.wavin.com