

Providing essentials



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.

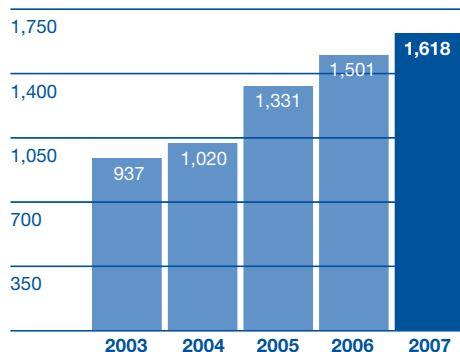
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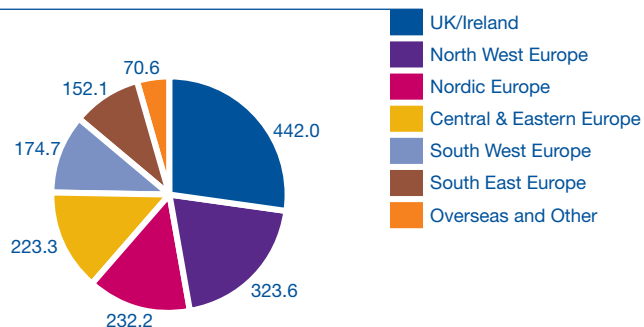
COMPANY PROFILE

Key financial data

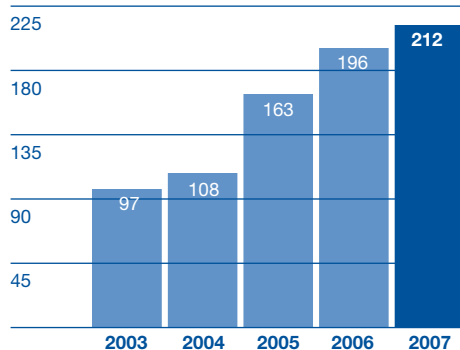
Revenue (€ x million)



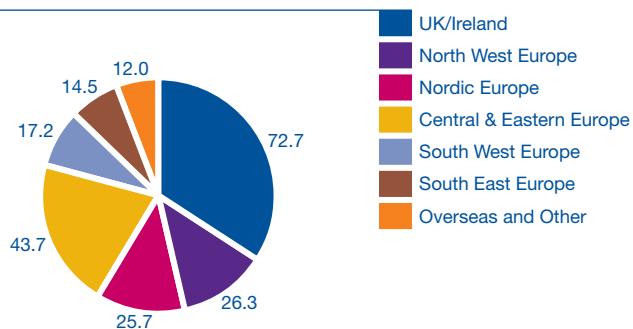
Revenue per region (€ x million)



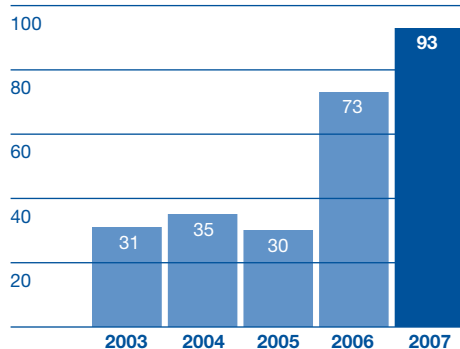
Ebitda (€ x million)



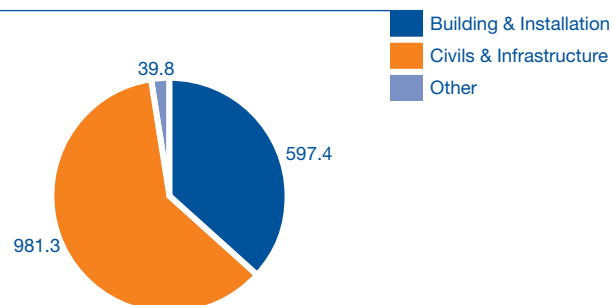
Ebitda per region (€ x million)



Net profit (€ x million)



Revenue per Strategic Business Unit (€ x million)



Key figures

(€ × 1 million unless otherwise stated)

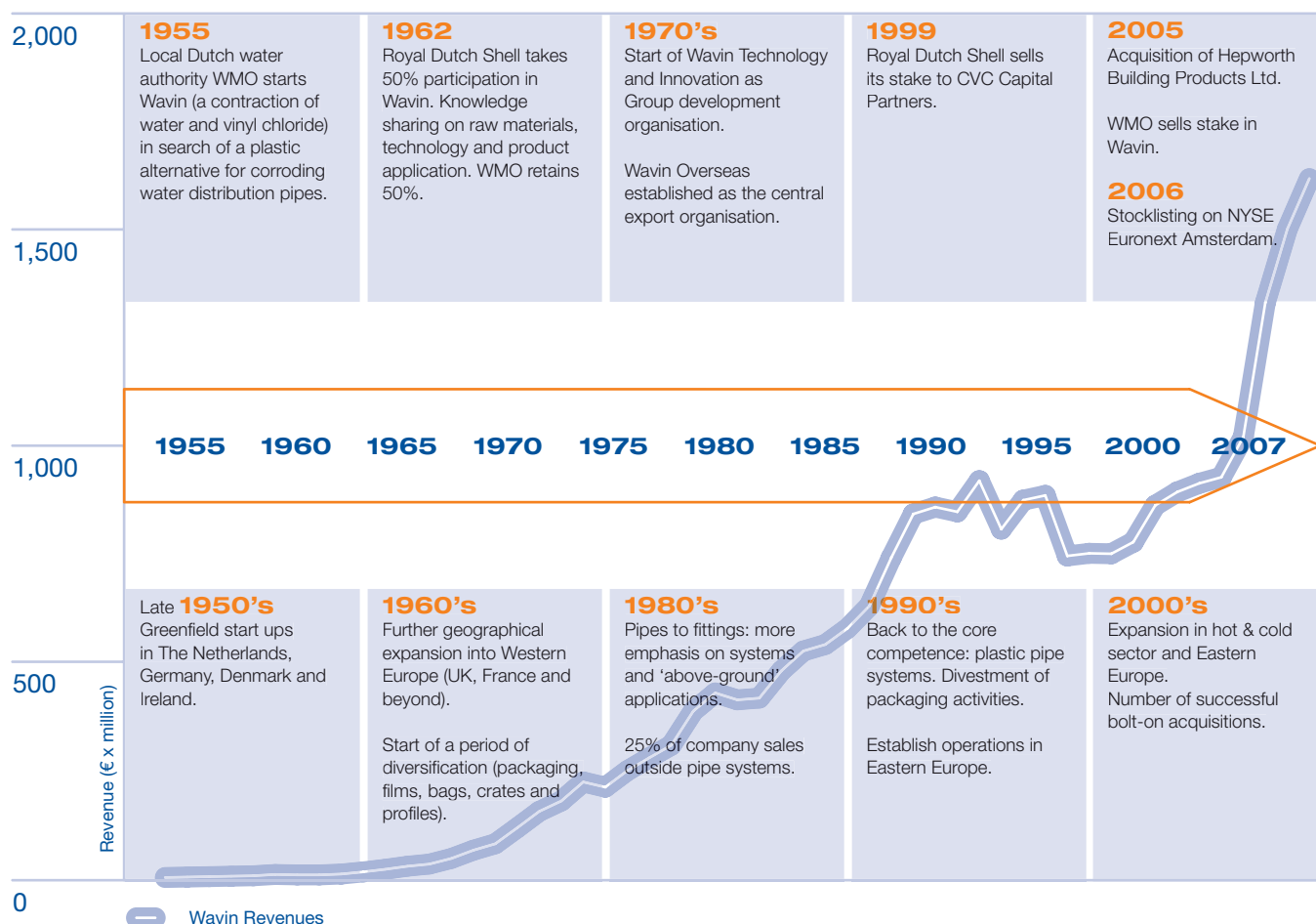
		2007	2006*
Income statement			
Revenue		1,618.5	1,501.5
Ebitda ⁽¹⁾		212.1	196.3
Non-recurring operational result		(2.7)	(16.6)
Operating result ⁽²⁾		149.8	120.2
Profit (loss) on sale of associates		–	39.0
Profit for the period before non-recurring items		90.0	47.4
Net profit		93.0	73.4
Other key financials			
Depreciation and impairment		51.6	50.8
Amortisation and impairment		7.3	10.3
Investments		74.5	50.9
Dividend (declared)		44.4	–
Net cash from operating activities		144.4	108.9
Balance sheet			
Total equity		369.8	299.9
Net debt		542.4	597.7
Total assets		1,491.5	1,464.2
Net capital employed		926.3	931.2
Leverage ratio	x 1	2.5	3.0
Interest coverage ratio	x 1	6.4	2.3
Ratios continuing operations			
Ebitda as % of revenue	%	13.1	13.1
Return on net capital employed	%	16.4	15.4
Debt to equity ratio	ratio	1.5	2.0
Total equity as % of total assets	%	24.8	20.5
Key data per share			
Number of shares outstanding (year end)	x 1	78,766,116	77,650,764
Result attributable to equity holders of the company		91.2	71.7
Dividend	€	0.46	0.35
Share price at year end	€	9.12	14.80
Earnings per share (year end)	€	1.16	0.92
Employees			
Average number of employees	x1	7,308	7,069
Number of employees per year end	x1	6,794	6,704

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.
 * Figures adjusted for comparison reasons.

Vision

Wavin's objective is to be Europe's leading supplier of plastic pipe systems and solutions, unrivalled in geographic presence, service, innovation and product range

History at a glance



Wavin today

- Leading supplier of plastic pipe systems and solutions in Europe
- Revenue of € 1.6 billion
- Present in 28 countries in Europe
- Approx. 7,000 employees
- Covering two strategic market segments: Building & Installation and Civils & Infrastructure
- Focus on innovation
- Complete range of plastic pipe systems
- Strong, established relationships with local and pan-European clients
- Actively expanding in Europe's emerging markets
- Global network of 120 agents and licensees
- Listed on the Amsterdam stock exchange



Push-fit fittings

Push-fit fittings provide a fast, secure, leak free joint which enables time savings in the installation of sanitary and heating systems. Wavin's plastic and metal plastic plumbing systems are increasingly used as alternative for traditional materials.



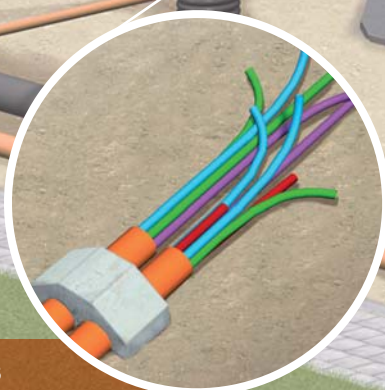
Low-noise soil and waste systems

'Silence is golden' in multi-storey apartments, hotels or indeed more and more individual houses. Wavin's multilayer low-noise soil and waste systems provide for quieter flushing.



Cable ducts

Wavin's cable ducts are used to protect sensitive, easily-damaged underground cables. The latest generation of cable ducts is future proof: new fibre optic or electricity cables can be fed into a duct that has previously been installed.



Wavin solutions in practice

Wavin provides integrated above and below ground pipe systems. In addition, the company offers consultation and design services, product support and implementation- and after-sales service. Wavin puts much emphasis on innovation, and continually develops new products and processes. Wavin's own Technology and Innovation Centre (Wavin T&I), is widely recognised for its expertise and innovation. The more than 50 people at Wavin T&I develop new products and systems in close partnership with local Wavin companies as well as external parties. Some of Wavin's latest innovations are the Wavin smartFIX push-fit fitting, the Wavin Tempower surface heating and cooling concept, Wavin Tegra manholes and the Wavin SiTech low-noise soil and waste system.



Siphonic roof drainage

Short but heavy rain bursts are one of the effects of climate change. Large flat roof areas are exposed to huge quantities of water. Wavin's siphonic systems offer exceptionally fast drainage.

Surface heating and cooling

Ceiling cooling

European energy saving directives stimulate the development of alternative heating and cooling systems. Wavin's ceiling cooling systems are extremely efficient and bring an ideal indoor climate.

Underfloor heating

High comfort, energy efficiency and low maintenance costs are the drivers behind the rising demand for underfloor heating. Wavin offers flexible systems in a growing number of countries.

Infiltration units

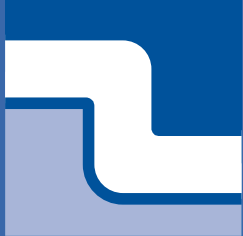
Rainwater is not waste water. It does not belong in the sewage system. Wavin's infiltration units offer protection against flooding and help feed surplus rainwater back into either the groundwater or into reuse- or discharge systems.

Manholes and inspection chambers

Light weight, easy to install and trouble-free accessibility for inspection and cleaning. Those are some of the benefits of the plastic manholes and inspection chambers Wavin provides for sewerage and drainage systems.

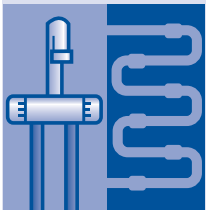
Company description

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



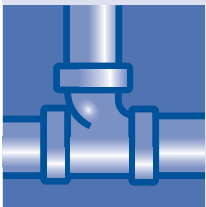
Building & Installation

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



Hot & Cold

Systems (pipes, fittings, manifolds) used in residential and non-residential buildings to supply hot and cold tap water, radiator connections, and surface heating and cooling. Wavin's European product range includes: [Hep₂O](#), a flexible range of pipes and push-fit fittings, [smartFIX](#), a plastic push-fit fitting, [K1](#), a press-fit solution and [Ekoplastik](#), a fusion welded system mainly for potable water applications.



Soil & Waste

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



Other Building Systems

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



Civils & Infrastructure

Below-ground 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 [X-Stream](#) pipes and fittings and [Tegra](#) manholes and inspection chambers.



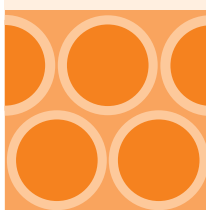
Water Management

Systems used to catch, convey, infiltrate, attenuate and clean rainwater. Wavin's European product range includes siphonic roof drainage systems such as [QuickStream](#) and infiltration crates and pipes such as [Q-Bic](#), [AquaCell](#) and [Azura](#).



Cable Ducting

Systems including micro fittings, micro ducts and corrugated pipes used to guide and protect power lines as well as [Novonet](#) and [Novospace](#) for the guidance and protection of fibre-optic cables and bundles for data transmission.



Water & Gas

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

Wavin's strategic objective is to be the leading supplier of plastic pipe systems and solutions in Europe. We therefore strive to excel in the areas that our customers find most relevant:

- **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).
- **Service:** Producing and delivering orders on-time and in-full to our customers across Europe.
- **Innovation:** Product innovation is ever more relevant in the construction industry. We have a target innovation rate of 15% (percentage of revenue from products no older than five years) and pride ourselves on meeting that target.
- **Geographic presence:** Wavin is currently present in 28 European countries and has production plants in 17 of those. With this footprint we are very well positioned to serve our customers who operate increasingly cross border.

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

Continued operational improvements

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

Product focus

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

Accretive acquisitions

Over the past five years, Wavin completed 12 acquisitions. With the exception of Hepworth (2005), most of these acquisitions are bolt-on take-overs of small or medium-sized local players. Wavin has a track record of successful integrations and intends to continue its consolidation strategy while remaining selective in the pursuit of acquisition opportunities. Candidates either have complementary market positions with a distinctive product range in countries where Wavin is already present, or provide a significant entry in countries where the company has no position. All targets must bring substantial synergies and add shareholder value.

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 well-established local presence and the quality of our products and organisations. We are actively looking to expand further in the emerging economies of Europe and have recently established positions in Russia, Ukraine, Romania, Bulgaria and Turkey.

STATEMENT OF THE CEO

2007 proved to be a very satisfying year for the company during which we – again – set new records. Revenue went up with 7.8% – largely organic – to € 1.6 billion. Operating profit increased with 24.6% to € 149.8 million and we are posting an all time high of € 93.0 million in net profit, an improvement of 26.7% over the previous year. At year end, net debt was brought down with € 55 million to € 542 million. As a reflection of this solid business performance, the proposed full year dividend of € 0.46 per share will be 31.4% higher than that for 2006, our first year as a publicly listed company.

It has also been a year of significant contrast. A first half that showed exceptional growth thanks to favourable weather conditions and strong market circumstances in literally all the 28 European countries where Wavin is present. In the second half year we saw a for this industry uncommonly sudden and sharp drop in demand in a number of key countries. In that same period we were also confronted by a further hike in raw material costs on the back of a rapidly increasing oil price.

We consider it an indication of the company's resilience that we nevertheless delivered a growth of 3.5% in the second half year against a very strong comparison period in 2006, whilst maintaining margins.

2007 has also been a year during which we set further steps in our chosen strategic direction: the quality of our earnings has improved as a result of our ongoing focus on value-added products and solutions. Our stake in the emerging economies of Central and Eastern Europe has further increased, and now accounts for about 20% of sales. And our earlier investments in the improvement of operational efficiency in especially the UK have come to fruition.



Philip Houben
President & CEO

Statement of the CEO

On the business development front we completed two smaller bolt-on acquisitions in respectively Norway and Ireland. Both focus on attractive market niches and both have been successfully integrated. We are very pleased with the acquisition of Pilsa Plastics in Turkey that we announced at the end of the year, and which has meanwhile been completed. Pilsa has a prominent position in the rapidly growing Turkish market and strong export positions in several East European countries. We see considerable potential to improve Pilsa's product mix and this addition to our geographic footprint further increases Wavin's stake in the emerging economies of Europe.

In spite of the changing market sentiments in the latter half of the year, we continued to invest in management development and the exchange of best practices in all functional areas. All our top 100 managers are going through a custom designed management programme at IMD Business School in Lausanne. We are also committed to pursue our Connect/IT programme, a company wide project to align our IT platforms across Europe. We will continue to facilitate our key people in manufacturing, logistics, sales, marketing, sourcing and finance to perform permanent benchmarking and implement new initiatives. When the going gets rougher, highly qualified people make the difference and Wavin prides itself to have always attracted and supported talent. I am grateful to all employees for another year of successful commitment and performance.

A number of key indicators in the construction sector point towards a challenging period ahead and it has yet to be seen what the full effect will be of the credit crisis on the European building markets. The company is in an excellent shape, and long-term trends such as urbanisation, smaller households, substitution towards plastics, energy efficiency, and climate change will stay in favour of our industry. As Europe's market leader with a wide geographical spread and a balanced business mix, we will continue to benefit from these trends. Our sales growth has structurally outperformed construction market developments over the years and we expect to continue that track record in the years ahead.

Philip Houben
President & CEO

New smartFIX push-fit system applied in monumental buildings

When engineering firm Hofer & Hölzl GmbH was asked to renovate protected monumental buildings in Landsberg am Lech and Pfaffenhofen (Germany), they chose Wavin as a partner for the connection of the heating system.

Thick, sometimes damaged floors and walls make it difficult to create a comfortable climate in old buildings. The new Wavin smartFIX push-fit system and the Wavin K1 press-fit fittings provided for an ideal solution. Both offer fast, flexible and secure connections. The characteristics of the building were kept intact by integrating the pipe system inside the structure of the building.



Landsberg
am Lech,
Germany

Fast, flexible and secure

Wavin Solutions
in Practice

Business and Market Summary

In 2007 Wavin obtained the highest revenues, Ebitda and net profit in its history. Our earnings per share increased to € 1.16. The significant improvement in Wavin's performance during 2007 was mainly the result of three important developments.

First, in our business mix we increased the weight of high-growth, high value-added sectors. Second, we continued our strong and profitable growth in Central and Eastern Europe. Third, we further improved our margins in the UK, our largest market, and in France.

These positive developments far outweighed our main set-back: slow revenue growth and reduced margins in North West Europe. The latter was attributable to difficult market conditions in Germany during the second half of the year and higher than expected costs of further optimising our manufacturing configuration in the region.

Key figures

(€ x million)	2007	2006	Change
Revenue	1,618.5	1,501.5	7.8%
Organic growth	7.6%	9.5%	
Ebitda	212.1	196.3	8.0%
Ebitda margin	13.1%	13.1%	
Operating result	149.8	120.2	24.6%
Net profit	93.0	73.4	26.7%
Earnings per share (year end)	1.16	0.92	26.1%
Dividend	0.46	0.35	31.4%

2007 saw a strong start of the year. We benefited from favourable weather conditions, a strong activity level in the building sector and the ongoing substitution of traditional materials with plastic pipe systems. This led to attractive growth figures in all of our markets in the first half of 2007.

In the second half of the year, we were faced with a sharp downturn of construction activities in Germany, Ireland and – to a lesser extent – Denmark. Together, these three countries represent approximately 20% of our sales.

Under these challenging conditions Wavin stood its ground. Our overall revenue growth slowed down during the second half of the year but remained positive even in comparison to the very strong second half of 2006. Thanks to the strength of our market position, we managed to maintain Group profit margins.

In the reporting year, Wavin once again reaped the benefits of a solid execution of its business strategy: geographic diversification, market leadership, focus on innovation, expansion in high growth/high value-added sectors, accretive acquisitions, and continuous operational improvements. Our unrivalled presence in 28 European countries reduces our exposure to the construction cycle in individual countries. During the second half of the year, our fast growing regions mitigated the effect of the downturn in other markets. In 2007, too, our strategy to penetrate the markets of Central and Eastern Europe (CEE) at a very early stage proved to be the right one. For the full year, revenues in our CEE region were up 19.4% compared to 2006.

Our market leadership and scale of operations allowed us to limit the negative effects of the increasing costs of raw materials. Due to the high demand for polymers, and high costs for commodities such as oil, there was a significant rise in prices for polymer plastics, our main raw material. However, our strong market position helps us by and large to pass these price increases on.

Earnings per share increased to € 1.16



**The Management Board
of Wavin.**

From left to right:

**Pim Oomens (CFO),
Philip Houben, (President
& CEO), Andy Taylor
(Executive Vice President)
and Henk ten Hove
(Executive Vice President)**

Our European leadership allowed us to maintain our overall profit margin, despite the sharp downturn and resulting price pressures in some of our markets during the second half of the year. We stand out as the supplier of plastic pipe products with a market presence and product range that can serve the needs of customers across Europe.

Our success in developing new, innovative products and solutions is one of the strong drivers behind our growth and market leadership. In 2007, we increased our innovation rate – the percentage of our revenues made up of products that have been on the market for less than five years – to 16%. We are particularly pleased with the positive market reception of our new push-fit systems for the Hot & Cold segment. We are also proud of the recognition achieved by our water management systems and with the continued success of our innovative range of manholes and inspection chambers, as well as the low-noise in-house systems for the discharge of water.

Our growth rate also benefited from the focus on high-growth, high value-added sectors: the Hot & Cold segment in the SBU Building & Installation and the Water Management and Cable Ducting segments in our SBU Civils & Infrastructure.

Our focus on achieving operational improvements continued in 2007. We closed our manufacturing sites in Padiham and Lichfield (UK) as part of the integration of Hepworth in the UK. In the North West region, we made headway with the planned reduction in the complexity of one of our local facilities in Germany and with the integration of its activities in our main manufacturing site in the Netherlands. In the Czech Republic we optimised our logistics by opening a new distribution centre. Our proven ability to integrate accretive acquisitions enables us to realise synergies. In 2007, Wavin made two bolt-on acquisitions. In Ireland, we bought O'Brien Marketing Ltd, a local sales company in the Hot & Cold segment. In Norway, we acquired Polyfemos, a supplier of cable duct systems for telecom networks.

In January 2008, we completed the acquisition of Pilsa Plastic, a prominent Turkish manufacturer of plastic pipes and fittings. The acquisition of Pilsa Plastic – announced in 2007 – will give us access to the promising Turkish market, and also strengthen our position in several CEE-countries in which Pilsa Plastic has a significant export position. We expect the acquisition to be accretive to earnings per share from the start.

Financial Performance

Revenues and operating result in 2007 were well ahead of comparable figures for the previous year.

Results

(€ x million)	2007	2006	Change
Revenue	1,618.5	1,501.5	7.8%
Gross profit	443.7	409.2	8.4%
Ebitda	212.1	196.3	8.0%
Depreciation	(51.6)	(50.8)	1.6%
Amortisation	(7.3)	(10.3)	(29.1%)
Non-recurring items	(2.7)	(16.6)	(83.7%)
Discontinued operations	(0.7)	1.6	
Operating result	149.8	120.2	

Revenue

Revenue grew to € 1.62 billion, an increase of 7.8% compared to 2006. Excluding acquisitions and divestments, growth in revenue amounted to 7.6%. These figures include currency fluctuations. On balance, variations in exchange rates had a limited positive impact of € 5.6 million or 0.3% on our revenue.

During 2007, all regions contributed positively to Wavin's growth. The mild weather conditions in the first months of the year helped us to achieve exceptionally strong growth in revenues of 12.3% in the first half year, compared to the equivalent period in 2006. In the second half of the year, the increase in revenues slowed down to 3.5%, compared to the strong second half of 2006. Growth in revenue was supported by both our Strategic Business Units (SBU's). In 2007, the SBU Building & Installation increased its share in Wavin's total revenues to 36.9% from 35.8%, mainly due to an outstanding growth rate for the Hot & Cold segment. In the SBU Civils & Infrastructure, we registered an increase in revenues of 5.3%.

Gross profit

Gross profit amounted to € 443.7 million for the full year, an increase of 8.4% compared to 2006. While revenue grew 7.8%, Wavin's cost of sales increased 7.6%. In 2007, the significant increase in prices of important raw materials such as PVC and PE continued, rising between 5% and 8% for the year. By and large, we were able to pass these price increases on, be it with a certain delay. Energy and distribution costs also continued to rise. These higher input costs were partly offset by improved manufacturing efficiency. We achieved a gross profit margin of 27.4%, in line with the 27.3% for 2006.

Ebitda

Our operating result before depreciation and amortisation and non-recurring items (Ebitda) increased by € 15.8 million to € 212.1 million, up 8.0%. The net positive effect of acquisitions and divestments on Ebitda was € 0.8 million. On balance, currency fluctuations had a positive influence on Ebitda of € 0.5 million.

In 2007, we were able to maintain margins despite the more challenging market circumstances in the second half of the year. For the full year we reported a margin (Ebitda over revenue) of 13.1%.

In the UK/Ireland region, investments in operational efficiency contributed to an expansion of margins. In France we saw an encouraging margin development as a result of an improved product mix and overall good market conditions.

In Central and Eastern Europe margins were slightly below the record margins of 2006; this was mainly attributable to marketing investments in Russia and Ukraine, two promising emerging markets.

In the North West Europe region we experienced a sharp market downturn in Germany and higher than expected costs related to the transfer of production within the region. Both factors led to a drop in margins.

Depreciation

Major investments were carried out to expand our capacity in the Hot & Cold and Water Management segments as well as in emerging markets. For the year, Wavin's investments totalled € 74.5 million or 4.6% of total revenues.

As a result of increased capital expenditure in recent years, depreciation grew to € 51.6 million in 2007, up 1.6% for the year.

Amortisation

Amortisation costs in 2007 were € 7.3 million, € 3.0 million less than in 2006. Amortisation costs from business combinations were reduced to € 3.2 million. In 2006, we developed a uniform corporate IT system that was launched successfully in the Benelux during 2007. Over the coming years, this system will gradually be rolled out to all companies in the Wavin Group.

Non-recurring items

Non-recurring costs in the operating result included the expenses related to the closure of a manufacturing facility in the UK.

A non-recurring benefit was realised from gain on sale of real estate in the UK. The liability related to the one-off employee share plan declined by € 1.9 million as a result of a lower share price. On balance, total non-recurring costs of € 5.7 million and total non-recurring benefits of € 3.0 million resulted in a non-recurring charge of € 2.7 million for the year.

Operating result

As a consequence of the developments described above, Wavin achieved a record operating result of € 149.8 million in 2007, representing an increase of 24.6% over the previous year.

Results

(€ x million)	2007	2006	Change
Operating result	149.8	120.2	24.6%
Net finance costs	(35.0)	(84.0)	41.7%
Result of associates	4.7	42.3	(88.9%)
Profit before tax	119.5	78.5	52.2%
Income tax expense	(28.0)	(6.0)	366.7%
Discontinued operations	1.5	1.0	50.0%
Profit attributable to:	93.0	73.4	26.7%
Shareholders of Wavin N.V.	91.2	71.7	27.2%
Minority interest	1.8	1.7	5.9%

Key figures per share

		2007	2006	Change
Profit attributable to shareholders	(€ x million)	91.2	71.7	27.2%
Number of shares outstanding as per 31 December	(x 1)	78,766,116	77,650,764	1.4%
Earnings per share (year end)	(€)	1.16	0.92	26.1%

Net finance costs

Net finance costs declined sharply since our IPO in October 2006. Financing expenses mainly relate to interest charges on drawings under Wavin's five year € 750 million debt facility. We have hedged a major part of the interest rate risk of this facility – which has a remaining duration of close to 4 years – at the attractive interest rate of 4.1%.

Further deleveraging translated into a decrease in the interest margin charged. For the year, net finance cost dropped to € 35.1 million from € 84.1 million in the previous year.

Associates

Income from associates relates to the result of Wavin's 40% stake in our joint venture with Georg Fischer, a Swiss-based company specialising in pressure fittings for utility applications. Wavin's share of profits increased by 42% to € 4.7 million. Profit on sales of associates in 2006 included the result on the divested stakes in associates in Australia and New Zealand.

Income tax expense

Income tax expense amounted to € 28 million. The 2007 effective tax rate excluding non-recurring items was 27.8% (2006: 32.0%).

Net profit

Wavin's strong performance for the year resulted in a growth of our net profit to € 93.0 million, 26.7% higher than in 2006. Profit attributable to shareholders was € 91.2 million (2006: € 71.7 million). As we issued shares to settle stock dividend requests, the total number of outstanding shares increased by 1.1 million to 78.8 million at year end. Earnings per share increased 26.1%, from € 0.92 to € 1.16.

Cash flow

(€ x million)	2007	2006	Change
Profit for the period	93.0	73.4	26.7%
Depreciation and amortisation	58.9	61.1	(3.6%)
Other non-cash items	57.8	45.5	27.0%
Working capital movement	(17.0)	1.3	
Cash from operating activities	192.7	181.3	6.3%
Interest paid	(33.8)	(54.8)	(38.3%)
Tax paid	(14.5)	(17.6)	(17.6%)
Net cash from operating activities	144.4	108.9	32.6%
Capital expenditures paid	(71.6)	(52.8)	35.6%
Other investing activities	0.4	77.9	(99.5%)
Dividend payment	(27.5)	0.0	
Proceeds from shares issued	0.0	150.0	
Other financing	(1.7)	(2.3)	(36.1%)
Net cash inflow	44.0	281.7	(84.4%)
Non cash movements	11.3	29.9	(62.2%)
Decrease in net debt	55.3	311.6	(82.3%)
Net debt this period	542.4	597.7	
Net debt previous period	597.7	909.3	

Key ratios

Leverage ratio	2.5	3.0	(13.3%)
Debt to equity	1.5	2.0	(25.0%)
Interest coverage ratio	6.4	2.3	173.9%

Cash from operating activities increased € 11.4 million to € 192.7 million in spite of higher net working capital requirements. Depreciation and amortisation for the year amounted to € 58.9 million. In total € 71.6 million was spent on investments to support the strong growth in Hot & Cold, Water Management and emerging markets as well as projects such as the development of a uniform corporate IT system. Net cash outflow from financing activities included dividend payments of € 27.5 million. In May a 2006 closing dividend of € 14.7 million was paid. Interim dividend for 2007 was paid in October and amounted to cash out of € 12.8 million.

Net debt

Wavin continued the process of deleveraging. Our net debt decreased to € 542.4 million at year end 2007 against € 597.7 million at year end 2006. The company operated comfortably within its bank covenants. Since the IPO of Wavin in October 2006, our leverage ratio (net debt/Ebitda) has dropped from 3.4 to just below 2.5 at the end of 2007, confirming Wavin's solid generation of cash flow.

Our interest coverage (Ebitda/net interest expenses) improved to 6.4 in 2007 against 2.3 in 2006. Our debt-to-equity ratio also showed further improvement to 1.5 at year end 2007 against 2.0 at year end 2006. Following the acquisition of Pilsa, completed in 2008 and financed from existing debt facilities, we remain well within our bank covenants.

**Process of
deleveraging
continued**



**Budapest,
Hungary**

Designed for comfort

**Wavin Solutions
in Practice**

Wavin maintains optimal indoor climate

The apartments in the new Somlói Street Residential Park in Budapest (Hungary) combine exceptional style and maximum comfort. In this large-scale development of Raiffeisen Real Estate, Wavin's surface heating and cooling concept was applied. It provides for an energy efficient and optimal indoor climate. All heating and cooling devices and the connecting pipe systems are hidden. This offers a maximum of freedom for the house-owners to design their living quarters to their own taste.



Performance and Results: the Business Units

Wavin has two Strategic Business Units (SBU's): Building & Installation (above-ground pipe systems) and Civils & Infrastructure (below-ground pipe systems). Within each of our two SBU's, we focus on the development of high-growth, high-margin activities, improving the quality of our earnings.

During 2007, Wavin continued its strategy of gradually modifying the position of specific business units and segments in our broad product portfolio.

Revenue

(€ x million)	2007	2006*	Growth	% of total revenue
SBU Building & Installation	597.4	537.9	11.1%	36.9%
SBU Civils & Infrastructure	981.3	931.7	5.3%	60.6%
Other	39.8	31.9	24.0%	2.5%
Total Revenue	1,618.5	1,501.5	7.8%	

* Restated figures reflect the redefinition of the Water Management segment.

Building & Installation

For the year, Building & Installation revenue grew by 11.1% to € 597.4 million, bringing the share of this SBU in Wavin's total revenue to 36.9% compared to 35.8% in 2006. The strong performance was due to various factors. The ongoing trend of substituting traditional materials by plastics provided for healthy market demand. In this growing market, Wavin could build on the appeal of its broad range of innovative, high-quality systems, a strong brand name and good relations with major building merchants and wholesalers. After an outstanding first half of the year with a 16.1% growth rate, some geographical markets slowed down markedly during the second half. But even in the challenging conditions of the last six months of 2007, revenue in Building & Installation increased well ahead of construction markets.

Revenue

(€ x million)	2007	2006*	Growth	% of total revenue
Hot & Cold	312.4	268.8	16.2%	19.3%
Soil & Waste	207.6	196.1	5.9%	12.8%
Other Building Systems	77.4	73.0	6.0%	4.8%
Total B & I	597.4	537.9	11.1%	36.9%

* Restated figures reflect the redefinition of the Water Management segment.

Hot & Cold

Wavin delivered continued profitable growth in the Hot & Cold segment (pipes, fittings and manifolds that supply hot and cold tap water, radiator connections as well as surface heating and cooling), with revenues increasing by 16.2% to € 312.4 million. This key growth segment now makes up almost one fifth of Wavin's total revenue, benefiting from the steadily increasing awareness among the building community of the substantially lower installed costs of plastic systems versus traditional materials.

The innovative smartFIX push-fit system received good market acceptance. It has been launched in Germany, Italy, the Netherlands and the Baltic states. In surface heating and cooling there is an increased demand for the energy efficient and convenience oriented solutions that we offer in several markets.

Soil & Waste

In the segment Soil & Waste (in house systems for the discharge of waste water from kitchens and bathrooms to the sewer system), Wavin continued its solid performance. This segment is mainly driven by the less-cyclical repair, maintenance and improvement (RMI) market. Total revenue in the Soil & Waste segment grew by 5.9% to € 207.6 million, with especially encouraging growth in low-noise applications.

Other Building Systems

The segment Other Building Systems (various products including roof gutters and electrical conduit pipes) represents almost 5% of total Group revenue, or € 77.4 million. Revenue growth was 6.0%.

Civils & Infrastructure

For the total year, revenue in the SBU Civils & Infrastructure grew by 5.3% to € 981.3 million, ahead of general construction market developments. This SBU accounted for 60.6% of total revenue. Mild winter months and favourable market circumstances across Europe drove a particularly strong start, but growth slowed down in a number of markets during the second half of the year. The segments Foul Water Systems, Water Management and Cable Ducting showed solid growth. In the lower-margin and more commoditised segment of Water & Gas, where we have opted for a selective approach focused at improving margins, we saw revenues decrease.

Revenue

(€ x million)	2007	2006*	Growth	% of total revenue
Foul Water Systems	544.6	521.0	4.5%	33.6%
Water Management	161.2	143.1	12.6%	10.0%
Cable Ducting	73.2	59.9	22.2%	4.5%
Water & Gas	202.3	207.7	(2.6%)	12.5%
Total C & I	981.3	931.7	5.3%	60.6%

* Restated figures reflect the redefinition of the Water Management segment.

Foul Water Systems

In Foul Water Systems (mainly sewer systems), Wavin managed to achieve satisfactory revenue growth of 4.5% to € 544.6 million during 2007. Wavin has a leading position in this segment based on the breadth of our product range, high service levels, integrated solutions and product innovation. We target selected areas where the supply of innovative, high-quality products pays off. In 2007 we continued the successful roll-out of innovative plastic products such as Tegra manholes and inspection chambers. Because of the ease of installation, attractive cost and flexibility, these solutions are becoming widely accepted alternatives to concrete-based manholes and chambers. The new X-Stream range for foul water discharge is also proving a success.

**Leading position
in Foul Water
Systems**

Roof drainage for Hyundai: efficient disposal, maximum floor space

In 2009, Hyundai will start manufacturing cars in a new factory in Ostrava, Czech Republic. The total roof area of the facility will measure an impressive 265.000 m², the largest hall has a roof area of 107.000 m². General designer and main contractor of the project, Takenaka, chose Wavin to supply the siphonic roof drainage systems. Together, Wavin and Takenaka designed the system in such a way that – despite the large roof areas – no downpipes in the halls were required. This way Hyundai will be able to maximise its floor space.

Ostrava,
Czechia

On a large scale

Wavin Solutions
in Practice



Water Management

In the promising Water Management segment (systems for the removal, attenuation and infiltration of rainwater) Wavin had strong revenue growth of 12.6% to € 161.2 million. Irregular rainfall patterns constitute the key growth driver in this segment, especially since repeated floodings have led to new legislation and regulations. We rolled out water management systems in a number of countries; QuickStream siphonic roof drainage as well as Q-Bic and AquaCell infiltration and attenuation systems are excellent answers to increased occurrence of heavy rainfall.

Wavin performed well in Water Management

Cable Ducting

Cable Ducting (systems to guide and protect power lines as well as fibre-optics) is a relatively small segment, but with an excellent growth rate. Total revenue amounted to € 73.2 million in 2007, an increase of 22.2% (organically 10.4%). Growth was especially strong in last mile cable duct systems for fibre-optic data communication.

Water & Gas

Water & Gas (pressure pipes and fittings for the distribution of drinking water and gas) had a negative growth rate in 2007. Revenue decreased by 2.6% to € 202.3 million, which represents 12.5% of total revenues. This is in line with our strategy to reduce our exposure to this mature, mainly commoditised market segment. We are selective in the projects we tender for and focus on technically advanced solutions that require high-quality, sophisticated products. One such product is PE SafeTech, a multilayer PE pipe with a protective outer layer, which was successfully introduced in various countries.

Other

The segment Other includes revenues from sales of raw materials, machinery and electronics, as well as licensing income. For the full year 2007, revenues in this segment amounted to € 39.8 million.

Performance and Results: the Regions

Our pan-European presence served Wavin very well in 2007. We achieved good results in almost all the regions in which we are present.

Results per region

(€ x million)	2007	2006	% Change
Revenue			
UK/Ireland*	442.0	449.8	(1.7%)
North West Europe	323.6	314.1	3.0%
Nordic Europe	232.2	219.0	6.0%
Central & Eastern Europe	223.3	187.0	19.4%
South West Europe	174.7	161.9	7.9%
South East Europe	152.1	131.5	15.7%
Overseas and Other*	70.6	38.2	84.8%
Total revenue	1,618.5	1,501.5	7.8%
Ebitda			
UK/Ireland	72.7	67.4	7.9%
North West Europe	26.3	30.8	(14.6%)
Nordic Europe	25.7	25.5	0.8%
Central & Eastern Europe	43.7	37.1	17.8%
South West Europe	17.2	11.0	56.4%
South East Europe	14.5	12.5	16.0%
Overseas and Other	12.0	12.0	0.0%
Total Ebitda	212.1	196.3	8.0%
Ebitda margin			
UK/Ireland	16.4%	15.0%	
North West Europe	8.1%	9.8%	
Nordic Europe	11.1%	11.6%	
Central & Eastern Europe	19.6%	19.8%	
South West Europe	9.8%	6.8%	
South East Europe	9.5%	9.5%	
Overseas and Other	17.0%	31.4%	
Total Ebitda margin	13.1%	13.1%	

*

Per 2007, the export business from Hepworth Building Products was transferred to Wavin Overseas.

UK / Ireland (United Kingdom, Ireland)

(€ x million)	2007	2006	Change
Revenue	442.0	449.8	(1.7%)*
Like-for-like revenue	442.0	428.8	3.1%
Ebitda	72.7	67.4	7.9%
Ebitda margin	16.4%	15.0%	

* Per 2007, the export business from Hepworth Building Products was transferred to Wavin Overseas.

In the UK/Ireland region, where we are clear market leader since our acquisition in 2005 of Hepworth Building Products, 2007 was a solid year. On a like-for-like basis, sales in the region increased 3.1%, despite the long expected downturn in the Irish new-build housing market. The slight decrease in reported revenues for the region was due to the fact that in 2007, we have included export revenues from Hepworth Building Products under 'Overseas and Other' for the first time. Although the UK new-build housing market slowed down during the year, resulting in reduced housing starts, the non-residential and RMI markets in the region remained solid.

Wavin UK is a balanced business with a limited exposure to the new-build residential sector. The majority of sales comes from the RMI sector and from non-residential prospects. During 2007, Wavin UK further strengthened its ties with major customers. This secured our position in the UK as the number one supplier to the major homebuilding developers.

We introduced a number of successful upgrades to our product range in the region, both through locally developed products as well as systems from sister Wavin companies. Examples of the latter include X-Stream fittings from Wavin Poland and floor heating manifolds from Wavin Denmark.

Substantial operational efficiencies were realised in the UK through further integration of our manufacturing activities. That, and the continued growth in high-margin segments helped to improve our margin in the region to 16.4%.

Operational efficiencies realised in the UK

Wavin Ireland was faced with a sharp downturn in new-build housing volumes, but could partly offset that by adjusting its cost basis. In June 2007, Wavin acquired O'Brien Ltd, an Irish sales company in the Hot & Cold segment.

North West Europe (Netherlands, Germany, Belgium)

(€ x million)	2007	2006	Change
Revenue	323.6	314.1	3.0%
Ebitda	26.3	30.8	(14.6%)
Ebitda margin	8.1%	9.8%	

For the North West Europe region 2007 proved difficult. After an encouraging start of the year, the German residential housing market deteriorated rapidly, impacted, amongst others, by the cancellation of subsidies for homeowners per year end 2006. In the Benelux, overall construction markets remained attractive.

Our margins dropped from 9.8% in 2006 to 8.1% in 2007 as a consequence of the higher than expected cost requirements for optimising the manufacturing configuration in the region, and in pricing pressures in the fragmented and very competitive German market.

In the far more concentrated Benelux markets Wavin saw steady margin development and our market position remained stable. Our innovative water management solutions were successfully applied in several construction projects.

In Belgium, activities were repositioned under the Wavin brand name.

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

(€ x million)	2007	2006	Change
Revenue	232.2	219.0	6.0%
Ebitda	25.7	25.5	0.8%
Ebitda margin	11.1%	11.6%	

In the Nordic Europe region construction markets developed well in Sweden, Norway and the Baltic states.

In Denmark, the residential market came down from previously high levels. The restructuring of local governments caused a bottleneck in the approval process for building permits.

The emerging Baltic states continued their robust growth pace. Signals of a residential building slow-down are visible, but EU financing to support infrastructure development continues to be a solid basis for the growth potential of the Baltic markets. Wavin is expanding its local production capacity to accommodate future business growth.

Several new products like X-Stream for foul water discharge and Q-Bic infiltration modules were introduced to strengthen our already prominent market position in that region. Furthermore, Polyfemos, a Norwegian supplier of cable duct systems for telecom access networks, was acquired to complete our offering in that market segment.

In Finland, where market conditions softened, the decision was made to concentrate on core activities and therefore to divest a local electronics business.

Challenging market conditions in Germany

Robust growth pace in Baltics

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

(€ x million)	2007	2006	Change
Revenue	223.3	187.0	19.4%
Ebitda	43.7	37.1	17.8%
Ebitda margin	19.6%	19.8%	

In the Central and Eastern Europe region, activity levels were very high in the first half of the year due to the unusually mild winter. In the second half of the year, revenue growth slowed down but was still at a pace well ahead of more established markets. Overall, 2007 was another good year for Wavin in this region, with revenue growing 19.4% and Ebitda increasing 17.8%.

In Poland, the slowdown in the second half of the year was mainly caused by lower deployment of EU-funding for infrastructure projects, whereas the residential building sector maintained a very healthy growth pattern. Wavin Poland was able to maintain its leading market position supported by a strong brand recognition and our ability to combine technically advanced, innovative products with added value services, including design, logistic services and technical advice at building sites.

Marketing efforts expanded in Russia and Ukraine

In Czechia, markets saw solid growth in 2007. In this country, Wavin is not only a leader in its local market, but has also built up strong positions as an exporter to other countries in the region such as Russia and Ukraine. In order to overcome capacity constraints resulting from this rapid growth, Wavin moved to a new operational centre close to Prague.

Construction markets in Russia and Ukraine continued to develop favourably in 2007 and we expanded our sales and marketing efforts in these two countries, leading to substantial sales growth.

South West Europe (France, Portugal)

(€ x million)	2007	2006	Change
Revenue	174.7	161.9	7.9%
Ebitda	17.2	11.0	56.4%
Ebitda margin	9.8%	6.8%	

In the South West Europe region, Wavin performed well. Wavin France asserted its local leadership in the segments of Foul Water and Water Management. In the building sector, we profited from the ongoing trend of substituting traditional materials with plastics.

The strategic shift in our business mix produced good margin improvement in France. We especially increased our positions in high-growth, high-margin segments such as Hot & Cold and Water Management.

Good margin improvement in France

South East Europe (Italy, Hungary, Romania)

(€ x million)	2007	2006	Change
Revenue	152.1	131.5	15.7%
Ebitda	14.5	12.5	16.0%
Ebitda margin	9.5%	9.5%	

In the South East Europe region satisfying results were realised.

Wavin Italy operates in the Building & Installation market and succeeded in growing ahead of a flat housing market. The smartFIX push-fit fitting for tap water and radiator heating systems was launched successfully.

In Hungary, the company dealt successfully with a difficult economic climate.

Strong growth was achieved in the booming construction market of Romania. In that country investments were initiated to start local production by the end of 2008.

**Accelerated
growth in
Romanian market**

Overseas and Other

The Wavin Group also comprises entities such as the Group Holding companies and Wavin Technology & Innovation and Wavin Overseas.

The 2007 figures for Wavin Overseas include the export business of Hepworth Building Products. However, also on a like-for-like basis, revenue compared favourably, increasing by 18.7%. We saw especially strong growth in our exports to the Middle East and the Balkans.

Wavin Overseas*

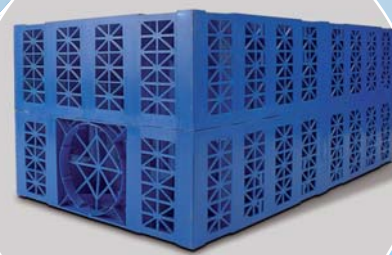
(€ x million)	2007	2006	Change
Revenue	67.4	35.8	88.3%
Like-for-like revenue*	67.4	56.8	18.7%
Ebitda	4.6	1.2	28.3%
Ebitda margin	6.8%	3.4%	

* Per 2007, the export business from Hepworth Building Products was transferred to Wavin Overseas.

29,000 infiltration modules form largest water attenuation system

The Jennett's Park housing development in Berkshire (UK) has embraced a pioneering method of underground drainage to minimise the risk of flooding in the area. In the absence of suitable conditions for the use of infiltration drainage, it was evident that a substantial storage facility was needed.

In conjunction with its partners in the project, Wavin created the largest surface water attenuation system in the UK, using 29,000 individual infiltration modules. The innovative structure has been designed to cope with the drainage requirements of this substantial development of up to 1,500 houses. The system can capture and store even the high volumes of water associated with extreme weather conditions.



**Wavin Solutions
in Practice**

**Berkshire,
United Kingdom**

Catch and Store

This Corporate Governance chapter addresses the corporate governance structure of Wavin. It will follow the sequence of the best practices as set out in the Dutch Corporate Governance Code. Wavin has also taken into consideration the reports of the Monitoring Committee Corporate Governance Code and subsequent developments.

Main deviations

Wavin underwrites the importance of good corporate governance and follows the vast majority of the rules set by the Code. However, it has been considered in the interest of the company as well as 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 overly time-consuming administrative burden. Instead, Wavin maintains a 'stop-list', stating securities in which trade is prohibited for all members of both Boards. 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. In the future, the company intends to comply with best practice provision II.2.7 for such appointments. The company is, however, currently bound by the terms of the employment contracts of the present members of the Management Board, which provide severance payment conditions that may exceed the above maximum. Upon unfair dismissal, Mr. Houben will be entitled to 12 months' total salary, Mr. Oomens will be entitled to 2 months' total salary per year of service with a maximum of 12 months and Mr. Ten Hove will be entitled to 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.
- 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 all of these meetings in advance or to make provisions for all shareholders to follow these meetings and presentations in real time. The information presented

in these meetings will be restricted to publicly-available material. Investors may listen in on the press and analyst conference call given at the publication of the annual figures and our half year figures. Recordings of these calls will be available on the Wavin website as are copies of presentations made to investors and analysts.

Compliance with the Code

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

Management Board

Composition and division of responsibilities

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

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

Appointment and dismissal

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

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

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

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 2007 budget was presented to and approved by the Supervisory Board at its December 2006 meeting. The 2008 budget was approved at the December 2007 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 starting on page 51 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. 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. Oomens, 6 months for Mr. Houben and Mr. ten Hove and 12 months for Mr. Taylor.

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

In case of unfair dismissal, Mr. Houben will be entitled to 12 months' total salary, Mr. Oomens will be entitled to a maximum of 12 months' total salary 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.

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 General Meeting of Shareholders adopted the remuneration policy of the Management Board on 20 April 2007.

At the Extraordinary General Meeting of shareholders on 11 December 2007 the shareholders approved a new Long Term Incentive Plan ('LTIP') which, as per 2008, will be implemented for the senior managers of Wavin (currently approximately 160 employees), including the Management Board. More information on this LTIP can be found on page 41 of this report, and the company website.

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

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 2008 the policy remains unchanged except for the introduction of the new Long Term Incentive Plan.

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

- a fixed base salary, which is reviewed annually,
- an annual incentive expressed as a percentage of the annual base salary,
- a long term incentive programme (as per 2008),
- 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 2007 are presented on page 127 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 home market.

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

Per January 2007 the fixed base salaries were increased between 3.5% to 5.0%. 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 2006, the Supervisory Board approved the 2007 financial performance targets for the total Group profit (50% weight), cash flow (20% weight) and revenue growth (30% weight). The financial performance targets were based upon the 2007 operational plan objectives, which are not disclosed for reasons of commercial confidentiality. They account for 80% of the incentive. A further 20% depends on the achievement of certain annually defined individual objectives which are set on the recommendation by the RACG Committee. For Mr. Houben, the financial performance targets account for 100% of the incentive.

After the closing of each financial year the RACG Committee approves the calculated outcome of actual achievements versus these preset financial and individual targets. The outcome is reviewed by Wavin's auditors. The exact amount of the annual incentive is then established and made payable after the finalisation of the audited accounts. The RACG Committee has the right to change targets as a result of unforeseen circumstances. This has not been the case in 2007.

In 2007 the annual incentive opportunity for the Dutch Management Board members ranged from 0% to 75% of their annual fixed base salary, with a target of 50%. The UK-based Board member Mr. Taylor had a range of 0% to 81%, with a target of 54%. Target incentives are reached when the financial and individual goals are fully met. At their meeting of February 2008, the RACG Committee recommended a 2007 incentive payout score of 69.2% against target. In practical terms this means that the annual incentive fee of the Management Board members this year varied from 35% to 43% of base salary.

Pension

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

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

Both Mr. Houben and Mr. Oomens have an additional pension arrangement as of the date they joined Wavin to partly compensate for missed back service in previous careers. Since 2000, Mr. Houben has an indexed arrangement amounting to a 2007 payment of € 29,857 into his pension arrangement with the company. Mr Oomens received an amount of € 10,000 paid to an insurance company.

As is applicable to all former UK Hepworth employees, the pension arrangement for UK resident Mr. Taylor is based on defined benefit. The executive pension arrangement for Mr. Taylor is based on an accrual rate of 1/45th with a retirement age of 63. The maximum pension he can accrue will be two thirds of his final earnings capped pensionable salary less any retained benefits. Mr. Taylor has an additional pension arrangement since 1999 leading to a 2007 payment of GBP 54,867.

Long Term Incentive Plan

In 2008 a new Long Term Incentive Plan will be implemented for senior and middle management of the company, including the Management Board. More information on this plan can be found on page 41 of this report.

Supervisory Board

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

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

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

Mr. P.C. van den Hoek is the Chairman of the Supervisory Board since 1999. At the beginning of the year under review the Supervisory Board, in addition to Mr. Van den Hoek, consisted of Mr. B. Hill, Mr. M. Boughton, Mr. J.R. Voûte and Mr. R. Kottman.

In accordance with earlier arrangements Mr. Boughton, who is affiliated to our formerly majority shareholder CVC, resigned from the Supervisory Board on 20 April 2007, after CVC had divested its remaining shares in Wavin. Mr. Voûte who is also affiliated with CVC, resigned as a Supervisory Board member per 11 December 2007, at which date the new Supervisory Board members Mr. Ruijter and Mrs. Stymne Göransson were appointed by the General Meeting of Shareholders.

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

In addition, certain material decisions of the Management Board, as specified in the Articles of Association and the Rules for the Management Board, are subject to prior approval by the Supervisory Board.

Since 2004, the Supervisory Board operates under its own regulations: the Rules for the Supervisory Board. These regulations are available on the corporate website.

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.

Information regarding the Supervisory Board members

P.C. van den Hoek – Chairman

Remuneration, Appointment & Corporate Governance Committee (Chairman)

Current position: senior partner at international law firm Stibbe

Appointed in 1999, current term ends in 2011

Other Supervisory Board memberships: Chairman of the Supervisory Board of AON Groep Nederland B.V., ASM International N.V., Robeco Groep N.V. (including Robeco N.V., Rolinco N.V. and Rorento N.V.), Corporate Express N.V. (until 1 October, 2007) and FD Mediagroep B.V. (until 1 October 2007)

Mr. B.G. Hill

Audit & Investment Committee (Chairman)

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

Appointed in 2005, current term ends in 2009

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

R.H.P.W. Kottman

Remuneration, Appointment & Corporate Governance Committee

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

Appointed in 2006, current term ends in 2010

Other Supervisory Board memberships: Delta Lloyd N.V. (Chairman), Delta Lloyd Bank N.V., Stichting Exploitatie Nederlandse Staatsloterij (until March 2007), Warmtebedrijf Rotterdam and NMC-Nijssse International B.V.

Other Board memberships: Stichting VU Medisch Centrum Fonds, Stichting Management Studies, Gemini Hospital, De Baak Management Centrum.

B. Stymne Göransson

Audit & Investment Committee

Current position: CEO of Semantix AB

Appointed in 2007, current term ends in 2012

Other Supervisory Board memberships: Kontakt East Holding AB (Chairman), Orkla ASA, Arcus ASA, Elekta AB.

R.A. Ruijter

Audit & Investment Committee

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

Appointed in 2007, current term ends in 2012

Former Supervisory Board memberships: Transavia.com, Kenya Airways

Independence and conflict of interest

For more information on the independence of the individual Supervisory Board members, we refer to 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 occurrences 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.

Profile

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

Company Secretary

The Supervisory Board is being assisted by Mr. S.H.A.J. Beckers, Company Secretary, who took over this position from Mr. J. Kruse per 15 June 2007.

Supervisory Board committees

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

Audit & Investment Committee

Per 31 December 2007, the Audit & Investment Committee consists of Mr. B. Hill (chairman), Mrs. B. Stymne Göransson and Mr. R.A. Ruijter (who qualifies as the financial expert as dictated by the Dutch Corporate Governance Code).

The Audit & Investment Committee assists the Supervisory Board in monitoring the systems of internal control, the integrity of the financial reporting process and the content of the financial statements and reports and in assessing and mitigating the business and financial risks. Furthermore, it renders advice to the Supervisory Board on large capital projects with a value of more than € 2.5 million and acquisitions with a value of more than € 5 million. The Audit & Investment Committee also approves all medium sized investments with a value between € 1 million and € 2.5 million. The Audit & Investment Committee focuses on 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 2007, the Remuneration, Appointment & Corporate Governance Committee (RACG Committee) consists of Mr. P.C. van den Hoek (Chairman) and Mr. R. Kottman.

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

Remuneration of the Supervisory Board

In 2007 the remuneration of the Supervisory Board amounted to € 50,000 for the Chairman plus a € 2,500 fixed expense allowance and € 35,000 annually for the other members plus a € 2,000 fixed expense allowance.

Shareholdings

Shares owned by Supervisory Board and Management Board

Certain members of the Supervisory Board and all members of the Management Board have invested in the company. As per 31 December 2007, together they held 1,809,954 shares (approximately 2.3% of the outstanding share capital) divided as follows:

Mr. Van den Hoek	53,206 shares
Mr. Hill	26,604 shares
Mr. Houben	532,994 shares
Mr. Oomens	399,050 shares
Mr. Ten Hove	399,050 shares
Mr. Taylor	399,050 shares

Members of the Management Board and the Supervisory Board were not allowed to perform any share transactions for a period of 365 days following the listing on 12 October 2006.

Long term incentive plan

At the Extraordinary General Meeting of shareholders ('EGM') on 11 December 2007, the shareholders approved a new Long Term Incentive Plan ('LTIP') for the senior management of the company, including the Management Board. Eligible employees can, on a voluntary basis, elect to invest up to 50% of their individual gross annual bonus in Wavin shares. A participant will receive (a) the right to one conditional matching share for each two purchased shares; and (b) a maximum of three conditional performance options for each share purchased. The purchased shares and the matching shares are subject to a mandatory lock-up period of five years. The matching shares will be transferred to the participant after three years provided that the participant is still employed by Wavin. These matching shares however still need to be retained for the full five year lock-up period as referred to above.

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

More information on the LTIP can be found on the corporate website.



**Wavin Solutions
in Practice**

Vertical infiltration

**Wageningen,
The Netherlands**

Wavin's IT sewer systems help contain and separate rain water

For one of its residential areas, the city of Wageningen (the Netherlands) was looking for a solution to separate rainwater from foul water while at the same time minimising the risk of flooding during heavy rainfall. A combination of Wavin gullies and infiltration pipes suited the requirements of the project. To keep the disruption for residents and traffic in the area to a minimum, it was decided to apply Wavin's IT sewer systems. Construction firm Van Gelder BV, used a vertical drilling method to install the system. In three month's time, 350 drillings took place. From now on 'De Wageningse Berg' can keep its feet dry.

Shareholders and General Meetings of Shareholders

General Meetings of Shareholders

On 20 April 2007 an Annual General Meeting of Shareholders was held at the Rosarium in Amsterdam. The agenda, the minutes and the voting results can be found on www.wavin.com. On 11 December 2007, an Extraordinary General Meeting of shareholders was held at the same location. The agenda, minutes and voting results of this meeting can also be found on the Wavin website.

Share Capital – movements

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 – if issued – offer a preferred position in case of dividend payments. In 2007, 1,115,352 ordinary shares were issued, bringing the company's issued and outstanding share capital to 78,766,116 ordinary shares on 31 December 2007.

Issue of ordinary shares

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

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

It will be proposed to the Annual General Meeting of Shareholders on 17 April 2008 to renew this authority for another period of 18 months, therefore until 17 October 2009. No resolution of the General Meeting of Shareholders or the Management Board is required for an issue of shares pursuant to the exercise of a previously granted right to subscribe for shares.

At the Extraordinary General Meeting of Shareholders on 11 December 2007, an additional authorisation has been given to the Management Board, subject to the prior approval of the Supervisory Board, to issue ordinary shares (including the granting of subscription rights on ordinary shares) for the purpose of the new Long Term Incentive Plan (see page 41) up to a maximum of 1.5% per year of the at that time outstanding and issued ordinary share capital.

Acquisition of shares

The Company may acquire its own fully paid shares at any time for no consideration ('om niet'), or, subject to certain provisions of Dutch law and the Articles of Association, if (i) the shareholders' equity less the payment required to make the acquisition, does not fall below the sum of called-up

and paid-in share capital and any statutory reserves, (ii) the company and its subsidiaries would thereafter not hold shares or hold a pledge over its shares with an aggregate nominal value exceeding 10% of the issued share capital, and (iii) the Management Board has been authorised thereto by the General Meeting of Shareholders. Authorisation from the General Meeting of Shareholders to acquire shares must specify the number and class of shares that may be acquired, the manner in which shares may be acquired and the price range within which shares may be acquired. Such authorisation will be valid for no more than 18 months.

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

At the Annual General Meeting of Shareholders on 20 April 2007 the authority has been extended, subject to the prior approval of the Supervisory Board, until 20 October 2008.

It will be proposed to the General Meeting of Shareholders on 17 April 2008 to renew this authority for another period of 18 months, therefore until 17 October 2009.

Special rights provided for by the Articles of Association

Anti Takeover measures

Wavin's principle defence against (any action which might lead to) a threat to its continuity is the company's ability to issue preference shares to the Stichting Preferente Aandelen Wavin (the 'Foundation').

Such preference shares will be issued, should the Foundation exercise its call option right.

On October 11 2006, the General Meeting of Shareholders of Wavin resolved to grant this option right to the Foundation. The Call Option Agreement does not contain any conditions to be met before exercising the option right. According to aforementioned agreement, the number of preference shares to be issued can amount to 100% of the total number of ordinary shares outstanding at the time of placing. If preference shares are issued, a General Meeting of Shareholders will be convened no later than twelve months thereafter. At that meeting, purchase and withdrawal of the preference shares will be considered.

The Foundation was formed under the laws of the Netherlands and its statutory purpose is to enhance the continuity and identity of the company. In short, the Foundation will look after the interests of the company, the enterprise connected therewith and the interests of all other stakeholders, such as shareholders and employees. The Foundation is independent in the meaning of the Act on the financial supervision (*Wet op het financieel toezicht*) 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.

Appointment of the external auditor

At the General Meeting of Shareholders held on 20 April 2007, 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.

In its economic, environmental and social performance, Wavin views sustainability as an inseparable part of its responsibility to society. This is reflected in its approach towards product development, production processes, health, safety and environment and human resources.

Solutions

In its product innovation efforts, the company is at the forefront of developing solutions that are meant to raise environmental standards. Water conservation and energy efficiency are becoming increasingly relevant, and this is reflected in international and national legislation. Wavin has developed innovative water management systems to separate the drainage of clean- and foul water and to infiltrate or reuse rainwater. With its new surface heating and cooling systems Wavin plays a role in the demand for more energy efficient buildings.

Processes

In all its processes, Wavin sees the long-term sustainability as a key element of production as well as the choice and treatment of materials and components. In its product innovation process Wavin takes environmental issues seriously, and is continuously developing lighter yet strong products and systems. This not only makes the products easier to handle and install but also limits the use of raw materials and energy.

When materials have been proven environmentally unacceptable or raise health and safety concerns, Wavin endeavours to use alternative materials. A key attention area at the moment is the further phasing out of lead stabilisers in the production of PVC pipes and fittings. It is expected that Wavin will have completely replaced lead with other stabilisers by 2009.

The use of energy at all Wavin sites across Europe is closely monitored. In 2007, the Wavin Group used 1.3 million GJ electricity and 0.65 million GJ gas. Operating companies share best practices on how to save energy. A good example is a recent test that was carried out by Wavin Italy to save the energy and cooling water consumption of injection moulding machines. The test showed that considerable savings can be realised. The relevant energy saving equipment will now be implemented at other Wavin production facilities.

Wavin reuses 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 lifetime of over 50-75 years, the volume of plastic pipes 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.

Subcontractors play an important role in Wavin's day to day processes. Together with transport and logistics experts from third parties, Wavin developed efficient route planning systems to limit environmental effects and to save fuel costs.

Health Safety and Environment

Health and Safety and Environmental (HSE) aspects are always considered when Wavin designs new products and manufacturing processes or evaluates acquisition candidates. The management of HSE is the responsibility of line management of each Wavin entity and the final responsibility lies with the Management Board of the Wavin Group. Where Wavin's internal HSE rules exceed national regulations, the internal rules of Wavin prevail.

HSE risks associated with Wavin business activities are systematically identified and controlled, amongst others through ISO 14001 certification.

In 2007 much emphasis was put on avoiding accidents caused by material handling equipment such as forklifts. Another key project was 'Lock-Tag-Try' aimed at limiting the access to automatic moving equipment and electrical cabinets. During the reporting year the number of lost time incidents per million hours worked was 3.2. This is close to the world class 3.0 industry benchmark that Wavin strives to beat but a reversal of a long-term downward trend.

To promote high safety standards, annually a Group Safety Award is awarded to the Wavin operating company that delivered the best performance in this respect. This award helps raise awareness on the important matter of avoiding incidents. In 2007, the Safety Award was won by Wavin Hungary.

On a local level, Wavin pays much attention to health management. Health check ups take place regularly. Several operating companies have special programmes in place in which employees are given advice on life style change issues such as the importance of healthy food, fitness and the effects of smoking. A good example is the health programme Wavin Netherlands rolled out in 2007. Part of this programme constitutes the introduction of healthy alternative lunches in the company restaurant, discounts on fitness activities at the local gym and promoting the participation in the Wavin 4 Miles, a run sponsored by Wavin.

In the reporting year several Wavin sites have implemented special noise control projects. Noise related signage was increased, special Hearing Protection Zones were established and an employee awareness campaign was implemented.

Social responsibility

Wavin takes an active part in community life and maintains excellent contacts with local organisations including local authorities, municipal services, schools and associations. When appropriate, Wavin takes part in their activities by contributing advice, funds or hands-on support. Sponsorships range from donations of funds to the supply of material and know-how or a combination of those.

A good example of this approach is the Wavin Group partnership with children's rights organisation UNICEF and Aqua for All, a foundation that creates a link between the Dutch water sector and water and sanitation projects in the developing world. Under the title 'Providing Essentials for Children' the partners engage in water and sanitation projects. In 2007 Wavin supported UNICEF's battle against the Guinea worm and child mortality in the Mopti region of Mali. At the same time preparations started for new water and sanitation programmes in Papua New Guinea. In three remote provinces, the Eastern Highlands, Western Highlands and Chimbu, water supply systems will be created or repaired and sanitary facilities will be built at 30 health centres and 30 schools in 20 villages. Under the same programme, teaching material on hygiene will be developed. These projects illustrate that Wavin's products, systems and know-how can bring momentous change in children's lives.

In 2007, this international partnership with UNICEF was increasingly adopted by Wavin subsidiaries.



High speed connection at low costs



**Wavin Solutions
in Practice**

**Fyn
Island,
Denmark**

Wavin micro ducts match perfectly with optical cables

Between now and the next four years some 70,000 households on Fyn Island, Denmark, can surf the web, stream audio and video and benefit from other online business and entertainment services with unparalleled speed. Utility company Energi Fyn provides all houses in their service area with high speed fibre broadband using Wavin Novosplit cable and micro ducts as they are a perfect match to the optical cables used in the network. Easy to handle and quick to open, Novosplit helps establish the best possible network at the lowest operational costs.

Human Resources

Human Resource management is the combined responsibility of corporate, regional and local HR teams. The Corporate Human Resources department focuses on the higher management level employees at Head Office as well as in the regions.

In 2007, the Wavin Group employed an average workforce of 7,308 Full Time Equivalents (FTE), compared to 7,069 FTE in the previous year.

In its approach to its people, Wavin is committed to an open, honest and straightforward working environment based on mutual trust and respect for diversity. Individual talent, skills and experience have always been recognised and constitute the basis for promotion. An important part of Wavin's HR approach is focus on attracting, developing and retaining talent. In order to achieve this, Wavin intends to provide challenging career opportunities and supports vertical and/or horizontal career moves.

Management Development

The continued success of the company depends on attracting individual talent, nurturing the skills and rewarding the experience of its people across the organisation. Special emphasis is put on management development and leadership development. Main objective of Wavin's Management Development programme is to secure the timely availability of qualified managers for future vacancies in senior management positions. The programme helps to provide a source of in-house replacements for key positions, prepares individuals for future challenges, aligns managers to new organisational directions and retains and motivates talent. These specific management developments were brought into the two leadership programmes, one for Young Management Potentials (in cooperation with Management Centre Europe) and one for senior managers (in cooperation with IMD Business School). These programmes have the following main objectives:

- developing a strong inter company network of leaders who are comfortable working across organisational and functional boundaries
- creating a better sense of belonging to and understanding of the greater Wavin organisation, its strategy and business challenges
- improving the responsiveness of the organisation, and its ability to stay close to its customers/markets
- increasing personal awareness and build personal leadership style and competences
- create new ways of working; innovate in all business processes and functions
- create space for entrepreneurship

Yearly appraisal process

Managers meet with employees at regular intervals to carry out career dialogues. Employees are motivated and actively supported to further develop their knowledge, experience and skills, through new job challenges, special assignments, in house training courses, external training and formal education.

Internal succession and international assignments

Wavin aims to have a good balance between internal succession and the strategic intake of experienced managers. In 2007 the company realised an internal succession rate of 75% as an average over a three-year period (2005, 2006, 2007). This is an increase compared to the three-year average of 65% in 2006.

In order to realise Wavin's growth ambitions, the intake and development of Young Management Potentials and middle managers is very important. Aim is to recruit locally, based on a generic Wavin profile next to job specific requirements.

Code of Conduct

For many years now, Wavin has a Code of Conduct that applies to everyone in the organisation. The Code covers topics such as law obedience, fair competition, business integrity, respect for diversity and conflicts of interest. The Wavin Management Board is responsible for the communication and understanding of and adherence to the Code of Conduct. A Whistleblower's procedure is in place to ensure that employees can report wrongdoings without negative consequences for themselves. When Wavin became publicly listed the Wavin Rules on Insider Trading were implemented, giving guidance on how employees should deal with price sensitive information.

Increasing diversity

Wavin supports the notion that there are a number of good business reasons why the attraction and development of people from different cultures, nationality, gender, age and religion is beneficial to the organisation. In short, a diverse workforce will bring different perspectives into the business and will generate a larger variety of solutions for business challenges.

With increased diversity the company expects to bring new sources of innovation, insight and experience into the organisation.

Employee participation rights

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

RISK PROFILE

Wavin is exposed to internal and external risks and uncertainties that may affect its business, its financial results and operational performance. To mitigate these risks, the company has defined policies and guidelines that are followed throughout the organisation. These policies and guidelines are translated in internal risk management and control systems. We regularly review our control systems on adequacy and effectiveness. Our risk policies and systems contribute to a more effective and transparent organisation.

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

Market risks

Geographical exposure

Wavin is dependent on the development of the construction sector in the countries where we operate. New housing statistics, commercial/public construction, but also the level of repair, maintenance and improvement (RMI) activities are important indicators in this respect. All countries face their own individual economic cycles, influenced by, amongst others, mortgage rates, house prices, urbanisation, smaller households and changing legislation.

Our presence in 28 countries reduces our exposure to the construction cycle in any single country.

Construction market exposure

Wavin is active in the new-build and in the repair, maintenance and improvement (RMI) market for residential and non-residential developments. We are also a leading player in the infrastructural construction activities.

The RMI segment and infrastructure activities tend to be less sensitive to economic cycles than new-build activities.

Customer concentration

The consolidation trend among the large building product distributors in Europe continues. This is reflected in Wavin's client base. The ten largest customers together accounted for 29% of revenue in 2007 (2006: 28%). Wavin is well positioned to support customers in their international 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 at local and corporate levels between parties and performance as well as service is addressed.

Operational risks

Raw material prices

To produce its products, Wavin uses large quantities of polymers such as polyvinyl chloride, polyethylene, polypropylene and polybutylene. The polymers are subject to cyclical price fluctuations. In 2007, Wavin spent € 519.8 million on raw materials, which accounted for 32.1% 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 with a delay, causing negative short-term impacts to the financial performance.

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.

Manufacturing and operations risk

Wavin has production plants in 17 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 and Germany, which are focused on integrating complementary sites and facilities, streamlining operations and reducing working capital needs. As a result, Wavin has incurred personnel redundancies and relocation costs at some operating sites. Tight planning and control and past experience limit the inherent risk of these transition processes.

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 adapted.

In 2007 the first rollout of the new IT systems has been successfully completed in the Benelux.

Financial 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 2007, approximately 55% of revenue was denominated in currencies other than the Euro, predominantly the pound Sterling and the Polish Zloty. Other foreign currency exposures are Hungarian Forint, Czech Koruna and the Danish, 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 has defined treasury policies regarding foreign exchange exposure. Forward exchange and currency swaps may be used to hedge forecast net cash flow transactions. Foreign currency translation risks of non-Euro equity positions in the Group are not hedged. The translation risk is minimised to the extent possible by using natural hedges.

Interest rate risks

It is Wavin's policy to limit exposure to interest rate risks significantly. At year end, Wavin had fixed approximately 79% of the interest rate exposure for the remaining 4 year term of the corporate loan facility. The average interest cost (excluding margin) of this multicurrency interest rate hedge is 4.1%. As a result Wavin is only exposed to interest rate movements to a limited extent.

Financing and liquidity

Since October 2006, 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. Furthermore, Wavin has € 141.4 million mostly uncommitted facilities with several banks. At year end, net debt was € 542 million. The company was well within its financial ratios agreed with its lenders. Net Debt/Ebitda was just below 2.5 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 regarding credit and payment terms. These are closely monitored at local 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 (limited) defined benefit schemes in four countries and defined contribution plans in several jurisdictions. The Netherlands has a limited defined benefit plan, in that it concerns a multi employer scheme that has only responsibility towards payment of a maximised agreed contribution. The wholly owned subsidiaries in Norway, the UK and Ireland operate defined benefit plans and retain a responsibility towards payment to the members of the pension fund including the indexation of the pension rights of pensioners after retirement. The wholly owned subsidiary in Germany has a lump sum arrangement which will be paid to the member upon retirement. In the event of an insolvency of the insurance or reinsurance company connected to the pension arrangement in Germany, Wavin would be liable for paying any outstanding lump-sum amount to qualified employees.

The defined pension benefit plans 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 remains liable for paying the agreed pension amounts to pensioners employed under previous defined benefit systems.

Statement of control

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

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

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

The Management Board has regularly discussed and assessed Wavin's risk profile, the adequacy of its framework for risk management, including the system improvement and implementation as well as other 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. We continuously strive to improve these systems. There are no indications that the risk management and control system will not operate properly in 2008.

Zwolle, 28 February 2008

The Management Board

Ph.P.F.C. Houben, President & CEO

W.H.J.C.M. Oomens, CFO

H. ten Hove, Executive Vice President

A.R. Taylor, Executive Vice President

Meetings

During the year under review, the Supervisory Board met six times with the Management Board according to a preset schedule, to review the ordinary course of business and to discuss a number of important projects. The Management Board and the Company Secretary attended all meetings with the exception of a meeting of the Supervisory Board in executive session. At that meeting, the performance of both Boards and that of its individual members were evaluated. Attendance at the Supervisory Board meetings was 100%.

The Supervisory Board meetings always included a review of the financial and operational performance of the Company. Other subjects on the agenda covered topics such as acquisition prospects, divestment opportunities, Wavin's IT programme, major investment proposals, investor relations and innovation. The Supervisory Board also discussed the corporate strategy, the risk exposure of the business and the internal risk management and control systems.

One meeting was largely devoted to the 2006 annual accounts, critical accounting policies and highlights of the auditor's report. This meeting took place in the presence of the company's external auditor.

It is the policy of the Supervisory Board to have at least one meeting per year in one of Wavin's six regions. This year, the June meeting took place in Poland and included a site visit to a plant where a major investment programme was in the final stages of completion. That meeting was also used to discuss – with regional management – the company's plans and progress in the increasingly important Central and Eastern European region.

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 a number of changes this year. Mr. M. Boughton relinquished his position as Supervisory Board member on 20 April 2007 and Mr. J.R. Voûte resigned on 11 December 2007. Both held this position since September 2005. Their financial acumen, analytical skills and important contributions to our discussions and decisions were highly appreciated. Mr. Boughton and Mr. Voûte were succeeded by Mr. R.A. Ruijter and Mrs. B. Stymne Göransson who were appointed at the Extraordinary General Meeting of Shareholders on 11 December 2007. The dates of appointment and reappointment and remaining term of the Supervisory Board members are highlighted in the table on page 37.

Supervisory Board committees

Wavin has two Supervisory Board committees, the Audit & Investment Committee and the Remuneration, Appointment & Corporate Governance Committee. The main role of the committees is to provide a focused analysis and preparation of subjects within their respective areas of expertise and to report and make recommendations to the full Supervisory Board. A summary of the duties of the two committees is set out on pages 39 and 40.

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

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

Report of the Audit & Investment Committee

During the year under review the Audit & Investment Committee met four times. In the March 2007 meeting, the annual accounts and financial statements were reviewed and discussed with the external auditor. In the June 2007 meeting the investment application procedure was reviewed. In September the first half year results were reviewed. In the December meeting the operational plan and capital investment budget for 2008 were discussed in detail.

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. However risk management and control systems can never be an absolute guarantee that all risks are managed adequately or that the company's objectives will be realised under all circumstances. In that connection, the Audit & Investment Committee refers to the 'Risk Profile' paragraph on page 51 of this annual report. The Audit & Investment Committee felt satisfied with the quantity and quality of information provided by the Management Board, and the manner in which recommendations made have been followed up.

Report of the Remuneration, Appointment & Corporate Governance Committee

During the year under review the Remuneration, Appointment & Corporate Governance Committee met four times. The main topics were the succession of Mr. M. Boughton and Mr. J.R. Voûte as Supervisory Board members, the evaluation of the Management Board and its members and the new Long Term Incentive Plan for senior managers. Other topics included incentive targets for the year under review, the incentive pay-out for Management Board members over the year 2006, and the salary adjustments for 2008.

The remuneration of the Management Board and Supervisory Board for 2008 was also discussed. For details of the outcome, please refer to page 36 of this annual report.

Financial Statements and dividend

The Financial Statements for the year 2007 have been audited by KPMG Accountants N.V., who issued an unqualified opinion which is printed on page 141 of this annual report. The Management Board has drawn up and the Audit & Investment Committee has reviewed the Financial Statements and the Supervisory Board recommends that the Financial Statements as well as the proposed dividend over the year 2007 will be adopted by the General Meeting of Shareholders in accordance with Article 21 sub 5 of the Company's Articles of Association. The Supervisory Board also proposes that the General Meeting of Shareholders discharges the Management Board and the Supervisory Board for their respective management and supervision during the year and that the other resolutions be approved.

Appreciation

2007 was another successful year for Wavin. Notably the first half of the year showed favourable market trends that were well captured by the company. The Supervisory Board would like to thank the Management Board and all employees for their dedication and efforts to improve the company's position and to create shareholder value. The satisfying financial results in the year under review are a reflection of that relentless effort to continually improve the company's performance.

Zwolle, 28 February 2008

The Supervisory Board

P.C. van den Hoek, Chairman

B.G. Hill, Vice-Chairman

R.H.P.W. Kottman

R.A. Ruijter

B. Stymne Göransson

LISTING DETAILS

Wavin shares

Wavin shares are listed on the Dutch Stock Exchange (NYSE Euronext Amsterdam). In 2007, 1,115,352 shares were issued as stock dividend bringing the total issued and outstanding shares from 77,650,764 on 31 December 2006 to 78,766,116 on 31 December 2007.

Following the public offering on 12 October 2006, the selling shareholders were 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

After the expiration of the lock up period, CVC and Alpinvest sold their shares.

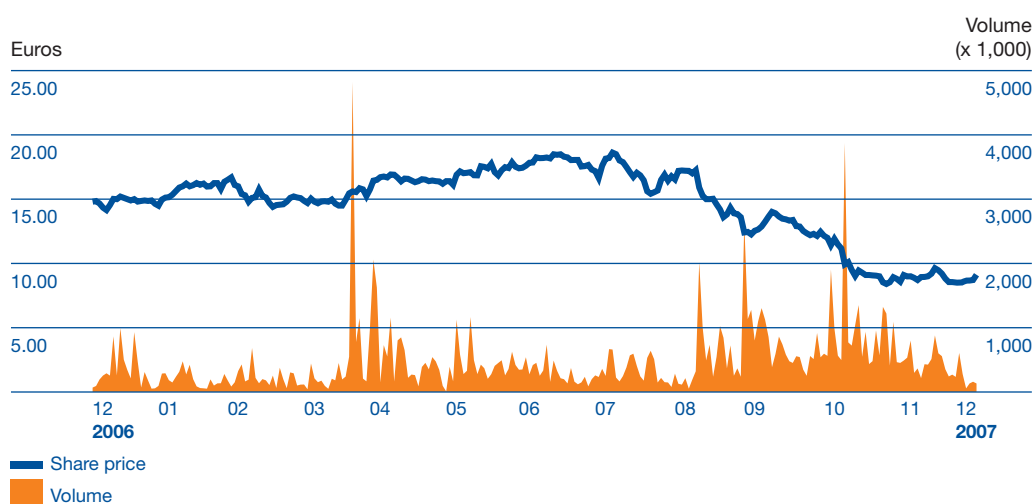
In October 2007 the lock up period for senior management also expired. The shareholdings of senior management in Wavin are disclosed on page 41.

Share price development and trading volumes

Until August, the share price increased steadily from € 14.80 at the end of 2006 to a highest level of € 19.18. This was attributable to the continuously favourable building markets in Europe. A turning point was around September when the US sub-prime crisis started to influence the US building markets. Fear for a recession in both the USA and Europe affected the sentiment towards small and mid cap shares in general and shares of building contractors, building merchants and construction material suppliers in particular. In these volatile markets the Wavin share decreased to a lowest level of € 8.16 in November and closed at € 9.12 on 31 December 2007.

Based on the trading volume in 2006, Wavin was included in the Dutch small cap index (AScX) on 2 March 2007. On 30 January 2008, NYSE Euronext announced that the Wavin share was included in the Dutch mid cap index (AMX) on 4 March 2008.

The trading volumes and the share price development of the Wavin share in 2007 were as follows:



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.

Per 31 December 2007	Country	Percentage of total issued and outstanding shares
Filing entity		
Henderson Global Investors	UK	5.98%
Julius Baer Multipartner SICAV	Lux	5.83%
Lloyds TSB Bank Plc.	UK	5.02%
Fortis Utrecht N.V.	NL	5.00%
Delta Lloyd Levensverzekering N.V.	NL	5.00%

Early 2008 Navitas B.V. reported a shareholding of 5.18% in Wavin. An updated overview can be found on our website www.wavin.com.

Dividend policy

Wavin N.V. intends to declare annual dividends with interim dividends declared in September and final dividends declared in May of each year.

Our target is to pay an annual dividend of 40% to 50% of our net profit, assuming our performance continues 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.

We intend to follow a progressive dividend policy in absolute terms, which will take into account the profitability of our business and any underlying growth, as well as our capital requirements and cash flows, while maintaining an appropriate level of dividend cover. The exact amount of any dividend may vary from year to year. We may revisit our dividend policy from time to time.

Dividend 2007

At the Annual General Meeting of shareholders on 17 April 2008, the Boards of Wavin will propose a dividend of € 0.46 per share. After deduction of the interim dividend of € 0.22, paid in October 2007, a closing dividend of € 0.24 will be available for shareholders per May 2008. This dividend, if approved, is payable at the discretion of each individual shareholder in stock or cash. As of 21 April 2008, 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 maintain 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. The investor relations chapter covers a broad range of information such as: financial reports, press releases, analyst/investor presentations, financial calendar, listing information, corporate governance structure, share information and other financial information.

For further information please contact Wavin Investor Relations

Email: InvestorRelations@wavin.com

Tel: +31 (0)38 - 429 4357

Fax: +31 (0)38 - 429 4238

Financial calendar 2008

29 February	Publication of annual figures 2007
17 April	General Meeting of Shareholders
21 April	Ex-dividend date
23 April	Record date for dividend entitlement
8 May	End of dividend choice (Cash or Stock) period
13 May	Announcement of Stock Dividend Conversion Ratio
16 May	Dividend payment
29 August	Publication of H1 figures 2008 (before start of trading)
1 September	Ex-dividend date (interim dividend)
3 September	Record date for dividend entitlement (interim dividend)
18 September	End of dividend choice (cash or stock) period
24 September	Announcement of stock dividend conversion ratio
26 September	Dividend payment (interim dividend)

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GROUP FINANCIAL STATEMENTS

Consolidated Balance Sheet

As at 31 December

(€ x 1,000)

	Note	2007	2006*
Assets			
Property, plant and equipment	15	378,465	375,105
Intangible assets	16	505,122	510,854
Investments in associates	17	17,375	15,569
Other non-current investments	18	8,504	1,754
Deferred tax assets	19	8,800	11,338
Total non-current assets		918,266	914,620
Inventories	20	214,129	200,591
Other current investments	18	91	177
Trade and other receivables	21	333,242	327,764
Income tax receivable	14	381	–
Assets classified as held for sale	4	5,946	3,988
Cash and cash equivalents	22	19,454	17,041
Total current assets		573,243	549,561
Total assets		1,491,509	1,464,181
Equity			
Issued capital	23	98,457	97,063
Share premium	23	128,577	131,949
Reserves	23	10,208	2,029
Retained earnings	23	125,954	64,423
Total equity attributable to equity holders of the company	23	363,196	295,464
Minority interest	23	6,578	4,477
Total equity	23	369,774	299,941
Liabilities			
Interest-bearing loans and borrowings	25	515,759	596,904
Employee benefits	26	21,904	29,474
Deferred government grants	15	75	130
Provisions	28	16,240	18,435
Deferred tax liabilities	19	122,184	124,509
Other non-current liabilities		1,700	2,888
Total non-current liabilities		677,862	772,340
Interest-bearing loans and borrowings	25	23,019	3,261
Bank overdrafts	25	23,085	14,611
Provisions	28	5,730	6,934
Employee benefits	26	2,429	502
Income tax payable	14	18,517	5,878
Trade and other payables	29	371,093	358,912
Liabilities classified as held for sale	4	–	1,802
Total current liabilities		443,873	391,900
Total liabilities		1,121,735	1,164,240
Total equity and liabilities		1,491,509	1,464,181

* Adjusted for comparison reasons. For details we refer to significant accounting policies (c).

Consolidated Income Statement

For the year ended 31 December

(€ x 1,000)	Note	2007			2006		
Continuing operations		Recurring	Non-recurring*	Total	Recurring**	Non-recurring*	Total**
Total revenue	2, 6	1,618,495	–	1,618,495	1,501,490	–	1,501,490
Revenue discontinued operations	3	(3,761)	–	(3,761)	(6,086)	–	(6,086)
Revenue continuing operations		1,614,734	–	1,614,734	1,495,404	–	1,495,404
Cost of sales		(1,171,004)	(5,024)	(1,176,028)	(1,086,218)	(6,117)	(1,092,335)
Gross profit		443,730	(5,024)	438,706	409,186	(6,117)	403,069
Other operating income	7	2,973	1,399	4,372	5,623	–	5,623
Selling and distribution expenses		(171,001)	(167)	(171,168)	(156,944)	(892)	(157,836)
Administrative expenses		(104,651)	1,527	(103,124)	(97,814)	(10,071)	(107,885)
Research and development expenses		(8,945)	–	(8,945)	(9,395)	–	(9,395)
Other operating expenses	8	(9,589)	(446)	(10,035)	(13,816)	488	(13,328)
Result from operating activities		152,517	(2,711)	149,806	136,840	(16,592)	120,248
Finance income		543	–	543	2,796	10,777	13,573
Finance expenses		(35,593)	–	(35,593)	(76,240)	(21,391)	(97,631)
Net finance costs	11	(35,050)	–	(35,050)	(73,444)	(10,614)	(84,058)
Share of profit of associates		4,711	–	4,711	3,315	–	3,315
Profit on sale of associates	12	–	5	5	–	38,963	38,963
Profit before income tax		122,178	(2,706)	119,472	66,711	11,757	78,468
Income tax expense	13	(32,679)	4,670	(28,009)	(20,314)	14,291	(6,023)
Profit from continuing operations		89,499	1,964	91,463	46,397	26,048	72,445
Discontinued operations							
Profit from discontinued operations (net of income tax)	3	518	1,008	1,526	971	–	971
Profit for the period		90,017	2,972	92,989	47,368	26,048	73,416
Attributable to:							
Equity holders of the company		88,236	2,972	91,208	45,687	26,048	71,735
Minority interest	23	1,781	–	1,781	1,681	–	1,681
Profit for the period		90,017	2,972	92,989	47,368	26,048	73,416
Earnings per share****(€)		Continuing operations		Total	Continuing operations**		Total**
Earnings per share (year end)	24	1.14		1.16	0.91		0.92
Adjusted earnings per share (year end)***	24	1.14		1.16	1.00		1.01
Diluted earnings per share (weighted average)***	24	1.14		1.16	1.00		1.01
Recurring earnings per share (year end)***	24	1.11		1.12	0.66		0.68
Earnings per share (weighted average)***	24	1.14		1.16	1.14		1.15

* For the definition of non-recurring items reference is made to paragraph (ab) of the Significant accounting policies. For details of the non-recurring items reference is made to note 12 of the Group financial statements.

** Comparative figures are adjusted for the classification of the divestment of the Finnish electronic business as discontinued operations and amendment of Kulker as held for sale. For details reference is made to note 3 and 4 of the Group financial statements.

*** 2006 figures have been adjusted for comparison reasons. The earnings per share are adjusted for the interest paid on preference shares. For details we refer to note 24.

**** Earnings per share in 2006 were negatively influenced by higher financing costs due to the pre-IPO leveraged finance structure.

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December

(€ x 1,000)	Note	2007	2006
Foreign currency translation differences on foreign operations	23	1,613	(2,042)
Fair value adjustment financial instruments	23	4,322	1,528
Costs of shares issued	23	(59)	–
Costs related to the initial public offering (net of income tax)	23	–	(5,332)
Translation reserve minority interest	23	403	200
Other changes in equity	23	–	(43)
Income and expense recognised directly in equity		6,279	(5,689)
Profit for the period		92,989	73,416
Total recognised income and expense for the period		99,268	67,727
Attributable to:			
Equity holders of the company		97,084	65,846
Minority interest		2,184	1,881
Total recognised income and expense for the period		99,268	67,727

Consolidated Statement of Cash Flows

For the year ended 31 December

(€ x 1,000)	Note	2007	2006*
Profit for the period		92,989	73,416
<i>Adjustments to reconcile to cash flow from operating activities</i>			
Depreciation and amortisation	15, 16	58,881	57,993
Impairment losses	15, 16	38	3,103
Net finance costs	11	35,050	84,058
Profit on sale of property, plant and equipment and intangible fixed assets		286	(2,658)
Share in profit of associates		(4,711)	(3,315)
Profit on sale of associates	12	(5)	(38,963)
Profit on sale of discontinued operations	3	(2,063)	–
Income tax expense	13	29,246	6,365
Operating profit before changes in working capital and provisions**		209,711	179,999
Changes in trade receivables		(8,728)	(16,149)
Changes in inventories		(15,627)	(31,991)
Changes in trade payables		2,148	46,756
Changes in other receivables and other payables		13,057	2,973
Changes in provisions and employee benefits		(7,854)	(292)
Cash generated from operating activities**		192,707	181,296
Interest paid		(33,734)	(54,803)
Income taxes paid		(14,532)	(17,550)
Net cash from operating activities**		144,441	108,943
Investments in property, plant and equipment paid		(60,963)	(45,682)
Investments in intangible assets paid		(10,605)	(7,077)
Proceeds from sale of discontinued operations	3	5,006	–
Proceeds from sold property, plant and equipment and intangible assets		1,205	7,318
Dividends received from associates		2,482	2,202
Proceeds from sale of associates		80	73,065
Proceeds from sale of other non-current investments		(371)	1,243
Paid other non-current liabilities		(1,923)	(34)
Acquisitions of consolidated companies, net of cash acquired	5	(6,133)	(5,931)
Net cash from (used in) investing activities***		(71,222)	25,104
Proceeds from shares issued		–	150,000
New long term borrowings		122,840	180,823
Repayment of bank loans		(195,636)	(516,954)
Use of credit facility		31,918	1,844
Costs share based payments	23	(1,527)	5,105
Costs of shares issued	23	(59)	–
Dividends paid to the company's shareholders	23	(27,465)	–
Dividends paid to minority shareholders	23	(83)	(2,062)
Payment of IPO costs (net of income tax)	23	–	(5,332)
Net cash used in financing activities		(70,012)	(186,576)
Net increase (decrease) of cash and cash equivalents		3,207	(52,529)
Cash and cash equivalents at 1 January		17,041	68,260
Effect of exchange rate fluctuations on cash held		(794)	1,310
Cash and cash equivalents at 31 December	22	19,454	17,041

* 2006 cash flow is aligned with the 2007 cash flow presentation. For details we refer to significant accounting policies (c).

** Excluding profit on divestment Finnish electronic Business.

*** Including proceeds from the divestment of the Finnish electronic Business.

(a) Reporting entity

Wavin N.V. (the 'Company') is domiciled in Zwolle the Netherlands. The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates covering the period 1 January 2007 up to and including 31 December 2007. The Group is primarily involved in the production and sales of plastic pipe systems and solutions. There have not been any significant changes to the group structure in 2007 compared to 2006. For details of the Group we refer to list of participations on page 139 of the annual report.

(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 2007. 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 28 February 2008.

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:

- 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 effects on the amounts recognised in the financial statements are described in the following notes:

- Note 5 Acquisitions of subsidiaries
- Note 13 and 19 Utilisation of tax losses
- Note 16 Measurement of the recoverable amounts of cash generating units containing intangible assets
- Note 26 Measurement of defined benefit obligations
- Note 28 and 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 accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. The share of third parties in the result and equity of the consolidated subsidiaries are reported separately. See page 139 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 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 and presentation

Until 2006, land was presented at fair value based on periodic, but at least triennial valuations based on actual data. The latest revaluation was performed per 31 December 2004. As a consequence of the acquisition of Beheermaatschappij Wavin BV by Wavin N.V. in 2005, land was revaluated at fair value against goodwill paid. As a result, the revaluation reserve recognized in previous years of € 29.4 million was actually realised.

Wavin has decided to no longer revalue land based on fair values from 1 January 2007 onwards which is in line with broader industry practice. The current value reflects the actual financial position as sale of land is not expected to materialise in the near future. The change in accounting policy for land from fair value to historical costs does not have any impact on the comparative figures nor on the financial statements for the year 2007.

Certain comparative amounts have been reclassified to conform to the current year's presentation. These reclassifications relate to the cash flow statement, tax provisions (refer to note 28), assets held for sale/discontinued operations (refer to notes 3 and 4) and the allocation of goodwill to cash generating units (refer to note 16). The current part of the employee benefits has been reclassified to current liabilities. In addition, the earnings per share calculation for 2006 was adjusted to reflect the effect of interest attributable to the holders of preference shares (refer to note 24). None of these reclassifications and adjustments had an effect on total result or equity for the periods presented.

Wavin has changed the presentation of the cash flow statement in order to report in confirmation to a broader industry practice. The comparative figures have been aligned with the revised presentation. This resulted in reclassifications between the sub totals cash generated from operating activities, net cash from investing activities and net cash used in financing activities. Next to that interest paid and taxes paid have been reclassified to a new sub total Net cash from operating activities. The impact of the alignment can be specified as follows:

	2006	
	Adjusted	Reported
Cash generated from operating activities	181,296	174,862
Net cash from investing activities	25,104	4,329
Net cash used in financing activities	(186,576)	(233,334)

The tax provisions regarding the possible capital gain tax claims and provision for identified tax exposures is reclassified from deferred tax liabilities to tax provisions because of the nature of these provisions. This reclassification can be specified as follows:

	Note	2006	
		Adjusted	Reported
Deferred tax liability	19	124,509	134,139
Tax provisions	28	9,630	–

(d) Foreign currency

(i) Foreign currency transactions

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

(ii) 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 as a separate component of equity. The revenues and expenses of foreign operations are translated to Euro at established average exchange rates which approximate the rates at the date of the transactions. The difference between the conversion of proceeds and costs at the established average exchange rates and the exchange rates prevailing at the end of the year is also processed directly in the reserves as a separate component of equity. Upon disposal of foreign operations these cumulative translation adjustments are recognized in the income statement.

(iii) Net investment in foreign operations

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

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

(e) Financial instruments

(i) Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

Other

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

(ii) Derivate financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

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

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 the fair value change of the derivative financial instrument is recognised directly in equity. When the firm commitment or forecasted transaction results in the recognition of a non-financial 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.

Hedge of monetary assets and liabilities

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

Hedge of net investment in foreign operation

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

(iii) Share capital

Ordinary shares

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

Repurchase of share capital

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

(f) Property, plant and equipment

(i) Owned assets

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

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

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

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

Gains and losses on the sale of property, plant and equipment are included in the statement of income.

(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 section Depreciation) 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.

(g) 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 'Hep₂O' and 'Chemidro'. The Wavin brand was acquired in 2005 as a result of the change in ownership. 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. The current capitalised brand names include other intangible elements such as intellectual property and customer relations. Consequently it is the brand value in its widest sense. Brand names have an infinite life 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 identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale. The previously unrecognised assets in the acquired company such as order portfolios 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 are adjusted. Intangible 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 (o)).

(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 (o)). 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 life of intangible assets. Intangible assets other than goodwill and brand names are amortised from the date they are available for use. The annual amortisation rates are:

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

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.

(h) 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.

(i) Deferred tax assets

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

(j) Other current investments

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

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

(k) Inventories

Inventories are stated at the lower of cost (see Significant accounting policy (y)) 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.

(l) 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.

(m) Assets classified as held for sale

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

(n) Cash and cash equivalents

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

(o) Impairment

The carrying amounts of the Group's assets other than other current investments (see Significant accounting policy (j)), inventories (see Significant accounting policy (k)) and deferred tax assets (see Significant accounting policy (l) and (ad)) 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.

(p) Equity

(i) Retained earnings / appropriation of profit

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

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

(q) 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.

(r) Employee benefits

(i) Defined contribution plans

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

(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 assets are 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.

(s) 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 NYSE Euronext.

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.

(t) Government grants

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

(u) 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.

Significant Accounting Policies

(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) Tax

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

(iv) Others

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

(v) Deferred tax liabilities

Long term tax liabilities resulting from temporary differences between financial statements and fiscal valuations per fiscal entity are capitalised as deferred tax 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 (i)).

(w) Trade and other payables

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

(x) 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.

(y) 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 manufacturing.

(z) Research and development expenses

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

(aa) 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.

(ab) Non-recurring income and expenses

Non-recurring income and non-recurring expenses are significant one off income and expenses out of the ordinary course of business which result from e.g. restructuring of activities, sale of assets, sale of associates, impairment charges, 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.

(ac) 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. As the actual positive and negative positions under the notional cash pool system are netted, the related finance income and expense are netted as well.

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

(ad) 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.

(ae) 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.

(af) Earnings per share

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

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

(ag) Segment reporting

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

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

(ah) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on 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.

(ai) New standards and interpretations not yet implemented

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these 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.
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group applies this principle under the current IAS 23 standard and the introduction of the new standard will have no material impact on the financial statements.
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* requires a share based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity settled share based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11, which becomes mandatory for the Group's 2008 financial statements, is not expected to have a significant impact on the consolidated financial statements.
- IFRIC 12 *Service Concession Arrangements* provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2008 financial statements, is not expected to have an impact on the consolidated financial statements.
- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2008 financial statements, is not expected to have an impact on the consolidated financial statements.
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements* and their interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

Notes to the Group Financial Statements

1. Financial risk management

Overview

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

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

Please refer to page 51 of the annual report for a description of major risks factors as market, operational, information and financial risks.

This note covers the Group policies and procedures for controlling credit risk, liquidity risk and market risk. Detailed quantitative disclosures are included throughout these consolidated financial statements, especially in notes 25 and 30.

Financial risks

Wavin is exposed to financial risks such as credit, liquidity, foreign exchange and interest rate risks. Financial risks are managed centrally by Group Treasury. The Treasury Committee is responsible for the treasury policy, including procedures, controls and authorisations, and approves and controls execution of the treasury plan. The Treasury Committee is chaired by the CFO.

Group Treasury assesses the different sources of the capital and money market and formulates the long-term financing plan including the different financing sources and financing instruments that can be used. The financing plan is amongst others based on the solvability, liquidity, interest and currency exposures and follows the agreed treasury policy. Control is assured by segregation of duties, defining clear responsibilities and regular performance reporting.

Credit risks

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and the country, in which customers operate, has an influence on credit risk. Approximately 30% (2006: 26%) of the Group's revenue is attributable to sales transactions with the ten largest customers. At balance sheet date there were no significant concentrations of credit risk on customer level nor geographically.

However the Group is expanding its activities in emerging economies as Central and Eastern Europe as well as the Middle East, with the relating customers having a relatively short operating history, making it more difficult for us to accurately assess the associated credit risk.

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

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

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

Investments

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

Liquidity risks

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

The Group is financed through a committed facility of € 750 million with a remaining duration of almost 4 years. The facility consists of a term loan and committed revolving facilities. The facility accommodates for the seasonal working capital swing. In addition Wavin has uncommitted facilities available.

The Group uses a system of forecasting the cash flows per operating company which assists in monitoring cash flow requirements. A notional cash pool system for financing and netting daily operational activities of local companies is in place. The Group's treasury department ensures that it has sufficient facilities to meet expected operational expenses, to finance acquisitions and to service financial obligations.

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. The Group buys and sells derivatives, and uses financial liabilities, in order to hedge its financial exposures. Group Treasury assesses the different sources of the capital and money market instruments available. On the longer term, however, permanent changes in foreign exchange and interest rates could have an impact on consolidated earnings.

Market risks

Foreign exchange risk

The business generates substantial revenues, expenses and liabilities in jurisdictions outside the Euro zone. In 2007 approximately 55% of revenue was denominated in currencies other than the Euro primarily the British Pound Sterling (GBP), Polish Zloty (PLN), Hungarian Forint (HUF), Czech Koruna (CZK) and the Danish (DKK), Norwegian (NOK), Swedish Krone (SEK) and United States Dollar (USD).

The Group identifies the imbalance between incoming and outgoing transaction flows in the different currencies. The policy is that material imbalances are identified and maybe hedged in order to minimise potential volatility in results which could arise as a result of currency fluctuations. The Group uses forward exchange contracts and currency swaps to hedge forecasted cash flow transactions.

The Group's principal currency translation risk arises from foreign subsidiaries of which the Euro is not the functional currency. The translation risk of all non Euro equity positions within the group is in principle never hedged, but is limited to the extent possible by using natural hedges. The translation risk of strategically held minority participations is not hedged. In respect of other minority participations and other monetary assets and liabilities held in currencies other than the Euro, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at forward or spot rates where necessary to address short term imbalances.

Interest rate risk

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

Capital Structure

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

Wavin has set clear targets for its level of borrowings in relation to results (leverage) and interest cost (interest coverage). Its borrowings are secured through a € 750 million committed bank facility that has a remaining maturity of approximately 4 years. It monitors debt to equity ratio and return on capital employed closely.

The company pursues a progressive dividend policy within the defined capital structure. The pay-out ratio of dividend is 40-50% of net profit, payable semi annually in cash or stock dividend.

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.

Intersegment 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/Ireland (UK, Ireland)
- North West Europe (the Netherlands, Germany, Belgium)
- Nordic Europe (Denmark, Norway, Sweden, Finland, Lithuania, Estonia, Latvia, Belarus)
- Central and Eastern Europe (Poland, Czechia, Russia, Slovakia, Ukraine)
- South West Europe (France, Portugal)
- South East Europe (Italy, Hungary, Romania)
- Other (Wavin Overseas, Wavin T&I, Wavin Head Office and several small companies)

Geographic segmentation

(€ x 1,000)		UK / Ireland	North West Europe	Nordic Europe	Central & Eastern Europe	South West Europe	South East Europe	Other and elimination *	Consolidated	Less discontinued operations	Continuing operations
2007	Note										
Total external revenue		442,009	323,631	232,208	223,311	174,662	152,122	70,552	1,618,495	(3,761)	1,614,734
Intersegment revenue		26,358	41,131	10,054	31,910	5,286	8,260	(122,999)	–	–	–
Total segment revenue		468,367	364,762	242,262	255,221	179,948	160,382	(52,447)	1,618,495	(3,761)	1,614,734
Result from operating activities before non-recurring items before depreciation and amortisation		72,687	26,271	25,650	43,673	17,247	14,524	12,084	212,136	(801)	211,335
Depreciation and amortisation		(14,772)	(11,982)	(7,972)	(10,444)	(5,565)	(2,467)	(5,717)	(58,919)	101	(58,818)
Result from operating activities before non-recurring items		57,915	14,289	17,678	33,229	11,682	12,057	6,367	153,217	(700)	152,517
Non-recurring operational results		(3,467)	(167)	(183)	(452)	–	–	1,558	(2,711)	–	(2,711)
Result from operating activities		54,448	14,122	17,495	32,777	11,682	12,057	7,925	150,506	(700)	149,806
Net finance costs									(35,050)	–	(35,050)
Share of profit of associates									4,711	–	4,711
Gain (loss) on sale of discontinued operations	3			2,063					2,063	(2,063)	–
Profit (loss) on sale of associates									5	–	5
Profit before income tax									122,235	(2,763)	119,472
Income tax									(29,246)	1,237	(28,009)
Profit for the period									92,989	(1,526)	91,463

(€ x 1,000)		UK / Ireland	North West Europe	Nordic Europe	Central & Eastern Europe	South West Europe	South East Europe	Other and elimination *	Consolidated	Less discontinued operations	Continuing operations
2006											
Total external revenue		449,750	314,144	219,001	186,975	161,943	131,472	38,205	1,501,490	(6,086)	1,495,404
Intersegment revenue		5,518	35,192	8,559	29,835	4,612	8,417	(92,133)	–	–	–
Total segment revenue		455,268	349,336	227,560	216,810	166,555	139,889	(53,928)	1,501,490	(6,086)	1,495,404
Result from operating activities before non-recurring items before depreciation and amortisation		67,435	30,848	25,467	37,080	10,985	12,455	12,008	196,278	(1,342)	194,936
Depreciation and amortisation		(17,423)	(11,299)	(7,882)	(9,062)	(4,982)	(2,786)	(4,691)	(58,125)	29	(58,096)
Result from operating activities before non-recurring items		50,012	19,549	17,585	28,018	6,003	9,669	7,317	138,153	(1,313)	136,840
Non-recurring operational results		(7,119)	(314)	(3,336)	278	(183)	6	(5,924)	(16,592)	–	(16,592)
Result from operating activities		42,893	19,235	14,249	28,296	5,820	9,675	1,393	121,561	(1,313)	120,248
Net finance costs									(84,058)	–	(84,058)
Share of profit of associates									3,315	–	3,315
Profit (loss) on sale of associates									38,963	–	38,963
Profit before income tax									79,781	(1,313)	78,468
Income tax									(6,365)	342	(6,023)
Profit for the period									73,416	(971)	72,445

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

(€ x 1,000) 2007	UK / Ireland	North West Europe	Nordic Europe	Central & Eastern Europe	South West Europe	South East Europe	Other and elimination [*]	Consolidated	Less discontinued operations	Continuing operations
Segment assets	562,585	190,052	291,177	211,800	111,772	95,654	11,094	1,474,134	(5,946)	1,468,188
Investment in associates	–	–	–	–	–	–	17,375	17,375	–	17,375
Total assets	562,585	190,052	291,177	211,800	111,772	95,654	28,469	1,491,509	(5,946)	1,485,563
Total liabilities	493,957	148,958	113,069	184,123	86,699	74,798	20,131	1,121,735	–	1,121,735
Acquired through business combinations	2,919	–	2,912	–	–	–	–	5,831	–	5,831
Capital expenditure	12,413	15,701	7,385	22,910	4,677	3,295	8,158	74,539	–	74,539
Depreciation	13,807	10,695	6,938	9,811	5,217	2,296	2,770	51,534	(101)	51,433
Amortisation of intangible assets	926	904	1,033	606	318	175	3,385	7,347	–	7,347
Impairment losses on non-current assets	–	–	–	38	–	–	–	38	–	38

(€ x 1,000) 2006	UK / Ireland	North West Europe	Nordic Europe	Central & Eastern Europe	South West Europe	South East Europe	Other and elimination [*]	Consolidated	Less discontinued operations	Continuing operations
Segment assets	537,264	185,000	247,126	178,287	106,468	90,411	104,056	1,448,612	(3,988)	1,444,624
Investment in associates	–	–	–	–	–	–	15,569	15,569	–	15,569
Total assets	537,264	185,000	247,126	178,287	106,468	90,411	119,625	1,464,181	(3,988)	1,460,193
Total liabilities	512,035	131,746	204,037	167,031	85,001	73,218	(8,828)	1,164,240	(1,802)	1,162,438
Acquired through business combinations	–	–	–	–	–	4,367	–	4,367	–	4,367
Capital expenditure	8,859	10,752	8,645	10,646	4,209	1,880	5,911	50,902	–	50,902
Depreciation	13,932	11,008	6,867	8,285	4,466	2,306	1,196	48,060	–	48,060
Amortisation of intangible assets	3,351	901	1,015	589	377	480	3,494	10,207	–	10,207
Impairment losses on non-current assets	2,395	–	–	188	246	–	–	2,829	–	2,829

^{*} This segment includes the figures of the other geographic segments as well as the elimination of the intercompany positions. The goodwill paid in 2005 for the acquisition of the shares Beheermaatschappij Wavin B.V. of € 98.7 million is included in this segment. For the allocation of this goodwill to each region we refer to note 16.

Business segmentation

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 definition of the Water Management segment has been revised and the figures have been reclassified. Additionally, unallocated sales have been further allocated to the different segments. As a result the 2006 sales per business segment have been restated. The Group comprises two Strategic Business Units, which in turn are divided in different business units:

Building & Installation

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

Hot & Cold Systems (pipes, fittings, manifolds) used in residential and non-residential buildings to supply hot and cold tap water, radiator connections and surface heating and cooling.

Soil & Waste Systems (pipes, fittings, siphons and accessories) designed to transport waste water from kitchens and bathrooms to sewer collection systems.

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

Civils & Infrastructure

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

Foul Water Systems Systems used to discharge foul water from buildings to water purification plants.

Water Management Systems used to catch, convey, infiltrate, attenuate and clean rainwater.

Cable Ducting Systems Systems including micro fittings, micro ducts and corrugated pipes used to guide and protect power lines as well as fibre-optic cables and bundles for data transmission.

Water & Gas Systems comprising pressure pipes and fittings for the supply and distribution of gas and potable water, including pipe line rehabilitation solutions.

(€ x 1,000)	Note	2007	2006		
			Adjusted	Reallocation	Reported
Hot & Cold		312,429	268,771	(1,063)	269,834
Soil & Waste		207,570	196,076	(10,033)	206,109
Other Building Systems		77,423	73,012	12,349	60,663
Building & Installation		597,422	537,859	1,253	536,606
Foul Water Systems		544,630	521,030	(35,747)	556,777
Water Management		161,154	143,069	77,500	65,569
Cable Ducting		73,187	59,916	1,235	58,681
Water & Gas		202,349	207,691	(15,633)	223,324
Civils & Infrastructure		981,320	931,706	27,355	904,351
Unallocated		39,753	31,925	(28,608)	60,533
Total revenue		1,618,495	1,501,490	–	1,501,490
Discontinued operations	3	(3,761)	(6,086)	4,995	(11,081)
Revenue continuing operations		1,614,734	1,495,404	4,995	1,490,409

Revenue from discontinued operations relates to the segment unallocated.

3. Discontinued investments and discontinued operations

Discontinued investments

Wavin did not have any sales of investments in associates in 2007, nor investments classified as held for sale as per balance sheet date.

Discontinued operations

On 14 August 2007, Wavin sold the Finnish electronics activities. This divestment resulted in a gain before tax of € 2.1 million. In 2006 these activities contributed € 6.1 million to the consolidated revenue and a profit after tax of € 1.0 million.

Results of discontinued operations

The 2006 and 2007 results of the Finnish electronics activities can be specified as follows:

(€ x 1,000)	2007	2006
Revenue	3,761	6,086
Expenses	(3,061)	(4,773)
Result from operating activities	700	1,313
Income tax expense	(182)	(342)
Results from operating activities, net of income tax	518	971
Gain on sale of discontinued operation	2,063	–
Income tax on gain on sale of discontinued operation	(1,055)	–
Profit for the period	1,526	971
Basic earnings per share (€)	0.02	0.01

The tax base of the profit on sale of discontinued operations is influenced by the loss on disposal of goodwill which is not tax deductible.

Cash flows from discontinued operations

(€ x 1,000)	2007	2006
Net cash from operating activities	626	1,010
Net cash from investing activities	5,006	–
Net cash from discontinued operation	5,632	1,010

Effect of disposals on individual assets and liabilities of the Group

(€ x 1,000)	2007	2006
Property, plant and equipment	(87)	–
Intangible assets	(2,293)	–
Inventories	(563)	–
Net identifiable assets and liabilities	(2,943)	–
Consideration received, satisfied in cash	5,006	–
Cash disposed of	–	–
Net cash inflow	5,006	–

4. Assets and liabilities held for sale

Wavin does no longer expect that the activities of Kulker SAS in France, which were classified as held for sale since 2005, will be divested. The related assets and liabilities are therefore no longer classified as held for sale. The impact of the reclassification to continuing operations on the income statement 2006 can be specified as follows:

Income statement

(€ x 1,000)	2006
Revenue	11,081
Expenses	(10,824)
Result from operating activities	257
Income tax expense	(86)
Profit for the period	171
Net cash from operating activities	171

Following restructuring projects, in the UK and Belgium certain buildings and installations are redundant. These assets are classified as held for sale per 31 December 2007. It is expected that the sales price will exceed the current book value. The assets and liabilities per 31 December 2007 classified as held for sale can be specified as follows:

Assets classified as held for sale

(€ x 1,000)	2007	2006
Property, plant and equipment	5,946	386
Inventory	–	864
Trade and other receivables	–	2,738
Total assets held for sale	5,946	3,988

Liabilities classified as held for sale

(€ x 1,000)	2007	2006
Provisions	–	245
Trade and other payables	–	1,557
Total liabilities held for sale	–	1,802

5. Acquisitions of subsidiaries

Acquisitions

Polyfemos AS

On 7 March 2007 100% of the shares of Polyfemos AS in Norway were acquired. The purchase price of € 3.1 million on a debt free basis was satisfied in cash. The consideration paid includes approximately € 0.1 million acquisition costs. The company is a supplier of cable ducting systems for telecom access networks. The acquisition was accounted for using the purchase method. In 2007 the subsidiary contributed € 7.1 million to revenue and € 0.6 million to the consolidated net profit. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenue and net profit would not have deviated significantly due to the seasonality of the company's operations.

The assets acquired were adjusted to fair value at the date of acquisition. This acquisition had the following effect on the Group's assets and liabilities at the acquisition date:

(€ x 1,000)	2007		
	Carrying amounts	Fair value adjustments	Recognised values
Property, plant and equipment	805	–	805
Intangible assets	32	12	44
Inventories	295	25	320
Trade and other receivables	356	–	356
Cash and cash equivalents	391	–	391
Deferred tax liabilities	(76)	(12)	(88)
Trade and other payables	(780)	–	(780)
Net identifiable assets and liabilities	1,023	25	1,048
Goodwill on acquisition			2,063
Consideration paid, satisfied in cash			3,111
Cash (acquired)			(391)
Net cash outflow			2,720

O'Brien Marketing Ltd.

On 5 June 2007 100% of the shares of O'Brien Marketing Ltd. in Ireland were acquired. The purchase price of € 3.7 million on a debt free basis was satisfied in cash. The consideration paid includes approximately € 0.2 million acquisition costs. The company sells Hepworth products like Hep₂O in Ireland. The acquisition was accounted for using the purchase method. In 2007 the subsidiary contributed € 2.3 million to revenue and € 0.3 million to the consolidated net profit. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenue would have been € 4.2 million and consolidated profit for the period would have been € 0.5 million for 2007.

The carrying amounts reflect the fair value at the date of acquisition. This acquisition had the following effect on the Group's assets and liabilities at the acquisition date:

(€ x 1,000)	2007		
	Carrying amounts	Fair value adjustments	Recognised values
Property, plant and equipment	129	–	129
Inventories	332	–	332
Trade and other receivables	1,234	–	1,234
Cash and cash equivalents	328	–	328
Trade and other payables	(1,072)	–	(1,072)
Net identifiable assets and liabilities	951	–	951
Goodwill on acquisition			2,790
Consideration paid, satisfied in cash			3,741
Cash (acquired)			(328)
Net cash outflow			3,413

Fair value adjustments according to IFRS 3

Certain of the fair values of assets and (contingent) liabilities are provisional estimates based on best information available at the time of determining those values. IFRS 3 allows adjustments to this provisional accounting within a timeframe of 12 months after acquisition if it can be demonstrated that new information does provide better evidence about the fair value of any asset or (contingent) liability related to the aforementioned acquisitions at the date of acquisition. In 2007 no adjustments to the provisional accounting in 2006 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 companies, which does not meet the criteria for recognition as a separate intangible asset at the date of acquisition.

Intangible assets

Wavin does not expect that significant additional future cash flows will arise from the acquired brand names of Polyfemos and O'Brien. Therefore these brand names are not valued. Products will be sold under Wavin respectively Hep₂O names.

6. Revenue

(€ x 1,000)	2007	2006	2007	2006	2007	2006
	Continuing operations	Continuing operations	Discontinued operations	Discontinued operations	Consolidated	Consolidated
Sales of goods	1,605,357	1,487,357	3,595	6,086	1,608,952	1,493,443
Other revenues	9,377	8,047	166	–	9,543	8,047
Total	1,614,734	1,495,404	3,761	6,086	1,618,495	1,501,490

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

7. Other operating income

(€ x 1,000)	2007	2006
Gain on disposal of property, plant and equipment	441	866
Gain on sale of land and buildings	1,399	–
Foreign exchange differences	–	545
Government grants	17	312
Various commissions	774	708
Other rental income	553	392
Other	1,188	2,800
Total	4,372	5,623

The Group realised a profit of € 1.4 million on the sale of land and buildings in the UK. These assets were acquired in 2007 by exercising a buying option and were sold directly to a third party. These profits are reported as non-recurring other income.

8. Other operating expenses

(€ x 1,000)	2007	2006*
Loss on disposal of non-current assets	(728)	(409)
Amortisation of assets acquired through business combinations	(3,167)	(5,201)
Foreign exchange differences	(984)	–
Taxes, other than income tax	(3,788)	(4,248)
Other	(1,368)	(3,470)
Total	(10,035)	(13,328)

* Comparative figures are adjusted for the classification of the divestment of the Finnish electronic business as discontinued operations and amendment of Kulker as held for sale. For details reference is made to note 3 and 4 of the Group financial statements.

Expenses related to the amortisation of assets acquired through business combinations represent the amortisation of acquired order portfolios and customer contracts. For further details see note 16 of the Group financial statements.

9. Personnel expenses

(€ x 1,000)	Note	2007	2006
Salaries and wages		(256,015)	(239,380)
Social security contributions		(38,934)	(38,330)
Contributions to defined contribution plans		(4,624)	(10,223)
Expenses related to defined benefit plans	26	(11,046)	(8,006)
Other personnel expenses		(9,494)	(9,650)
Total recurring personnel expenses		(320,113)	(305,589)
Equity settled share based payment transactions	27	(392)	(779)
Cash settled share based payment transactions	27	1,919	(4,326)
Total		(318,586)	(310,694)

The income related to the cash settled share based payment plan, is the result of the decreased share price compared to 2006 and resignation of employees in 2007 who were entitled to the share based payment plan.

10. Personnel employed

The total average full time equivalent of employees is:

	2007	2006
Total average full time equivalents	7,308	7,069
Number of employees at 31 December	6,794	6,704

Of the average number 947 FTEs are stationed in the Netherlands and 6,361 FTEs outside the Netherlands (2006: 909 FTEs and 6,160 FTEs respectively).

11. Finance income and expense

(€ x 1,000)	2007	2006
Finance income		
Interest income on bank deposits	535	2,711
Gain (loss) on sale of financial instruments	(1)	10,743
Currency differences on loans	9	119
	543	13,573
Finance expense		
Interest expense	(35,593)	(69,468)
Interest on preference shares	–	(6,772)
Impairment of fees paid for old loans	–	(21,391)
	(35,593)	(97,631)
Total net finance costs	(35,050)	(84,058)

Following the IPO and debt refinancing in 2006 financing costs went down substantially in 2007 as a result of a decreased debt level and lower interest margin. Financing costs 2006 were affected by the full impairment of capitalised transaction fees and the gain related to the sale of financial instruments.

12. Non-recurring income and expense

(€ x 1,000)	Note	2007	2006
Continuing operations			
Restructuring costs		(5,679)	(10,378)
Profit on sale of land and buildings		1,399	–
Share based payments		1,527	(5,105)
Other		42	(1,109)
Total non-recurring results from operating activities		(2,711)	(16,592)
Profit on sale of financial instruments	11	–	10,777
Impairment fees old syndicated loans	11	–	(21,391)
Total non-recurring finance costs		–	(10,614)
Profit on sale of associates		5	38,963
Tax rate adjustments	13	1,566	11,394
Capitalisation losses carried forward Germany	13	–	4,385
Capital gain tax	13	–	(5,630)
Non-recurring tax benefits		3,104	4,142
Total non-recurring income tax		4,670	14,291
Total non-recurring income and expense from continuing operations		1,964	26,048
Profit on sale of discontinued operations	3	2,063	–
Tax on sale of discontinued operations	3	(1,055)	–
Total non-recurring income and expense from discontinued operations		1,008	–
Total non-recurring income and expense		2,972	26,048

Restructuring costs in 2007 relate to the closure of the Lichfield site, United Kingdom. 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. The profit on sale of land and buildings relates to a used option in the UK to purchase land and buildings which were rented up to that moment. The purchased assets were immediately sold to a developer. Share-based payment expenses relate to a one off allocation of shares granted to Wavin employees following the IPO of the Group. In 2007 these rights were revalued to the fair value per 31 December 2007 which resulted in a decrease of the liability.

The € 1.6 million tax income 2007 regarding the adjustment of tax rates relates to the reduction of the corporate tax rate in Germany, Italy and Denmark and the announced tax rate adjustments in the UK. In 2007 € 2.4 million of the provision for identified tax exposures was released as a result of the settlement with the tax authorities of one of the identified exposures.

For details regarding the profit on sale of discontinued operations (Finnish electronics business) we refer to note 3. The tax base of the profit on sale of discontinued operations is influenced by the loss on disposal of goodwill which is not tax deductible.

13. Income tax expense

Recognised in the income statement

(€ x 1,000)	Note	2007	2006*
Current tax expense			
Current year		(36,102)	(18,313)
Adjustments for prior years		881	623
		(35,221)	(17,690)
Tax provisions			
Capital gain taxes		–	(5,630)
Identified tax exposure		2,425	(4,000)
	28	2,425	(9,630)
Deferred tax income			
Origination and reversal of temporary differences		1,612	1,215
Reduction in tax rates		1,566	11,394
Benefit from tax losses recognised		372	8,346
		3,550	20,955
Income tax expense including tax on sale of discontinued operation		(29,246)	(6,365)
Income tax expense from continuing operations		(28,009)	(6,023)
Income tax expense from discontinued operations	3	(1,237)	(342)
Total income tax expense		(29,246)	(6,365)

* Comparative figures are adjusted for the classification the divestment of the Finnish electronic business as discontinued operations and amendment of Kulker as held for sale. For details reference is made to note 3 of the Group financial statements.

The increase of the current tax expense compared to 2006 fully relates to the increased recurring operating result.

The € 1.6 million tax income regarding the adjustment of tax rates is fully related to the reduction of the corporate tax rate in Germany, Italy and Denmark and the announced tax rate adjustments in the UK, resulting in decreasing deferred tax liabilities which are partly compensated by decreasing deferred tax assets in Germany.

In 2007 € 2.4 million of the provision for identified tax exposures was released as a result of the settlement with the tax authorities of one of the identified exposures.

Reconciliation of effective tax rate

	2007		2006*	
	%	€ x 1,000	%	€ x 1,000
Profit before tax		119,472		78,468
Gain on sale of associates		(5)		(38,963)
Profit from discontinued operations (before tax)		2,763		1,313
Interest on preference shares		–		6,772
Share of profit of associates		(4,711)		(3,315)
Adjusted profit before tax		117,519		44,275
Income tax using the Dutch tax rate	25.5%	(29,967)	29.6%	(13,105)
Effect of taxes in foreign jurisdictions	1.3%	(1,523)	(7.6%)	3,354
Non-deductible expenses	2.3%	(2,654)	10.1%	(4,453)
Capital gain taxes	–	–	12.7%	(5,630)
Tax rate adjustments	(1.3%)	1,566	(25.7%)	11,394
Recognition of previously not recognised tax losses	(0.3%)	372	(18.9%)	8,346
Other effects	(2.5%)	2,960	14.2%	(6,271)
Total effective tax rate / tax	24.9%	(29,246)	14.4%	(6,365)

* Comparative figures are adjusted for the classification of the divestment of the Finnish electronic business as discontinued operations and amendment of Kulker as held for sale. For details reference is made to note 3 of the Group financial statements.

Other effects in 2007 mainly comprise of the release of € 2.4 million of the tax provision for identified tax exposures in the Group.

Deferred income tax recognised directly in equity

(€ x 1,000)	2007	2006
Derivatives	(1,390)	(328)
Total	(1,390)	(328)

14. Income tax receivables and payables

Income tax receivable and payable positions represent the individual positions of the legal entities or fiscal unities. The current income tax receivable of € 0.4 million (2006: nil) represents the amount of income taxes recoverable in respect to current and prior periods. Income tax payable of € 18.5 million (2006: € 5.9 million) is the amount of income taxes payable with respect to fiscal profits in current and prior periods.

15. Property, plant & equipment

(€ x 1,000)	Land and buildings	Machinery and equipment	Other assets	Under construction	Total
Cost					
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
Balance at 1 January 2007	279,563	751,208	82,060	16,384	1,129,215
Acquisitions through business combinations	–	805	129	–	934
Investments	7,435	38,529	6,039	12,215	64,218
Transfer to/from assets classified as held for sale	(7,381)	(547)	232	–	(7,696)
Disposals and divestments	(1,165)	(33,789)	(3,907)	–	(38,861)
Effect of movements in exchange rates	(3,282)	(18,002)	(691)	(65)	(22,040)
Balance at 31 December 2007	275,170	738,204	83,862	28,534	1,125,770
Depreciation and impairment losses					
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)
Balance at 1 January 2007	(115,896)	(570,779)	(67,435)	–	(754,110)
Depreciation charge for the year	(7,571)	(36,705)	(7,258)	–	(51,534)
Transfer to/from assets classified as held for sale	1,652	655	(171)	–	2,136
Impairment losses	–	–	(38)	–	(38)
Disposals and divestments	880	33,053	3,743	–	37,676
Effect of movements in exchange rates	1,895	16,114	556	–	18,565
Balance at 31 December 2007	(119,040)	(557,662)	(70,603)	–	(747,305)
Carrying amounts					
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
At 1 January 2007	163,667	180,429	14,625	16,384	375,105
At 31 December 2007	156,130	180,542	13,259	28,534	378,465

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)	2007	2006
Cost of sales – recurring activities	(41,786)	(35,892)
Cost of sales – non-recurring activities	–	(2,971)
Research & Development expenses	(339)	–
Administrative expenses	(9,447)	(11,887)
Total	(51,572)	(50,750)

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.

Acquisitions through business combinations

Acquisitions through business combinations in 2007 reflects the acquisition of Polyfemos AS in Norway and O'Brien Marketing Ltd. in Ireland. The 2006 figure reflects the acquisition of AFA Srl. in Italy.

Leased plant and machinery

The Group has no material financial lease agreements.

Security

At 31 December 2007 no properties are pledged. Within the current syndicated loan facility, the Group is committed not to encumber or alienate its property, plant and equipment unless approval is obtained from the lenders.

Assets under construction

Assets under construction of € 28.5 million (2006: € 16.4 million) are mainly related to investments in production equipment and installations.

Government grants

Deferred government grants are investment grants received for investments in machinery and equipment in France and Italy in order to stimulate employment. As of 2007 these grants are netted with the related investments and depreciated in line with the depreciation of the underlying assets. The remaining book value of these grants amounts to € 0.1 million (2006: € 0.1 million).

16. Intangible assets

(€ x 1,000)	Note	Goodwill	Brand names	Other assets from business combinations	Development costs	Software	Other intangible assets	Total
Cost								
Balance at 1 January 2006		148,935	328,688	33,687	6,855	29,098	6,301	553,564
Acquisitions through business combinations		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
Balance at 1 January 2007		154,686	331,071	32,991	8,950	34,154	4,942	566,794
Acquisitions through business combinations	5	4,853	–	12	–	32	–	4,897
Additions		258	–	–	–	8,000	37	8,295
Internally developed assets		–	–	–	2,026	–	–	2,026
Disposals and divestments		(2,009)	–	–	(399)	(75)	(55)	(2,538)
Effect of movements in exchange rates		(1,006)	(9,712)	(419)	(28)	(287)	(393)	(11,845)
Balance at 31 December 2007		156,782	321,359	32,584	10,549	41,824	4,531	567,629
Amortisation and impairment losses								
Balance at 1 January 2006		(1,715)	–	(16,351)	(2,270)	(22,999)	(4,002)	(47,337)
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)	(435)	259	(243)
Balance at 31 December 2006		(2,023)	–	(20,556)	(3,466)	(26,250)	(3,645)	(55,940)
Balance at 1 January 2007		(2,023)	–	(20,556)	(3,466)	(26,250)	(3,645)	(55,940)
Amortisation charge for the year		–	–	(3,167)	(1,288)	(2,584)	(308)	(7,347)
Disposals and divestments		–	–	–	100	75	33	208
Effect of movements in exchange rates		271	–	103	27	248	(77)	572
Balance at 31 December 2007		(1,752)	–	(23,620)	(4,627)	(28,511)	(3,997)	(62,507)
Carrying amounts								
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
At 1 January 2007		152,663	331,071	12,435	5,484	7,904	1,297	510,854
At 31 December 2007		155,030	321,359	8,964	5,922	13,313	534	505,122

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)	2007	2006
Cost of sales	–	(4)
Administrative expenses	(2,895)	(3,934)
Research and development expenses	(1,288)	(1,207)
Other operating expenses	(3,164)	(5,201)
Total	(7,347)	(10,346)

Goodwill

For the purpose of impairment testing, goodwill is allocated to the regions which represent the lowest level within the group at which the goodwill is monitored for internal management purposes. Wavin has decided that the goodwill paid in 2005 for the acquisition of the shares of Beheermaatschappij Wavin B.V. should be allocated to groups of cash generating units that are expected to benefit from the synergies of the business combination. The allocation is based on the same level at which goodwill is monitored internally. The goodwill has been allocated based on the operating result of 2005 taking into account the growth potential of the different regions in the years following the acquisition. The restated aggregate carrying amount of goodwill allocated to each region is as follows:

(€ x 1,000)	2007			2006			
	Total	Local	Allocation goodwill Wavin N.V.	Total	Local	Allocation goodwill Wavin N.V.	Reported
UK/Ireland	37,769	15,273	22,496	36,241	13,745	22,496	13,745
North West Europe	20,426	1,384	19,042	20,426	1,384	19,042	1,384
Nordic Europe	24,214	9,907	14,307	24,112	9,805	14,307	9,805
Central & Eastern Europe	49,292	23,935	25,357	48,540	23,183	25,357	23,183
South West Europe	4,835	–	4,835	4,850	15	4,835	15
South East Europe	12,968	5,864	7,104	12,968	5,864	7,104	5,864
Overseas and other	5,526	–	5,526	5,526	–	5,526	–
Wavin N.V.	–	98,667	(98,667)	–	98,667	(98,667)	98,667
Total	155,030	155,030	–	152,663	152,663	–	152,663

In assessing whether goodwill has to be impaired, the carrying amount of each cash generating unit is compared to the recoverable amount of the cash generating unit. The recoverable amount is the higher of value in use and fair value less costs to sell. The group estimates value in use using a discounted cash flow model. The actual operating results and operating plans for the coming five years are 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 that does not exceed 2.5%. A post-tax discount rate of 8.8% has been used in discounting the projected cash flows. The Group is of the opinion that this procedure is appropriate and in line with industry practice.

We have performed a sensitivity analysis on the base case assumptions and have concluded that no reasonably possible changes in key assumptions would cause the carrying amount to exceed its recoverable amount. The recoverable amount of goodwill was determined to be higher than the carrying amount, no impairment loss was recognised.

The disposal of goodwill relates to the divestment of the Finnish electronic business. For further details we refer to note 3.

Brand names

The Interbrand valuation technique applied to value the brands, conceptually also values 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 reliability, the calculation has been undertaken as part of this larger brand valuation exercise. The carrying amount of brand names can be allocated to the following brand names:

(€ x 1,000)		2007	2006
Cash generating unit	Brand name		
UK / Ireland	Hep ₂ O	105,359	115,071
South East Europe	Chemidro	3,000	3,000
Other (Wavin Group)	Wavin	213,000	213,000
		321,359	331,071

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.

Other assets from business combinations

The carrying amount of other assets from 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 2007.

Development costs

The carrying amount of development costs represents the capitalised expenses related to new internally developed products and production processes. On an annual basis an impairment test is performed by estimating the recoverable amount based on its value in use. Value in use was determined by discounting the future cash flows. Revenue growth is based on actual sales of these products and the expectations for the coming years. A post-tax discount rate of 8.8% was applied in determining the recoverable amount. 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. The additions in software for an amount of € 6.2 million (2006: € 3.5 million) relate to the implementation of a new Group-wide IT platform which is still in progress. The additions in 2007 include the roll out of the new IT platform in the first countries. In 2007 there were no impairment indicators.

Other intangible assets

The carrying amount of other intangible assets include capitalised expenses related to licenses, trademarks, patents etc. In 2007 there were no impairment indicators related to these assets.

17. Investments in associates

The Group has the following significant investments in associates:

	Country	2007	2006
		Ownership	Ownership
GF Wavin AG	Switzerland	40%	40%
Aquatec Sistemas S.A.	Spain	30%	30%

Summary financial information on associates – 100%

(€ x 1,000)	Assets	Liabilities	Equity	Revenues	Profit / Loss
2007					
GF Wavin AG	70,653	34,962	35,691	84,807	11,524
Aquatec Sistemas S.A.	1,777	1,360	417	2,944	(147)
Total	72,430	36,322	36,108	87,751	11,377
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

For all companies profit is reflecting the net profit.

18. Other investments

(€ x 1,000)	Note	2007	2006
Non-current investments			
Guaranteed deposits		492	187
Interest instruments	30	7,724	1,288
Other non-current investments		288	279
Total		8,504	1,754
Current investments			
Financial assets held for trading		91	177
Total		91	177

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 30.

Sensitivity analysis

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

19. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are attributable to:

(€ x 1,000)	2007	2006*	2007	2006*	2007	2006*
	Assets	Assets	Liabilities	Liabilities	Net	Net
Intangible assets	–	–	87,531	94,092	87,531	94,092
Property, plant and equipment	–	–	36,613	38,513	36,613	38,513
Financial assets	–	–	1,760	740	1,760	740
Inventories	–	–	67	736	67	736
Other current assets	288	119	–	–	(288)	(119)
Tax losses carried forward	6,467	13,486	–	–	(6,467)	(13,486)
Provision for employee benefits	4,031	5,458	–	–	(4,031)	(5,458)
Other provisions	1,123	1,388	–	–	(1,123)	(1,388)
Interest bearing loans and other borrowings	–	–	458	415	458	415
Other liabilities	1,276	801	140	(73)	(1,136)	(874)
Tax assets / liabilities	13,185	21,252	126,569	134,423	113,384	113,171
Set off of tax assets and liabilities	(4,385)	(9,914)	(4,385)	(9,914)	–	–
Net tax assets / liabilities	8,800	11,338	122,184	124,509	113,384	113,171
Utilised losses carried forward	–	–	5,853	647	5,853	647

* The 2006 provisions for probable capital gain tax claims of € 5.6 million on the fiscal profit realised on the sale of the Iplex participations and the provision for identified tax exposures of € 4.0 million have been reclassified as tax provision (see note 28). As a consequence the comparative figures have been adjusted.

Unrecognised deferred tax assets

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

(€ x 1,000)	2007	2006
Deductible temporary differences not capitalised	140	194
Tax losses carried forward not capitalised	12,125	18,700
Withholding taxes not capitalised	4,011	2,700
	16,276	21,594

The above mentioned tax assets have not been recognised because it is not probable that taxable profit will be available against which the Group can utilise the benefits in the near future. The decrease of tax losses not capitalised mainly relates to the realisation of tax losses carried forward in the Netherlands, decrease of tax rate in Germany and the expiration of not used tax losses carried forward in Switzerland. There are no time restrictions on the utilisation of not capitalised taxes for an amount of € 11.0 million. Unrecognised taxes of Wavin Switzerland for an amount of € 1.1 million will expire in the period 2008 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.

Movement in temporary differences during the year

(€ x 1,000)	Balance at 1 January	Acquired through business combinations	Recognised in profit and loss	Recognised directly in equity	Reclassification	Used for purpose	Translation differences	Balance at 31 December
2007								
Intangible assets	94,092	(2)	(3,483)	–	–	–	(3,076)	87,531
Property, plant and equipment	38,513	97	(854)	–	–	–	(1,143)	36,613
Financial assets	740	–	(374)	1,390	–	–	4	1,760
Inventories	736	5	(673)	–	–	–	(1)	67
Other current assets	(119)	–	(149)	–	–	–	(20)	(288)
Tax losses carried forward	(13,486)	–	1,130	–	–	5,853	36	(6,467)
Provision for employee benefits	(5,458)	–	1,093	–	–	–	334	(4,031)
Other provisions	(1,388)	–	210	–	–	–	55	(1,123)
Interest bearing loans and borrowings	415	–	43	–	–	–	–	458
Other liabilities	(874)	–	(493)	–	–	–	231	(1,136)
Tax (assets) / liabilities	113,171	100	(3,550)	1,390	–	5,853	(3,580)	113,384
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)	328	452	–	243	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
Other liabilities	(1,059)	–	358	–	–	–	(173)	(874)
Tax (assets) / liabilities	132,285	–	(20,955)	328	–	647	866	113,171

* The 2006 provisions for probable capital gain tax claims of € 5.6 million on the fiscal profit realised on the sale of the Iplex participations and the provision for identified tax exposures of € 4.0 million have been reclassified as tax provision (see note 28). As a consequence the comparative figures have been adjusted.

20. Inventories

(€ x 1,000)	2007	2006
Raw materials and consumables	29,229	23,759
Finished products and merchandise	174,518	167,154
Other inventories	10,382	9,678
Total inventories	214,129	200,591
Inventories stated at fair value less costs to sell	4,615	1,743

At 31 December 2007, the provision for obsolete stocks amounts to € 16.4 million (2006: € 16.3 million). The charge to the income statement is included in cost of sales. In 2007 raw materials, consumables and changes in finished goods recognised as cost of sales amounted to € 797.5 million (2006: € 717.4 million).

21. Trade and other receivables

(€ x 1,000)	2007	2006
Trade receivables	298,182	291,997
Amounts receivable from associates	47	111
Other receivables and prepayments	35,013	35,656
Total	333,242	327,764

Trade receivables are shown net of an allowance for doubtful debts of € 6.5 million (2006: € 7.3 million) arising from the possible non-payment by customers. The impairment loss recognised in the current year was € 0.5 million (2006: € 1.7 million).

The Group's exposure to credit and currency risks and impairment losses that are related to trade and other receivables is disclosed in note 30.

22. Cash and cash equivalents

(€ x 1,000)	2007	2006
Bank balances	19,288	16,896
Cash	166	145
Cash and cash equivalents	19,454	17,041

At 31 December the bank balances were freely available.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 30.

23. 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	Revaluation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2006	10,018	–	2,423	(580)	–	(338)	(5,903)	5,620	4,658	10,278
Profit for the period	–	–	3,315	–	–	–	68,420	71,735	1,681	73,416
Reclassification reserves	–	–	567	1,302	–	338	(2,207)	–	–	–
Reclassification due to sale of associates	–	–	(1,175)	–	–	–	1,175	–	–	–
Shares issued	87,045	132,955	–	–	–	–	–	220,000	–	220,000
Share-based payment plans	–	4,326	–	–	–	–	779	5,105	–	5,105
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(2,062)	(2,062)
Dividends received from associates	–	–	(2,202)	–	–	–	2,202	–	–	–
IPO costs	–	(5,332)	–	–	–	–	–	(5,332)	–	(5,332)
Realisation currency differences	–	–	–	(1,107)	–	–	–	(1,107)	–	(1,107)
Currency differences	–	–	–	(2,042)	–	–	–	(2,042)	200	(1,842)
Fair value changes financial instruments	–	–	–	–	1,528	–	–	1,528	–	1,528
Other changes in equity	–	–	–	–	–	–	(43)	(43)	–	(43)
Balance at 31 December 2006	97,063	131,949	2,928	(2,427)	1,528	–	64,423	295,464	4,477	299,941
Balance at 1 January 2007	97,063	131,949	2,928	(2,427)	1,528	–	64,423	295,464	4,477	299,941
Profit for the period	–	–	4,711	–	–	–	86,497	91,208	1,781	92,989
Reclassification reserves	–	–	584	–	–	–	(584)	–	–	–
Stock dividend	1,394	(1,394)	–	–	–	–	–	–	–	–
Costs of shares issued	–	(59)	–	–	–	–	–	(59)	–	(59)
Share-based payment plans	–	(1,919)	–	–	–	–	392	(1,527)	–	(1,527)
Dividends paid to shareholders	–	–	–	–	–	–	(27,465)	(27,465)	–	(27,465)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(83)	(83)
Dividends received from associates	–	–	(2,482)	–	–	–	2,482	–	–	–
Realisation currency differences	–	–	–	–	(569)	–	209	(360)	–	(360)
Currency differences	–	–	–	1,622	(9)	–	–	1,613	403	2,016
Fair value changes financial instruments	–	–	–	–	4,322	–	–	4,322	–	4,322
Balance at 31 December 2007	98,457	128,577	5,741	(805)	5,272	–	125,954	363,196	6,578	369,774

Share capital and share premium

(€ x 1,000)	2007	2006
On issue at 1 January	229,012	10,018
Conversion of preference shares	–	70,000
Issued for cash	–	150,000
Contribution share-based payments	(1,919)	4,326
Costs of stock dividend	(59)	–
IPO costs (net of income tax)	–	(5,332)
On issue at 31 December – fully paid	227,034	229,012

Authorised shares

At 31 December 2007, the total authorised ordinary share capital exists of 128,000,000 ordinary shares with a total 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

The total issued ordinary share capital per 31 December 2007 exists out of 78,766,116 shares with a par value of € 98.5 million (2006: € 97.1 million) and a share premium of € 128.6 million (2006: € 131.9 million). The increase of shares and decrease of share premium relate to the payment of stock dividend. Additionally, share premium decreased due to the granted share-based payment plans.

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 shareholders meeting of the Company. All shares rank equally with regard to the Company's residual assets.

Movement in the number of shares is as follows:

(shares x 1)	2007	2006
Issued ordinary shares at 1 January	77,650,764	100,180
Conversion of preference shares to ordinary shares	–	700,000
Total shares after conversion of preference shares	77,650,764	800,180
Effect of paid stock dividend	1,115,352	–
Effect of division of shares	–	63,214,220
Effect of shares issued	–	13,636,364
Issued ordinary shares at 31 December	78,766,116	77,650,764

Dividends

The dividends paid relate to the final dividend 2006 and the interim dividend 2007. In 2007 dividends were paid in cash or as stock dividend. The following dividends were declared and paid:

(€ x 1,000)	2007	2006
Final dividend 2006 of € 0.35 per qualifying ordinary share	27,178	–
Interim dividend 2007 of € 0.22 per qualifying ordinary share	17,251	–
Total dividend paid	44,429	–
Of which paid in cash	27,465	–

For the difference between total dividend and dividend paid in cash, amounting to € 17.0 million, 1,115,352 shares were issued as stock dividend.

For the 2007 financial year, the full annual dividend as will be proposed to the General Meeting of Shareholders is € 0.46 per share. On 5 October 2007, an interim dividend of € 0.22 per share was paid. Under deduction of the interim dividend a closing dividend for the year 2007 of € 0.24 will be paid. This dividend will be payable as of 22 May 2008 to all holders of ordinary shares Wavin N.V.

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 decrease of the liability towards employees for an amount of € 1.9 million (2006: contribution € 4.3 million) is settled with the foundations and processed directly in equity as share premium reserve and recorded as a decrease of the receivable on the foundations. The expenses relating to the equity-settled share-based payment plans are processed directly in the retained earnings. For further details we refer to note 27 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. The board of the foundation independently decides to exercise its call option. The foundation has the possibility to subscribe for the preference shares at nominal value. The foundation will pay one/fourth of the nominal amount of the preference shares subscribed for. Three/fourths of the nominal amount only needs to be paid after the Company has called for it. If the call option is exercised the shareholder is not entitled to dividend but receives an interest based on 12 months Euribor plus 2% on the actual deposits. For further details we refer to the paragraph special rights provided for by the articles of association (page 140) and to the chapter corporate governance of the annual report (page 31 – 45).

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

The translation reserve represents the translation differences of participations. These amounts are not available for dividend distribution. A negative reserve for translation differences has to be regarded as a reduction of the retained earnings.

Hedging reserve

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

24. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for 2007 is based on the profit attributable to ordinary shareholders of € 91.2 million (2006: € 71.7 million) and a weighted average number of ordinary shares outstanding of 78,766,116 (2006: 68,118,544).

Only for comparison reasons the profit attributable to ordinary shareholders 2006 is adjusted for the interest attributable to holders of preference shares in 2006 for an amount of € 6.8 million. This adjustment is necessary due to the presentation of the weighted average number of shares in 2006 which reflect the current shareholders structure. The adjusted net profit attributable to ordinary shareholders in relation to the adjusted weighted average number of shares in 2006 therefore amounts to € 78.5 million.

The earnings per share are calculated as follows:

Profit attributable to ordinary shareholders

(€ x 1,000)	2007			2006***		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net profit attributable to ordinary shareholders	89,682	1,526	91,208	70,764	971	71,735
Interest attributable to holders of preference shares	–	–	–	6,772	–	6,772
Adjusted net profit attributable to ordinary shareholders	89,682	1,526	91,208	77,536	971	78,507
Recurring net profit attributable to ordinary shareholders	87,718	518	88,236	44,716	971	45,687
Interest attributable to holders of preference shares	–	–	–	6,772	–	6,772
Adjusted recurring net profit attributable to ordinary shareholders	87,718	518	88,236	51,488	971	52,459
Reported earnings per share (year end) *	1.14	0.02	1.16	0.91	0.01	0.92
Adjusted earnings per share (year end) *	–	–	–	1.00	0.01	1.01
Reported recurring earnings per share (year end) *	1.11	0.01	1.12	0.58	0.01	0.59
Adjusted recurring earnings per share (year end) *	–	–	–	0.66	0.01	0.68
Reported earnings per share (weighted average) **	1.14	0.02	1.16	1.06	0.01	1.07
Adjusted earnings per share (weighted average) **	–	–	–	1.14	0.01	1.15

* Based on issued shares per 31 December 2006 (77,650,764 shares).

** 2006 earnings per share is based on the weighted average number of shares as reported in the 2006 Annual Report (67,003,192 shares).

*** 2006 figures are adjusted for the classification of the divestment of the Finnish electronic business as discontinued operations and amendment of Kulker as held for sale. For details reference is made to note 3 and 4 of the Group financial statements.

The decrease of the weighted average earnings per share compared to the increased year end earnings per share relates to the issuance of shares in October 2006 at the IPO which resulted in a significantly lower weighted average number of shares in 2006 compared to 2007. As a consequence the increase of net profit is almost compensated by the increase of the average number of shares.

Weighted average number of shares

(Shares x 1)	Note	2007	2006*
Issued ordinary shares at 1 January		77,650,764	64,014,400
Effect of shares issued on 12 October 2006	23	–	2,988,792
Effect of paid stock dividend	23	1,115,352	1,115,352
Weighted average number of ordinary shares		78,766,116	68,118,544

* According to IAS 33.28 issued shares due to paid stock dividend in 2007 also effects the weighted average number of ordinary shares in 2006.

Diluted earnings per share

The granted share appreciation rights do not have an impact on the dilution of shares as these shares have already been issued. Issued stock dividend also does not have an impact on the dilution of shares as these shares are also expected to be issued as per 31 December 2006. As a result there is no dilution of earnings per share.

25. Interest bearing loans and borrowings

(€ x 1,000)	2007	2006
Non-current liabilities		
Secured bank loans	9	9
Unsecured bank loans	515,750	596,895
Total	515,759	596,904
Current liabilities		
Current portion of unsecured bank loans	23,018	–
Discounted drafts	–	3,254
Current portion of finance lease liabilities	1	7
Secured bank overdrafts	2,383	4,220
Unsecured bank overdrafts	20,702	10,391
Total	46,104	17,872

Drawings under the revolving credit facility, which is part of the syndicated loan facility, are categorised as non-current liability despite the duration of less than one year, since the Group intends to roll over this facility at maturity date until the contractual expiration of the syndicated loan facility. Therefore the current portion of the unsecured bank loans only consists of money market loans that the Group holds per 31 December 2007.

Terms and debt repayment schedule

(€ x 1,000)		2007								
	Effective interest rate	Year of maturity	Nominal value	Carrying amount fee costs	Carrying amount	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Secured bank loans										
Euro fixed rate non current	6.25%	2008-2023	9	–	9	–	1	1	2	5
Unsecured bank loans										
Euro syndicated loan floating rate	4.46%	2011	200,000	1,203	198,797	40,000	–	–	158,797	–
CSK syndicated loan floating rate	3.92%	2011	62,415	326	62,089	25,349	–	–	36,740	–
DKK syndicated loan floating rate	4.73%	2011	84,974	717	84,257	–	–	–	84,257	–
GBP syndicated loan floating rate	5.92%	2011	138,065	721	137,344	46,022	–	–	91,322	–
PLN syndicated loan floating rate	5.42%	2011	27,271	142	27,129	5,566	–	–	21,563	–
Euro floating rate	4.13%	2008	23,018	–	23,018	23,018	–	–	–	–
Euro fixed rate	4.05%	2008	397	–	397	82	82	165	68	–
Euro floating rate	5.70%	2011	5,737	–	5,737	–	–	–	5,737	–
Unsecured bank overdrafts										
DKK floating rate	5.35%	2008	10,539	–	10,539	10,539	–	–	–	–
Euro floating rate	4.46%	2008	3,811	–	3,811	3,811	–	–	–	–
PLN floating rate	5.00%	2008	4,583	–	4,583	4,583	–	–	–	–
Other currencies floating rate	5.47%	2008	1,768	–	1,768	1,768	–	–	–	–
Financial lease liabilities										
			1	–	1	–	1	–	–	–
Secured bank overdrafts										
Cash pool multicurrency	3.63-8.88%	2008	1,998	–	1,998	1,998	–	–	–	–
Euro floating rate	4.54%	2008	297	–	297	297	–	–	–	–
Other currencies floating rate	7.05%	2008	88	–	88	88	–	–	–	–
Cash and cash equivalents										
Current account bankers & cash	misc.	2008	(19,454)	–	(19,454)	(19,454)	–	–	–	–
Total			545,517	3,109	542,408	143,667	84	166	398,486	5

The effect of the existing interest rate swaps per 31 December 2007 are included in the calculation of the effective interest rates.

(€ x 1,000)

2006

	Effective interest rate	Year of maturity	Nominal value	Carrying amount fee costs	Carrying amount	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Secured bank loans										
Euro fixed rate non current	6.50%	2007-2023	9	–	9	–	1	3	5	–
Unsecured bank loans										
Euro syndicated loan floating rate	4.88%	2011	237,500	1,555	235,945	77,500	–	–	158,445	–
CSK syndicated loan floating rate	4.41%	2011	66,691	436	66,255	30,781	–	–	35,474	–
DKK syndicated loan floating rate	5.03%	2011	119,871	906	118,965	34,871	–	–	84,094	–
GBP syndicated loan floating rate	6.38%	2011	150,782	1,017	149,766	50,261	–	–	99,505	–
PLN syndicated loan floating rate	5.82%	2011	25,581	203	25,378	5,221	–	–	20,157	–
Euro floating rate	4.05%	2011	556	–	556	81	81	163	231	–
Euro floating rate	5.00%	2011	5	–	5	1	1	1	2	–
GBP fixed rate	7.00%	2007	26	–	26	26	–	–	–	–
Unsecured bank overdrafts										
DKK & NOK floating rate	5.00%	2007	2,600	–	2,600	2,600	–	–	–	–
Euro floating rate	4.35%	2007	2,411	–	2,411	2,411	–	–	–	–
PLN floating rate	4.90%	2007	3,848	–	3,848	3,848	–	–	–	–
GBP floating rate	7.50%	2007	959	–	959	959	–	–	–	–
Other currencies floating rate	misc.	2007	573	–	573	573	–	–	–	–
Financial lease liabilities										
		2007	7	–	7	–	7	–	–	–
Secured bank overdrafts										
Cash pool multicurrency	3.56%	2007	562	–	562	562	–	–	–	–
Euro floating rate	3.90%	2007	3,291	–	3,291	3,291	–	–	–	–
Other currencies floating rate	misc.	2007	367	–	367	367	–	–	–	–
Discounted drafts										
	4.03%	2007	3,253	–	3,253	3,253	–	–	–	–
Cash and cash equivalents										
Current account bankers & cash	misc.	2007	(17,041)	–	(17,041)	(17,041)	–	–	–	–
Total			601,851	4,116	597,735	199,565	90	167	397,913	–

Notes to the Group Financial Statements

The key terms of the credit facility are:

- € 750 million facility, consisting of a € 400 million committed term loan facility and a € 350 million committed revolving credit facility;
- Uncommitted € 100 million term loan facility;
- For the term loan; 5 year bullet, repayment in one amount at final maturity date (remaining duration of 3.8 years);
- Drawings under the revolving credit facility are in principle rolled over at re-payment date;
- Interest rate is local Interbank offered rate plus a margin based on the leverage ratio in accordance with a margin grid in which the maximum margin is 0.90% (90 bps).
- Commitment fees on undrawn amounts are 40% of the applicable margin.
- Covenant ratios relate to:

	2007		2006	
	Actual	Required	Actual	Required
Interest coverage ratio	6.44	> 3.50	NA	NA
Leverage ratio	2.49	< 3.50	2.98	< 3.50

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

The term loans are fully drawn and from the revolving facility € 116.9 million is drawn.

Under the facility the Group is committed not to encumber or alienate its assets unless approval is obtained from the lenders. Lenders have approved next to some specific indebtedness a threshold of € 100.0 million for permitted guarantees or indebtedness.

In addition to the syndicated group facility, the Group has mostly uncommitted bilateral credit facilities with several banks for an amount of € 141.4 million, of which € 44.3 million was drawn per 31 December 2007.

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

For details regarding the Group's exposure to interest rate, foreign currency and liquidity risk we refer to note 30.

26. Employee benefits

(€ x 1,000)	2007	2006
Present value of unfunded obligations	12,123	11,780
Present value of funded obligations	360,159	162,943
Total present value of obligations	372,282	174,723
Fair value of plan assets	(368,783)	(163,877)
Unrecognised actuarial gains and losses	16,633	15,572
Effect of asset ceiling	2,187	–
Recognised liability for defined benefit obligations	22,319	26,418
Cash-settled share-based payments liability	2,014	3,558
Total employee benefits	24,333	29,976
Non-current	21,904	29,474
Current	2,429	502

Unfunded obligations

Unfunded obligations, including mainly service awards and jubilee commitments qualifying as other long term benefit plans, are recognised in the Dutch, German, Irish, Polish and Italian operating companies. The liability included in the balance sheet in this respect amounts to € 8.1 million (2006: € 6.7 million).

Liability for defined benefit obligations

Wavin has defined benefit pension plans in Norway, Ireland, the UK, Germany, France, Italy and the Netherlands. All other pension arrangements are defined contribution plans. In the UK and Ireland the pension liabilities are covered by a company pension fund. The company is liable for any deficits of these funds. Plan assets of these funds do not include investments in the company. The pension fund of Wavin Ltd. had a deficit of € 15.8 million in September 2005 after which it has been agreed with the trustees and the regulator that Wavin will pay this deficit in twenty quarterly 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 2007 amounted to € 8.7 million (2006: € 11.9 million).

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

Defined benefit obligations of the Dutch Wavin entities

With the exception of EuroCeramic B.V. the pension liabilities of the Dutch Wavin entities are covered by a multi employer pension fund (Pensioenfond OWASE). 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. In 2006 defined benefit schemes of the Wavin companies in the Netherlands and Euroceramics were not recognized in the company's balance sheet because of a lack of (sufficient) information. After lengthy discussions between the participating companies in the pension fund, assets and liabilities per 1 January 2007 have been allocated to Wavin and other participants in the plan using a compromise regarding the allocation keys. The pension fund expenses have been allocated based on the actual pension premiums paid in 2007. The year-end assets and liabilities have been allocated based on the percentage of the defined benefit obligation of active members of Wavin in the pension fund.

In 2007 the positions have been recognised in the balance sheet of the company. However the participating companies of the pension fund are in a process of changing the current defined benefit plan into a collective defined contribution plan, a process which is planned to be finalised in the coming year.

To the Dutch Wavin entities the following assets and liabilities were allocated, which is separately reported in the different specifications:

Pensioenfond OWASE

(€ x 1,000)	2007	
	31 December	1 January
Present value of funded obligations	188,563	202,992
Total present value of obligations	188,563	202,992
Fair value of plan assets	(199,776)	(187,586)
Unrecognised actuarial gains and losses	9,026	(15,406)
Effect of asset ceiling	2,187	–
Recognised liability for defined benefit obligations	–	–

EuroCeramic B.V.

The defined benefit scheme of EuroCeramic B.V. is outsourced to an insurance company. In 2007 defined benefit calculations have been provided by an actuary. As the actuarial loss in the beginning of the year was above the corridor, an additional amount has been expensed.

(€ x 1,000)	2007	
	31 December	1 January
Present value of funded obligations	9,933	10,319
Total present value of obligations	9,933	10,319
Fair value of plan assets	(8,483)	(8,459)
Unrecognised actuarial gains and losses	(1,272)	(1,860)
Recognised liability for defined benefit obligations	178	–

Movements in the liability for defined benefit obligations were:

(€ x 1,000)	2007	2006
Liability for defined benefit obligations at 1 January	174,723	171,689
Effect of movements in foreign exchange	(11,572)	2,777
Contributions received	4,219	2,762
Inclusion of Dutch defined benefit plans	213,311	–
Movements to defined contribution plan	174	(54)
Benefits paid by the plan	(13,929)	(6,176)
Actuarial (gains) losses not recognised (see below)	(24,101)	(12,988)
Actuarial (gains) losses recognised in the income statement (see below)	(329)	(199)
Service costs and interest (see below)	29,786	16,912
Liability for defined benefit obligations at 31 December	372,282	174,723

Plan assets

Movements in the plan assets were:

(€ x 1,000)	2007	2006
Fair value of plan assets at 1 January	163,877	141,003
Effect of movements in foreign exchange	(11,691)	2,457
Contributions paid into the plan	17,847	12,434
Benefits paid by the plan	(13,404)	(5,813)
Expected return on plan assets	20,674	8,729
Inclusion of Dutch defined benefit plans	196,045	–
Actuarial (losses) gains not recognised (see below)	(4,489)	5,089
Actuarial (losses) gains recognised the income statement (see below)	(76)	(22)
Fair value of plan assets at 31 December	368,783	163,877

Plan assets consist of the following:

(€ x 1,000)	2007	2006
Equity securities	206,679	122,870
Government bonds	136,974	38,650
Property	9,579	1,485
Other	15,551	872
Total fair value of plan assets	368,783	163,877

The increase of the fair value of plan assets is mainly due to the inclusion of the Dutch defined benefit obligations.

Expense recognised in the income statement

(€ x 1,000)	2007	2006
Current service costs	11,396	8,688
Interest on obligation	18,390	8,224
Expected return on plan assets	(20,674)	(8,729)
Actuarial gains and losses to extent recognised	(253)	(177)
Effect of asset ceiling	2,187	–
Expense recognised in the income statement	11,046	8,006

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

(€ x 1,000)	2007	2006
Cost of sales	6,055	4,428
Selling and distribution expenses	3,241	2,293
Administrative expenses	1,750	1,285
Total	11,046	8,006
Actual return on plan assets	6,234	14,833

Actuarial gains and losses not recognised

(€ x 1,000)	2007	2006
Cumulative amount at 1 January	15,572	(2,505)
Effect of movements in foreign exchange	(1,285)	–
Inclusion of Dutch defined benefit plans	(17,266)	–
Not recognised during the period	19,612	18,077
Cumulative amount at 31 December	16,633	15,572

Principal actuarial assumptions at the balance sheet date

(% – expressed as weighted averages)	2007	2006
Discount rate at 31 December	5.5	5.5
Expected return on plan assets at 31 December	6.2	6.3
Future salary increases	3.4	3.8
Future pension increases	2.3	2.8

The overall expected long-term rate of return on assets is 6.2%. The expected long-term rate of return is based on the portfolio as a whole and based on the sum of the returns on individual asset categories. The return is exclusively based on historical returns, without adjustments.

The Group expects to contribute € 8.3 million to its defined benefit pension plans in 2008. For other benefit plans the contribution for 2008 by the Group is expected to be € 0.1 million.

Historical information

The deficit between the actual and expected return on plan assets was a loss of € 14.4 million in 2007, a gain of € 6.1 million in 2006, a gain of € 12.1 million in 2005 and a gain of € 1.1 million in 2004. The 2007 actuarial gains and losses on the defined benefit obligation including historical data breakdown as follows:

(€ x 1,000)	2007	2006	2005	2004
Present value of the defined benefit obligation	372,282	174,723	171,689	139,693
Fair value of plan assets	(368,783)	(163,877)	(141,003)	(113,087)
Deficit in the plan	3,499	10,846	30,686	26,606
Adjustments due to experience	(5,656)	5,732	4,844	4,703
Adjustments due to change in assumptions	(1,427)	12,053	(7,325)	(2,422)
Total adjustments	(7,083)	17,785	(2,481)	2,281

Historical information is provided as of January 1, 2004 which is the transition date for the implementation of IFRS. Details are not available for earlier years. For the reason as set out in the previous paragraph of this note, we do not have historical information available for the defined benefit plans in the Netherlands. As a result this schedule does not include the adjustments in the Dutch defined benefit plans.

27. Share-based payments

In 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. The related costs regarding this plan were fully expensed in 2006.
- A bonus incentive scheme granted to a selected number of employees to receive shares in the Company at the IPO date. In total 5,000 shares 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
		108,750

As per 31 December 2007 the liability is reassessed and based on the actual employed employees and share price per year end.

(€ x 1,000)	2007	2006
Fair value at grant date	1,251,250	1,251,250
Share price at grant date	11.00	11.00
Share price as per 31 December	9.12	14.80

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 were allocated by these foundations to Wavin employees under this cash bonus plan at IPO date. As per 31 December 2007 the liability is reassessed and based on the actual employed employees and share price per year end. The liability based on the share price per 31 December 2007 amounts to € 2.2 million (2006: € 4.3 million). The amount of the cash payment will be determined based on the share price of the company per 14 January 2008 of € 7.79. The bonus is paid out as per 14 January 2008, if the employee is still employed at that date. In addition the foundations granted the Wavin employees an additional bonus in case the share price per 12 July 2008 is above the closing rate of 14 January 2008. All employees who are still employed at that date receive an additional bonus amounting to the number of granted virtual shares times the realised share price increase between 14 January and 12 July 2008.

Employee expenses

(€ x 1,000)	2007	2006
Discount granted on purchase of shares	–	562
Shares granted in 2006	–	74
Expense arising from cash settled plans in 2006	(1,919)	4,326
Effect of share appreciation rights granted in 2006	392	143
Total expense recognised as employee costs	(1,527)	5,105
Total carrying amount of liabilities for cash-settled arrangements	2,014	3,558
Total unrecognised value of liability for vested benefits	819	1,467

Long term incentive plan

At the extraordinary general meeting of shareholders of 11 December 2007 the introduction of a long term incentive plan was agreed. Eligible employees can, on a voluntary basis, elect to invest part of their individual annual bonus (after taxes) in Wavin shares. The investment is limited to 50% of the individual's gross annual bonus payment. The minimum investment is set at 10% of the gross annual bonus payment. The employee, who decides to invest, receives the right to one conditional matching share for each two purchased shares and a maximum of three conditional performance options for each share purchased. The total number of performance options to be granted is dependent on the realisation of a certain Ebitda growth target realised during the four years vesting period and the number of employees that is still employed at the time of vesting. The purchased shares and the matching shares are subject to a mandatory lock-up period of five years. At this moment the description of the details of the plan is in a final stage.

As the long-term incentive plan will take effect as of 2008, this share plan does not have an impact on the 2007 results.

28. Provisions

(€ x 1,000)	Warranty	Restructuring	Tax provisions*	Other provisions	Total
Balance at 1 January 2007	2,669	4,585	9,630	8,484	25,368
Provisions made during the year	2,935	4,804	–	1,444	9,183
Provisions used during the year	(1,123)	(5,679)	–	(1,376)	(8,178)
Provisions reversed during the year	(228)	(627)	(2,425)	(899)	(4,179)
Other movements	172	(56)	–	129	245
Effect of movements in foreign exchange	433	(549)	(130)	(223)	(469)
Balance at 31 December 2007	4,858	2,478	7,075	7,559	21,970
Non-current	2,152	1,096	7,075	5,917	16,240
Current	2,706	1,382	–	1,642	5,730

* Opening balance adjusted for comparison reasons. For details we refer to Significant accounting policy (c).

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

In 2007 restructuring provisions were mainly made for the announced closing of the site in Lichfield, United Kingdom. It is expected that this reorganisation will be completed within one year from the balance sheet date. The provision used for purpose mainly relates to restructuring activities in the UK, including Lichfield, and Scandinavia and some smaller provisions that were used for reorganisations in France, Norway and Benelux.

Tax

The tax provisions relate to the probable capital gain tax claims of € 5.5 million on the fiscal profit realised on the sale of the Iplex participations. For an amount of € 1.6 million (2006: € 4.0 million) the provision relates to identified tax exposures in the Group. Up to 2006 these amounts were presented as deferred tax liabilities. For comparison reasons we adjusted the 2006 figures. The release of € 2.4 million is mainly the result of the settlement with the tax authorities for one of the identified exposures. The majority of the cash outflows related to the tax provisions are expected to be within one to five years.

Other provisions

The other provisions per 31 December 2007 mainly consist of provisions for the obligation to take back returnable packaging in Germany (€ 2.2 million), quarry restoration obligations related to the clay activities of Hepworth (€ 3.2 million) and environmental commitments at the Dutch production location (€ 1.3 million). The majority of the cash outflows related to other provisions are expected to be within one to five years. The other movements include the reclassification of provisions of Kulker from liabilities held for sale.

29. Trade and other payables

(€ x 1,000)	2007	2006
Trade payables	294,006	287,469
Non-trade payables and accrued expenses	74,960	69,721
Amounts payable to associates	2,127	1,722
Total trade and other payables	371,093	358,912

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

30. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

(€ x 1,000)	Note	2007	2006
Financial assets at fair value through profit or loss	18	91	177
Loans and receivables	21	333,242	327,764
Cash and cash equivalents	22	19,454	17,041
Interest rate swaps used for hedging: assets	18	7,724	1,288
Other forward exchange contracts		282	–
Maximum credit exposure		360,793	346,270

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

(€ x 1,000)	2007	2006
Domestic	267,795	260,301
Euro-zone countries	15,826	18,628
United Kingdom	4,115	3,991
Other European countries	6,569	4,046
Other regions	10,358	12,374
Total trade receivables (before impairment)	304,663	299,340

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

(€ x 1,000)	2007	2006
Wholesale customers	226,356	221,621
Retail customers	3,375	3,412
Governmental institutions	46,047	43,802
Building contractors	6,422	7,129
End-user customers	5,364	2,336
Other	17,099	21,040
Total trade receivables (before impairment)	304,663	299,340

Impairment losses

The aging of the trade receivables and the allocation of the provision for doubtful debts at the reporting date was:

(€ x 1,000)	2007		2006	
	Gross	Impairment	Gross	Impairment
Not past due	214,752	–	215,583	–
Past due 0-30 days	64,151	192	56,006	275
Past due 31-90 days	12,995	234	15,406	446
Past due 91-180 days	4,593	358	4,783	577
Past due 180-360 days	2,811	730	2,621	1,467
More than one year	5,361	4,967	4,941	4,578
Total trade receivables	304,663	6,481	299,340	7,343

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

(€ x 1,000)	2007	2006
Balance at 1 January*	7,343	7,496
Charged to income statement	1,698	2,204
Released to income statement	(2,059)	(621)
Withdrawal used for purposes	(501)	(1,736)
Balance at 31 December	6,481	7,343

* The opening balance 2006 has been adjusted for comparison reasons.

Trade receivables are impaired on an individual basis if there is any objective evidence that the customer payment will be doubtful. When the amount is considered unrecoverable it is written off against the financial asset. A general provision is considered when historical impairment charges prove the need of such a provision.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payment and excluding the impact of netting agreements:

(€ x 1,000)		2007					
	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	9	(9)	–	(1)	(1)	(2)	(5)
Unsecured bank loans	538,768	(541,877)	(140,037)	(82)	(165)	(401,593)	–
Finance lease liabilities	1	(1)	–	(1)	–	–	–
Unsecured bank facilities	20,701	(20,701)	(20,701)	–	–	–	–
Trade and other payables *	371,092	(371,092)	(371,092)	–	–	–	–
Bank overdrafts	2,383	(2,383)	(2,383)	–	–	–	–
Derivative financial liabilities							
Interest rate swaps used for hedging:							
• Outflow	735	(858)	(50)	(50)	(216)	(543)	–
• Inflow	(7,724)	11,332	1,630	1,630	3,032	5,041	–
Other forwards exchange contract:							
• Outflow	38	(38)	(38)	–	–	–	–
• Inflow	(282)	282	282	–	–	–	–
Total	925,721	(925,345)	(532,389)	1,496	2,650	(397,097)	(5)

* Excluding derivatives, which are shown separately.

(€ x 1,000)

2006

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	9	(9)	–	(1)	(3)	(5)	–
Unsecured bank loans	596,896	(601,012)	(198,742)	(82)	(164)	(402,024)	–
Finance lease liabilities	7	(7)	–	(7)	–	–	–
Unsecured bank facilities	10,391	(10,391)	(10,391)	–	–	–	–
Trade and other payables*	358,910	(358,910)	(358,910)	–	–	–	–
Bank overdrafts	4,220	(4,220)	(4,220)	–	–	–	–
Discounted drafts	3,253	(3,253)	(3,253)	–	–	–	–
Derivative financial liabilities							
Interest rate swaps used for hedging:							
• Inflow	(1,288)	(4,418)	(531)	(531)	(1,054)	(2,302)	–
Other forwards exchange contract:							
• Inflow	(1,984)	1,984	1,984	–	–	–	–
Total	970,414	(980,236)	(574,063)	(621)	(1,221)	(404,331)	–

* Excluding derivatives, which are shown separately.

The exposure of the financial liabilities, is limited by the availability of the financial assets of the Group for an amount of € 19.9 million (2006: € 17.0 million) in cash and cash equivalents.

Currency risk**Exposure to currency risk**

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

(€ x 1,000)	2007						
	Euro	GBP	PLN	DKK	NOK	CSK	HUF
Other non-current investments	842	–	–	–	–	–	–
Trade and other receivables	45,668	4,766	455	265	93	232	91
Cash and cash equivalents	169,163	1,155	(32)	(20,031)	1	–	–
Unsecured bank loans	(7,382)	(138,056)	(27,271)	(84,974)	–	–	–
Trade and other payables	(71,989)	(4,188)	(497)	(108)	(123)	(10)	(3,129)
Bank overdrafts	555	133	(174)	899	145	335	–
Gross balance sheet exposure	136,857	(136,190)	(27,519)	(103,949)	116	557	(3,038)
Orders on hand	43,642	60	–	–	–	–	–
Outstanding purchase orders	(59,043)	(68)	–	–	–	–	–
Gross exposure	(15,401)	(8)	–	–	–	–	–
Forward exchange contracts	–	–	–	–	–	–	–
Net exposure	121,456	(136,198)	(27,519)	(103,949)	116	557	(3,038)

(€ x 1,000)	2006						
	Euro	GBP	PLN	DKK	NOK	CSK	HUF
Other non-current investments	1,261	–	–	–	–	–	–
Trade and other receivables	36,057	3,329	116	506	–	–	–
Cash and cash equivalents	14,408	(148)	(284)	(402)	494	–	–
Unsecured bank loans	(3,932)	–	20	–	–	–	–
Trade and other payables	(60,128)	(3,754)	(260)	(83)	(40)	(12)	(1,113)
Bank overdrafts	(1,030)	(208)	–	–	–	–	–
Gross balance sheet exposure	(13,364)	(781)	(408)	21	454	(12)	(1,113)
Orders on hand	36,112	–	–	–	–	–	–
Outstanding purchase orders	(49,355)	–	–	–	–	–	–
Gross exposure	(13,243)	–	–	–	–	–	–
Forward exchange contracts	1,984	–	–	–	–	–	–
Net exposure	(24,623)	(781)	(408)	21	454	(12)	(1,113)

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

	2007	2006	2007	2006
	31 December	31 December	Average	Average
Pound Sterling	0.7334	0.6715	0.6835	0.6812
US Dollar	1.4721	1.3170	1.3694	1.1829
Polish Zloty	3.5935	3.8310	3.7807	3.8927
Danish Krone	7.4583	7.4560	7.4505	7.4598
Norwegian Krone	7.9580	8.2380	8.0095	8.0431
Czech Koruna	26.6280	27.4850	27.7475	28.3304
Hungarian Forint	253.7300	251.7700	251.2349	264.1947

Sensitivity analysis

A strengthening of the Euro against the principal currencies at 31 December would have increased (decreased) equity and profit or loss. The impact of 5% strengthening of the Euro against GBP, PLN, DKK, NOK, CSK and HUF, results in the amounts shown below. The sensitivity analysis excludes loans in foreign currencies which are transferred in full to Group companies for which the related foreign currency of the loan is the functional currency of the Group company concerned. This analysis assumes that all other variables, in particular interest rates, remain unchanged. The analysis is performed on the same basis for 2006.

(€ x 1,000)	2007		2006	
	Equity	Profit or loss	Equity	Profit or loss
31 December				
Pound Sterling	93	(93)	(39)	39
Polish Zloty	(12)	12	(20)	20
Danish Krone	(949)	949	1	(1)
Norwegian Krone	6	(6)	23	(23)
Czech Koruna	28	(28)	(1)	1
Hungarian Forint	(152)	152	(56)	56

A 5% weakening of the Euro against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged.

Interest rate risk

Profile

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

(€ x 1,000)	Carrying amount	
	2007	2006
Fixed rate instruments		
Financial liabilities	(447,105)	(469,871)
Total	(447,105)	(469,871)
Variable rate instruments		
Financial assets	19,454	17,041
Financial liabilities	(114,757)	(144,905)
Total	(95,303)	(127,864)

Fair value sensitivity analysis for fixed rate instruments

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

The Group's credit facility has in principle an interest rate based on local interbank offered rate. To limit the exposure to interest rate risks, the Group enters into interest rate swaps, which converts the variable exposure into mainly a fixed position. At 31 December 2007 multi currency fixed interest rate agreements were concluded for € 446.7 million (2006: € 469.8 million) by means of interest rate swaps with an average remaining duration of 3.3 years and an average interest rate of 4.1% (2006: 4.2 years respectively 4.1%). In 2007 all interest rate swaps were effective.

A change of 100 basis points in interest rates would have increased or decreased equity by € 13.9 million (2006: € 17.4 million), due to changes in the fair value of interest rate swaps.

Cash flow sensitivity analysis for variable rate instruments

As 82.4% of the Group's net debt has been hedged (2006: 78.3%) 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 € 1.0 million (2006: decrease of € 1.3 million). Interest rate swaps have been included in this calculation.

This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged. The analysis is performed on the same basis for 2006.

Fair values

Fair values have been determined either by reference to the market value at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments. For interest rate swaps the market to market value is based on the last applicable floating rate of 2007. 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.

(€ x 1,000)	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets designated at fair value through profit or loss	91	91	177	177
Loans and receivables	333,242	333,242	327,764	327,764
Cash and cash equivalents	19,454	19,454	17,041	17,041
Interest rate swaps used for hedging:				
• Assets	735	735	–	–
• Liabilities	(7,724)	(7,724)	(1,288)	(1,288)
Forward exchange contracts used for hedging:				
• Assets	38	38	–	–
• Liabilities	(282)	(282)	(1,984)	(1,984)
Secured bank loans	(9)	(9)	(9)	(9)
Unsecured bank loans	(538,768)	(541,877)	(596,896)	(601,012)
Unsecured bank facility	(20,701)	(20,701)	(10,391)	(10,391)
Financial lease liabilities	(1)	(1)	(7)	(7)
Trade and other payables	(371,092)	(371,092)	(358,910)	(358,910)
Bank overdraft	(2,383)	(2,383)	(4,220)	(4,220)
Discounted drafts	–	–	(3,253)	(3,253)
Total	(587,400)	(590,509)	(631,976)	(636,092)

31. Operating leases

The Group leases a number of warehouse and factory facilities and internal transport equipment under operating leases. The leases typically run for an initial period of between five and ten years, with an option to renew the lease after that date. None of the leases includes purchase liabilities or contingent rentals. The duration of the total committed amount of approximately € 28.5 million (2006: € 27.2 million) can be specified as follows:

(€ x 1,000)	2007	2006
Less than one year	8,368	8,337
Between one and five years	16,564	13,717
More than five years	3,590	5,178
Total	28,522	27,232

During the year ended 31 December 2007 € 11.2 million was recognised as an expense in the income statement in respect of operating leases (2006: € 9.8 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 € 14.9 million (2006: € 11.6 million). Rent and service agreements were concluded for an amount of € 22.8 million (2006: € 9.8 million). The amount due within one year is € 3.9 million (2006: € 2.7 million).

33. Contingent liabilities

At 31 December 2007 bank guarantees issued for bid bonds and performance bonds amount to approximately € 5.9 million (2006: € 2.3 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 Group does 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 guarantor for drawings (31 December 2007: € 512.8 million) under the syndicated loan facility of € 750.0 million. The leverage ratio should be 3.5 whereas the interest coverage should be at least 3.5. The Group must assure that 70% of the consolidated Ebitda and 70% of the consolidated fixed assets are listed as borrower and guarantor under the syndicated facilities.

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

Almost all the subsidiaries in The Netherlands form a fiscal unity with Wavin N.V.

Wavin N.V. is severally liable for the tax debt of the fiscal unity.

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 Stichting Management Participatie Wavin and Stichting Werknemersbinding (for details we refer to note 27) as well as with Stichting Preferente Aandelen Wavin which has an call option for preference shares of Wavin N.V. (for details we refer to note 23). The group also has a related party relationship with Wavin Ltd Pensionfund and Stichting Pensioenfonds Owase (for details we refer to note 26). Finally a related party relationship exists with the Supervisory Board members and Management Board members (for details we refer to note 35).

Transactions with shareholders

Stichting Management Participatie Zwolle en Stichting Werknemersbinding Wavin have set up two different share plans for Wavin employees. These plans are also fully financed by these shareholders. For further details we refer to note 27.

Other related party transactions

During the year ended 31 December 2007, associates purchased goods from the Group in the amount of € 1.4 million (2006: € 1.3 million) and at 31 December 2007 associates owed the Group € 2.1 million (2006: € 1.6 million). Sales of associates to the Group amounted to € 13.4 million (2006: € 12.8 million). For details regarding outstanding receivables and liabilities we refer to note 21 and 29.

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 2007 the Group received € 2.5 million (2006: € 2.2 million) dividend from associates.

35. Transactions with and remuneration of key management personnel

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

Members of the Supervisory Board and Management Board 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 33 of this annual report.

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	Total remuneration
2007						
Philip Houben	421,894	121,774	145,975	51,999	2,444	744,086
Pim Oomens	304,890	75,591	114,883	31,292	4,763	531,419
Henk ten Hove	318,296	68,607	113,568	35,007	4,763	540,241
Andy Taylor	321,175	97,278	146,764	32,201	71,015	668,433
Total	1,366,255	363,250	521,190	150,499	82,985	2,484,179
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

Shares held by the Management Board

Wavin shares held by members of the Management Board as per 31 December 2007 were as follows:

(Shares x 1)	2007	2006
Philip Houben	532,994	512,000
Pim Oomens	399,050	384,000
Henk ten Hove	399,050	384,000
Andy Taylor	399,050	384,000
Total	1,730,144	1,664,000

The increase in shares is the result of received stock dividends in 2007 and the purchase of shares in the period by the individual members of the Management Board.

Remuneration of the Supervisory Board

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

(€ x 1,000)	2007	2006
Paul van den Hoek	52	35
Brian Hill	37	25
Rolly van Rappard	–	20
Marc Boughton	12	25
Jan Reinier Voûte	37	25
René Kottman	37	5
Birgitta Stymne Göransson	–	–
Rob Ruijter	–	–
Total	175	135

Shares held by the Supervisory Board

Wavin shares held by the members of the Supervisory Board as per 31 December 2007 were as follows:

(Shares x 1)	2007	2006
Paul van den Hoek	53,206	51,200
Brian Hill	26,604	25,600
Total	79,810	76,800

The increase of shares is the result of received stock dividends in 2007 and the purchase of shares in the period by the individual members of the Supervisory Board.

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 22 November 2007 Wavin announced the signing of an Agreement with the Sabanci Group to acquire Pilsa Plastic. The acquisition was completed on 10 January 2008. The purchase price of USD 82 million was funded from existing credit facilities. Based on the timing of the acquisition and the local timing of the year end closing, it was not possible to disclose the complete information required according to IFRS 3.67.

Based on the preliminary figures this acquisition will have the following effect on the Group's assets and liabilities at the acquisition date. As stated above the fair values of assets and (contingent) liabilities are provisional estimates based on the best information available at this time. In the coming months the necessary assessments will be finalised.

(€ x 1,000)	2008		
	Carrying amounts	Fair value adjustments	Recognised values
Property, plant and equipment	18,199	6,739	24,938
Intangible assets	105	–	105
Inventories	12,287	–	12,287
Trade and other receivables	24,733	–	24,733
Cash and cash equivalents	22,771	–	22,771
Interest bearing loans and borrowings	(8,634)	–	(8,634)
Employee benefits	(1,372)	–	(1,372)
Deferred tax liabilities	(517)	(1,348)	(1,865)
Trade and other payables	(17,417)	–	(17,417)
Net identifiable assets and liabilities	50,155	5,391	55,546
Goodwill on acquisition			6,005
Consideration paid, satisfied in cash			61,551
Cash (acquired)			(22,771)
Net cash outflow			38,780

COMPANY FINANCIAL STATEMENTS

Company Balance Sheet

As at 31 December

(€ x 1,000)	Note	2007	2006
Assets			
Property, plant and equipment	A	22,280	23,629
Intangible assets	B	316,936	319,310
Investments in subsidiaries	C	115,347	58,155
Other non-current assets		8,967	3,818
Total non-current assets		463,530	404,912
Trade and other receivables	D	2,595	8,326
Income tax receivable	E	–	7,609
Cash and cash equivalents	F	–	35
Total current assets		2,595	15,970
Total assets		466,125	420,882
Equity			
Issued capital	G	98,457	97,063
Share premium	G	128,577	131,949
Reserves	G	12,928	4,134
Retained earnings	G	123,234	62,318
Total equity	G	363,196	295,464
Liabilities			
Interest-bearing loans and borrowings	H	15,000	52,500
Employee benefits		–	3,558
Deferred tax liabilities	I	62,824	63,692
Other non-current liabilities		735	–
Total non-current liabilities		78,559	119,750
Employee benefits		2,014	–
Income tax payable	E	206	–
Bank overdrafts		21,478	1,805
Trade and other payables		672	3,863
Total current liabilities		24,370	5,668
Total liabilities		102,929	125,418
Total equity and liabilities		466,125	420,882

Company Income Statement

For the year ended 31 December

(€ x 1,000)	Note	2007	2006
Net income from subsidiaries and associates	J	94,763	89,117
Other net income		(3,555)	(17,382)
Profit for the period		91,208	71,735

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. Additionally the company can be classified as a small company according to the guidelines as set out in section 396.1 of Book 2 of the Netherlands Civil Code.

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 Holding B.V., which in 2006 merged with Wavin N.V.

(€ x 1,000)

Land and buildings

Cost

Balance at 1 January 2006	–
Acquisitions through business combinations	24,037
Balance at 31 December 2006	24,037
Balance at 1 January 2007	24,037
Transfer to/from assets classified as held for sale	(97)
Balance at 31 December 2007	23,940

Depreciation and impairment losses

Balance at 1 January 2006	–
Depreciation charge for the year	(408)
Balance at 31 December 2006	(408)
Balance at 1 January 2007	(408)
Depreciation charge for the year	(1,263)
Transfer to/from assets classified as held for sale	11
Balance at 31 December 2007	(1,660)

Carrying amounts

At 1 January 2006	–
At 31 December 2006	23,629
At 1 January 2007	23,629
At 31 December 2007	22,280

B. Intangible assets

These assets fully relate to the purchase price allocation of the consideration paid by Wavin Holdings B.V. for the acquisition of the shares of Beheermaatschappij Wavin B.V. For details we refer to note 16 of the Group financial statements.

(€ x 1,000)	Goodwill	Brands names	Other assets from business combinations	Total
Cost				
Balance at 1 January 2006	–	–	–	–
Acquisitions through business combinations	98,667	213,000	11,853	323,520
Balance at 31 December 2006	98,667	213,000	11,853	323,520
Balance at 1 January 2007	98,667	213,000	11,853	323,520
Additions	–	–	–	–
Balance at 31 December 2007	98,667	213,000	11,853	323,520
Amortisation and impairment losses				
Balance at 1 January 2006	–	–	–	–
Amortisation charge for the year	–	–	(4,210)	(4,210)
Balance at 31 December 2006	–	–	(4,210)	(4,210)
Balance at 1 January 2007	–	–	(4,210)	(4,210)
Amortisation charge for the year	–	–	(2,374)	(2,374)
Balance at 31 December 2007	–	–	(6,584)	(6,584)
Carrying amounts				
At 1 January 2006	–	–	–	–
At 31 December 2006	98,667	213,000	7,643	319,310
At 1 January 2007	98,667	213,000	7,643	319,310
At 31 December 2007	98,667	213,000	5,269	316,936

c. Investments in subsidiaries

(€ x 1,000)	2007	2006
Balance at 1 January	58,155	78,435
Profit for the period	94,763	89,117
Effects of merger Wavin N.V. and Wavin Holding B.V.	–	44,228
Currency differences	1,613	(2,450)
Dividends received	(40,000)	(151,000)
Other movements	816	(175)
Balance at 31 December	115,347	58,155

d. Trade and other receivables

Trade and other receivables per 31 December 2007 mainly relate to third parties including an amount of € 2.4 million (2006: € 4.3 million) related to the share based payment plans from Stichting Management Participatie Wavin and Stichting Werknemersbinding Wavin (see note 27 of the Group financial statements). In 2006 trade and other receivables included an amount of € 3.9 million interest receivable from consolidated subsidiaries.

e. Income tax receivables and payables

At 31 December 2007, income tax receivable is fully compensated by the tax liability of other Dutch Wavin companies within the fiscal unity.

f. Cash and cash equivalents

(€ x 1,000)	2007	2006
Bank balances	–	35
Cash and cash equivalents	–	35

a. Shareholders' equity

(€ x 1,000)	2007	2006
Share capital		
Opening balance	97,063	10,018
Shares issued (stock dividend)	1,394	87,045
Closing balance	98,457	97,063
Share premium reserve		
Opening balance	131,949	–
Shares issued (stock dividend)	(1,394)	132,955
Costs of shares issued	(59)	–
Contribution share-based payment plans	(1,919)	4,326
IPO costs	–	(5,332)
Closing balance	128,577	131,949
Revaluation reserve		
Opening balance	–	(338)
Release to general reserves	–	338
Closing balance	–	–
Other legal reserves		
Capitalised development costs		
Opening balance	2,105	–
Capitalisation during the year	2,026	2,105
Release due to divestment	(810)	–
Amortisation during the year	(601)	–
Closing balance	2,720	2,105
Not distributable profits		
Opening balance	2,928	2,423
Additions from general reserves	5,295	2,707
Dividends received from associates	(2,482)	(2,202)
Closing balance	5,741	2,928
Translation reserve participations		
Opening balance	(2,427)	(580)
Additions from general reserves	–	1,302
Currency differences	1,622	(3,149)
Closing balance	(805)	(2,427)
Hedging reserve		
Opening balance	1,528	–
Realisation currency differences	(360)	–
Release to general reserves	(209)	–
Fair value adjustments financial instruments	4,313	1,528
Closing balance	5,272	1,528
Total legal reserves	12,928	4,134

(€ x 1,000)	2007	2006
Retained earnings		
General reserve		
Opening balance	(9,417)	(2,863)
Net profit previous year	71,735	(3,040)
Additions to legal reserve for capitalised development costs	(615)	(2,105)
Additions to other legal reserves	(5,086)	(4,347)
Dividends received from associates	2,482	2,202
Dividends paid to shareholders	(27,465)	–
Share-based payment plans	392	779
Other	–	(43)
Closing balance	32,026	(9,417)
Profit for the period		
Opening balance	71,735	(3,040)
Transfer to general reserve	(71,735)	3,040
Net profit year under review	91,208	71,735
Closing balance	91,208	71,735
Total retained earnings	123,234	62,318
Shareholders' equity		
Opening balance	295,464	5,620
Movements in equity on balance	67,732	289,844
Closing balance	363,196	295,464

Share capital and share premium

(€ x 1,000)	2007	2006
On issue at 1 January	229,012	10,018
Conversion of preference shares	–	70,000
Issued for cash	–	150,000
Contribution share-based payments	(1,919)	4,326
Costs of stock dividend	(59)	–
IPO costs (net of income tax)	–	(5,332)
On issue at 31 December – fully paid	227,034	229,012

Authorised shares

At 31 December 2007, the total authorised ordinary share capital exists of 128 million ordinary shares with a par value of € 160 million. Next to the ordinary shares the company authorised 128 million preference shares with a par value of € 1.25 for future issuance.

Issued shares

At 31 December 2007, the total issued ordinary share capital exists of 78,766,116 shares (2006: 77,650,764 shares) with a par value of € 98.5 million (2006: € 97.1 million) and a share premium of € 128.6 million (2006: € 131.9 million). The increase of shares and decrease of share premium relate to the payment of stock dividend. Next to that share premium decreased due to the granted share appreciation rights.

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:

(shares x 1)	2007	2006
Issued ordinary shares at 1 January	77,650,764	100,180
Conversion of preference shares to ordinary shares	–	700,000
Total shares after conversion of preference shares	77,650,764	800,180
Effect of paid stock dividend	1,115,352	–
Effect of division of shares	–	63,214,220
Effect of shares issued	–	13,636,364
Issued ordinary shares at 31 December	78,766,116	77,650,764

Two management participation foundations, of which one foundation is a shareholder in Wavin, have set up two different share plans for Wavin employees. These plans are fully financed by the foundations but as they qualify as share-based payment plans under IFRS 2 all costs are charged to the income statement of Wavin N.V. as non-recurring costs. The decrease of the contribution by the Foundation is processed directly in equity as share premium reserve. For further details we refer to note 27 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. The board of the Foundation independently decides to exercise its call option. The foundation has the possibility to subscribe for the preference shares at nominal value. The foundation will pay one/fourth of the nominal amount of the preference shares subscribed for. Three/fourths of the nominal amount only needs to be paid after the Company has called for it. If the call option is exercised the shareholder is not entitled to dividend but receives an interest based on 12 months Euribor plus 2% on the actual deposits. For further details we refer to the paragraph special rights provided for by the articles of association (page 140) and to the chapter corporate governance of the annual report (page 31 – 45).

Capitalised developments costs

The legal reserve for capitalised development costs represents the capitalised development costs within the Group since the company has been established. This amount is not available for dividend distribution.

Not distributable profits

Not distributable profits consists 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 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 in 2006 mainly reflects the balance of the realised translation differences on the Australian Dollar which is realised due to the sale of the associated company Iplex.

Dividends

The dividend paid relate to the final dividend 2006 and interim dividend 2007. In 2007 dividends were paid in cash or as stock dividend. For details we refer to note 23 of the Group financial statements.

H. Interest-bearing loans and borrowings received

All reported interest bearing loans and borrowings per 31 December 2007 of € 15,000 (2006: € 52,000) are unsecured.

I. Deferred tax liabilities

This tax liability fully relates to the intangible assets and property, plant and equipment.

J. Net income from subsidiaries and associates

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

K. Contingent liabilities

In accordance with Dutch legislation on the exemption concerning the preparation and filing of annual accounts, Wavin N.V. has assumed individual liability for debts originating from legal acts by Wavin B.V. (sect. 403, title 9 Book 2 of the Civil Code). This regards all Dutch Group companies with the exception of Rezo and EuroCeramic.

Wavin N.V. is together with a number of Group companies guarantor for drawings (31 December 2007: € 512.8 million) under the syndicated loan facility of € 750.0 million.

L. Remuneration of the Management Board and Supervisory Board

For details regarding the remuneration of the Management Board and Supervisory Board we refer to note 35 of the Group's financial statements.

Zwolle, 28 February 2008

Management Board

Philip Houben
Pim Oomens
Henk ten Hove
Andy Taylor

Supervisory Board

Paul van den Hoek (Chairman)
Birgitta Stymne Göransson
Brian Hill
Rob Ruijter
René Kottman

OTHER INFORMATION

Wavin Management

(per 31 December 2007)

SUPERVISORY BOARD*

Paul van den Hoek (Chairman) – Dutch (1939)

Appointed 1999, current term ends 2011

Brian Hill – Irish (1944)

Appointed 2005, current term ends 2009

René Kottman – Dutch (1945)

Appointed 2006, current term ends 2010

R.A. Ruijter – Dutch (1951)

Appointed 2007, current term ends 2012

B. Stymne Göransson – Swedish (1957)

Appointed 2007, current term ends 2012

* For more information, please see page 31.

MANAGEMENT BOARD

Philip Houben, President & CEO – Dutch (1950)

Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2000)

Pim Oomens, Executive Vice President and CFO –

Dutch (1956)

Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2004)

Henk ten Hove Executive Vice President – Dutch (1952)

Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2002)

Andy Taylor Executive Vice President – British (1955)

Appointed 2005, current term ends 2010 (Member of the Management Board of Wavin B.V. since 2005)

Subsequent Events

For details regarding subsequent events we refer to note 37 of the Group financial statements.

Other information

Principal Direct and Indirect Participations

100% unless otherwise stated.

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 Finance B.V., Zwolle
Wavin Staf B.V., Zwolle
Wavin Assurantie B.V., Zwolle
EuroCeramic B.V., Belfeld
www.euroceramic.nl

Belgium

Wavin Belgium N.V., Aalter
www.wavin.be

Bulgaria

Wavin Bulgaria EOOD, Sofia
www.wavin.bg

China

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

Croatia

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

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, Saue
www.wavin.ee

Finland

Wavin-Labko Oy, Kangasala
www.wavin.fi

France

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

Germany

Wavin GmbH, Twist, Westeregeln
www.wavin.de

Hungary

Wavin Hungary Kft., Zsámbék
www.wavin.hu

Ireland

Wavin Ireland Ltd., Balbriggan (Dublin)
www.wavin.ie
O'Brien Marketing Ltd., Blarney

Italy

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

Latvia

Wavin Latvia SIA, Riga
www.wavin.lv

Lithuania

UAB Wavin Baltic, Vilnius
www.wavin.lt

Norway

Norsk Wavin A/S, Fjellhamar
www.wavin.no
Wavin Polyfemos AS, Alta

Poland

Wavin Metalplast-BUK Sp.z.o.o., Buk (99%)
www.wavin.pl
Arot Polska Sp.z.o.o., Leszno
www.arot.pl
MPC Sp.z.o.o., Strzelin (51%)
www.mpc.pl

Portugal

Wavin Portugal-Plásticos S.A., Estarreja
www.wavin.pt

Romania

Wavin Romania s.r.l., Bucharest
www.wavin.ro

Russia

OOO Wavin Rus, Moskou
www.wavin.ru

Serbia

Wavin Balkan d o.o., Belgrade

Slovak republik

Wavin Slovakia spol s.r.o., Bánovce nad Bebravou

Spain

Aquatecnic Sistemas S.A., Madrid (30%)
www.aquatecnic.es

Sweden

AB Svenska Wavin, Eskilstuna
www.wavin.se

Switzerland

Georg Fischer Wavin AG, Schaffhausen (40%)
Wavin Swisspipe AG, Bern Liebefeld
www.wavin.ch

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 locations 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 profit and loss account, to the extent not reserved in accordance with paragraph 2 of this article:
 - first of all, on the preferred shares a dividend will be distributed to the amount of a percentage on the amount paid on those shares, which equals twelve months 'EurIBOR', as published by De Nederlandsche Bank N.V. - calculated according to the number of days the rate applied - during the financial year to which the distribution relates, increased by two percentage 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 € 0.46 will be distributed. Following the acceptance of this proposal, under deduction of the interim dividend of € 0.22 per share, the holder of common shares will receive a dividend of € 0.24 per share with a nominal value of €1.25. The dividend will be made available from 16 May 2008.

Auditors' Report

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

Report on the financial statements

We have audited the accompanying financial statements 2007 (as set out on pages 62 to 129) 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 2007, 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 130 to 137) comprise the company balance sheet as at 31 December 2007, the company income statement for the year then ended and the notes.

Management's responsibility

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

Auditor's responsibility

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

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

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Wavin N.V. as at 31 December 2007, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Wavin N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part 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, 28 February 2008

KPMG ACCOUNTANTS N.V.

E.J.L. van Leeuwen RA

Summary of Last Five Years

(€ × 1 million unless otherwise stated)	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	DGAAP 2003
Consolidated Balance Sheet					
Property, plant and equipment	378.5	375.1	383.9	277.1	265.1
Intangible assets	505.1	510.9	506.2	47.2	37.9
Financial non-current assets	34.7	28.6	54.3	52.0	50.3
Total non-current assets	918.3	914.6	944.4	376.3	353.3
Inventories	214.1	200.6	166.2	138.6	116.4
Trade and other receivables	339.6	332.0	314.3	213.8	132.1
Cash and cash equivalents	19.5	17.0	68.3	85.6	6.9
Total current assets	573.2	549.6	548.8	438.0	255.4
Total assets	1,491.5	1,464.2	1,493.2	814.3	608.7
Total equity attributable to equity holders of the company	363.2	295.4	5.6	(51.4)	61.3
Minority interest	6.6	4.5	4.7	3.5	2.6
Total equity	369.8	299.9	10.3	(47.9)	63.9
Liabilities					
Interest bearing loans and borrowings	515.8	596.9	962.6	440.8	271.2
Employee benefits	21.9	29.5	28.2	27.6	3.7
Provisions	16.2	18.4	16.5	5.2	15.3
Other non-current liabilities	124.0	127.6	140.1	18.0	17.9
Total non-current liabilities	677.9	772.4	1,147.4	491.6	308.1
Current borrowings	46.1	17.9	15.0	127.2	74.2
Employee benefits	2.4	0.5	–	–	–
Provisions	5.7	7.4	0.7	2.2	–
Other current liabilities	389.6	366.1	319.8	241.2	162.5
Total current liabilities	443.8	391.9	335.5	370.6	236.7
Total equity and liabilities	1,491.5	1,464.2	1,493.2	814.3	608.7
Balance sheet ratios					
Net capital employed	926.3	931.2	917.4	430.1	371.5
Debt to equity ratio*	1.5	2.0			
Key data per share					
Number of shares outstanding** (× 1,000)	78,766	77,651	64,014.4	–	–
Result attributable to equity holders of the company	91.2	71.7	28.7	34.7	30.5
Dividend	0.46	0.35	–	–	–
Share price at year end (€)	9.12	14.80	–	–	–

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

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

Note: The consolidated figures of 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.

(€ × 1 million unless otherwise stated)

	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	DGAAP 2003
Consolidated Income Statement					
Continuing operations					
Revenue including discontinued operations	1,618.5	1,501.5	1,330.7	1,020.3	937.2
Revenue discontinued operations	(3.8)	(6.1)	(27.9)	(2.8)	–
Revenue continuing operations	1,614.7	1,495.4	1,302.8	1,017.5	937.2
Cost of sales	(1,171.0)	(1,086.2)	(947.0)	(756.5)	(680.6)
Gross profit	443.7	409.2	355.8	261.0	256.6
Other operating expenses	(291.2)	(272.4)	(257.9)	(191.0)	(193.3)
Result from operating activities before non-recurring operational result	152.5	136.8	97.9	70.0	63.3
Non-recurring operational result	(2.7)	(16.6)	(11.4)	(1.1)	–
Operating result	149.8	120.2	86.5	68.9	63.3
Net finance costs	(35.0)	(84.1)	(48.6)	(29.7)	(22.4)
Share of profit of associates	4.7	3.3	7.3	5.0	5.3
Profit on sale of associates	0.0	39.0	–	–	–
Profit before income tax	119.5	78.4	45.2	44.2	46.2
Income tax expense	(28.0)	(6.0)	(14.3)	(9.5)	(15.6)
Profit from continuing operations	91.5	72.4	30.9	34.7	30.6
Discontinued operations					
Profit (loss) from discontinued operations (net of income tax)	1.5	1.0	(1.2)	0.7	–
Net profit	93.0	73.4	29.7	35.4	30.6
Other key financials					
Ebitda	212.1	196.3	163.4	108.3	96.9
Ebit	149.8	120.2	86.5	69.0	63.3
Depreciation and impairment	51.6	50.8	43.7	33.0	29.7
Ratios continuing operations					
Cash generated from operating activities	192.7	181.4	139.2	76.7	118.0
Ebitda as % of revenue (%)	13.1%	13.1%	12.3%	10.6%	10.3%
Other ratios					
Average number of employees (x 1)	7,308	7,069	6,998	5,239	5,092
Number of employees per year end (x 1)	6,794	6,704	6,813	5,060	4,885

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 investments less deferred tax liabilities less current liabilities (trade and other liabilities, income tax payable and liabilities classified as held for sale) less current provisions
Return on average Net Capital Employed	Recurring result from operating activities divided by average Net Capital Employed
Debt / Equity ratio	Net Debt divided by Total equity
Interest coverage ratio	Ebitda divided by the Net interest expense
Leverage ratio	Net debt divided by Ebitda

Cautionary note regarding forward-looking statements

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

Colophon

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