

MERGEL PROPOSAL

COMPANIES INVOLVED

FLUIDRA, S. A.
(Acquiring Company)

FLUIDRA SERVICES, S.A.U
(Acquired Company)

Sabadell, (Barcelona), 26 April 2.010

1. MERGER PROPOSAL

Pursuant to the provisions in articles 22 and following, and those related to **Act 3/2009, on structural changes to trading companies (hereinafter, Act 3/2009)**, which amended some of the articles in the Consolidated Text of the Public Limited Companies Act, approved by Royal Legislative Decree 1564/1989, of 22 December, and specifically Chapter VIII, articles 223 to 259, on mergers, this merger proposal has been drafted and executed in accordance with the provisions set out in articles 31 and 49 of Act 3/2009.

In view of the planned merger, the Sole Director of FLUIDRA SERVICES, S.A.U. (Acquired Company), and the members of the Board of Directors of FLUIDRA, S.A. (Acquiring Company) present at this meeting, hereby draft and execute this merger proposal in which all of the aforementioned legal requirements are itemised and whose content is set out below.

By virtue of the planned merger, the entity **FLUIDRA SERVICES, S.A.U. (Acquired Company) shall be dissolved, as a result of which all of its assets shall be transferred to FLUIDRA, S.A. (Acquiring Company)**, which shall acquire all of the rights and obligations of the acquired and dissolved Company through the universal transfer of all of its assets and liabilities.

2. MERGER PROCEDURE.

In view of the position in which the companies involved in this merger operation find themselves, it **shall be undertaken pursuant to the provisions set out in article 49.1 of Act 3/2009**, given that the acquired company is directly owned in full by the acquiring company, the trading company "FLUIDRA S.A.", as listed below:

- FLUIDRA S.A. directly owns one hundred percent of the share capital of FLUIDRA SERVICES, S.A.U, which is represented by shares numbered from 1 to 60,000 inclusive.

In accordance with this circumstance, the planned merger operation will be undertaken pursuant to the provisions in article 49.1 of Act 3/2009 without the need for the inclusion in this draft merger of the items mentioned in sections 2 and 6 of article 31 of Act 3/2009, namely, the reports by experts and the administrators, the share swap of the acquiring company as a result of the merger, a capital increase by the acquiring company in order to make up the

assets of the acquired company and, as a result, it shall not be necessary to provide information about the value of the assets and liabilities of the acquired company that are to be transferred to the resulting company, nor shall it be necessary to make mention of the dates of the accounts of the companies that are to merge that were used to establish the conditions of the merger.

The draft merger must be submitted within the legally established deadline for approval to the sole shareholder of the acquired company and, in the case of the acquiring company, for approval by the AGM, even though this requirement is not compulsory pursuant to article 51 of Act 3/2009.

In accordance with article 226 of the Companies Registry Regulations, the sole director of the acquired company and the members of the Board of Directors of the acquiring company present at this meeting, sign this draft and shall submit a copy of it for its classification and registration with the Companies Registry of Barcelona, which is the one that corresponds to the company headquarters of the companies involved in the merger.

3. IDENTIFICATION OF THE TRADING COMPANIES THAT ARE INVOLVED IN THE MERGER

ACQUIRING COMPANY:

FLUIDRA, S.A. It is currently headquartered in Sabadell (Barcelona), at Avenida Francesc Macià 60, planta 20. Its tax identification number is A-17728593.

It is registered on the Companies Registry of Barcelona, in volume 39,930, folio 69, Sheet B-290316.

The company's share capital is 112,629,070.00 euros, which is divided into 112,629,070 shares with a nominal value of 1 euro each that have all been paid up.

The administration of the company is in the hands of the Board of Directors, whose powers are delegated to the CEO. The company designated Mr Eloy Planes Corts as its CEO to exercise the duties associated with the representation of the company's Board of Directors.

The company's corporate purpose is as follows:

- a) The manufacture, sale, purchase and distribution of all classes of machinery, equipment, components, machine parts, instruments, accessories and products specific to swimming pools, irrigation, and the treatment and purification of water in general, made of both metal materials and all types of plastic and its derivatives.
- b) Sales activities both at home and abroad of all kinds of goods and products that are directly or indirectly related to section a).
- c) The representation of commercial and industrial firms and companies devoted to the manufacture of the products listed in section a) of this article, at home and abroad.
- d) The investment of capital in all classes of businesses and companies through the purchase and subscription by any legal means to hold, manage and administer all classes of securities, with the express exclusion of the activities reserved for collective investment institutions and operations provided for in the Stock Market Act.
- e) The appraisal, management and administration of companies and businesses in which the company holds shares.
- f) Any activity that requires express prior administrative authorisation is excluded from the company's corporate purpose.

ACQUIRED COMPANY

FLUIDRA SERVICES, S.A.U. It is headquartered in Sabadell (Barcelona), at Avenida Francesc Macià 60, planta 20. Its tax identification number is A-62495056.

It is registered on the Companies Registry of Barcelona, in volume 37,796, folio 76, Sheet B-22604.

The company's share capital is 300,000.00 euros, which is divided into 60,000 shares with a nominal value of 5 euros each that have all been paid up.

The administration of the company is in the hands of a sole director, the company FLUIDRA S.A. The company designated Mr Eloy Planes Corts as the individual to exercise this post.

The company's corporate purpose is as follows:

- a) The investment of capital in all classes of businesses and companies, particularly those devoted to new technologies, through the purchase, subscription, management and administration of all classes of shares, with the express exclusion of the activities reserved for collective investment institutions and operations provided for in the Stock Market Act.
- b) The appraisal, management and administration of companies and businesses in which the company holds shares.
- c) The development and complete execution of building work on its own account or for third parties. New building work, urban, industrial, sports and housing developments, the treatment and supply of water, digging work, removal of earth and similar activities. The repair and maintenance of all the building work mentioned above and, in general, the construction of all kinds of buildings.
- d) The acquisition of buildings, properties, sites, plots and land of all kinds, their division, development, use, lease and sale.

4. FINANCIAL ASPECTS OF THE TRANSACTION

The acquiring company is the holding company to which all the companies of the Fluidra group belong, and the group to which the acquired company belongs.

The financial reality of the two companies and their growth makes it possible to optimise the management of the group of companies to which they pertain through restructuring and by streamlining expenditure so that operations are more efficient and dynamic as a result of the centralisation of certain services and functions.

Therefore, the merger of the two companies will be carried out with the aim of unifying the management team, thus avoiding duplicating accounting, administrative and fiscal duties, with the subsequent savings in economic and administrative costs that this will entail.

Furthermore, it is expected that the external perception of the group will improve through the merger, in that one sole organisation will represent the interests of the entire group with regard to its corporate image, external relationships with third party companies and the securing of financial resources.

Moreover, the above factors have led the respective administrative bodies of the organisations involved to decide that, for reasons of business viability, a merger will go ahead between the companies. It will take the form of corporate simplification, a reduction in structures and the streamlining of efforts.

5. MERGER BALANCE SHEETS

The merger balance sheets of the companies participating in the corporate transaction will be subject to the approval by the sole shareholder and the AGM of the acquired and the acquiring companies respectively, in due and proper form, and in compliance at all times with the provisions stated in article 37 of Act 3/2009.

The merger balance sheet of the companies involved in the merger, FLUIDRA S. A. (acquiring company) and FLUIDRA SERVICES S.A.U (acquired company), will be submitted for verification by the Accounts Auditor of the two companies, as they are both subject to the compulsory verification of their accounts pursuant to the legislation in force.

6. DATE OF THE MERGER FOR ACCOUNTING PURPOSES

The date from which the transactions of the acquired and, therefore, the wound up company, shall be understood to be carried out for accounting purposes insofar as the acquiring company is concerned to be from **1 January 2010**.

7. INCIDENCE ON INDUSTRIAL CONTRIBUTIONS OR ADDITIONAL SERVICES

There are no industrial contributions or additional services carried out by the sole shareholder of **FLUIDRA SERVICES, S.A.U.** (acquired company), and therefore the merger will not give rise to any incidents to this regard, neither will it award itself compensation for said contributions or additional services to the sole shareholder of the acquired company.

8. COMPANY'S ARTICLES OF ASSOCIATION RESULTING FROM THE MERGER.

The articles of association of FLUIDRA S.A. (acquiring company) shall not undergo any amendments to their wording as a result of the proposed merger and, specifically, its corporate purpose shall not change as it has not planned to carry out any activities of the acquired company that are not shared by the acquiring company.

9. CONSEQUENCES OF THE MERGER FOR STAFF, ADMINISTRATIVE BODIES AND THE SOCIAL RESPONSIBILITY OF THE COMPANY

The proposed merger will have no consequences whatsoever on the staff of the companies involved in the merger, nor will it have any impact on their administrative bodies. Likewise, the social responsibility of the companies involved in the merger shall be fully respected.

10. SHARES AND SPECIAL RIGHTS

In the acquired company there are no holders of special classes of share or rights. It has therefore not been anticipated to grant any kind of special rights or any other rights to the acquiring company.

11. BENEFITS FOR DIRECTORS AND EXPERTS

It is expressly stated that no benefit of any kind shall be granted by the acquiring company to the directors of the companies involved in the merger.

Nor is the intervention of experts necessary, as stated in the corresponding section, pursuant to the provisions set out in article 49.1.2 of Act 3/2009.

12. AGREEMENT OF THE SOLE SHAREHOLDER AND THE GENERAL SHAREHOLDERS MEETING ON THE APPROVAL OF THE TRANSACTION

In accordance with the provisions of Act 3/2009, the sole shareholder and the AGMs of the acquired and acquiring companies respectively and those who are involved in the transaction will be subject to approval, if applicable, of the current draft merger, of the respective merger balance sheets and to the adoption of the

following decisions referring to the merger, as well as any other decision or agreement that is considered to be necessary to make the merger as efficient as possible.

13. FISCAL BENEFITS

The current merger transaction will follow the tax regime set out in Chapter VIII, of Heading VII, of Royal Legislative Decree 4/2004, of 5 March, in which the Consolidated Text of the Law on Corporate Tax is approved. With regard to said take-over, it is expressly stated pursuant to the provisions of article 96 of the aforementioned Act, the companies involved in the merger shall submit written confirmation to the Ministry of Economic Affairs and Finance, stating that they will adhere to the said special tax regime.

14. SUSCRIPCIÓN DEL PRESENTE PROYECTO. EXECUTION OF THE PROPOSAL

The Sole Director of the acquired Company and those members of the Board of Directors of the acquiring Company in attendance at this meeting, who are parties to this merger, hereby expressly and conclusively make a firm commitment not to enter into any kind of legal act whatsoever or make any kind of business deal or enter into any agreement that may compromise the approval of this proposal. Furthermore, the Sole Director of the acquired Company and the CEO of the acquiring Company, as its sole Board member present at this meeting, have signed this instrument, which the remainder of the members of the Board of Directors do not sign, as they are not present, and they request that it be registered with the Companies Registry of Barcelona, for the purposes set out in article 299 of the Companies Registry Regulations.

Sabadell (Barcelona), 26 April 2010.

On behalf of FLUIDRA, S.A.

Members of the Board
of Directors:

On behalf of FLUIDRA SERVICES S.A.U

Mr Eloy PLANES CORTS
(CEO)

Mr Eloy PLANES CORTS
(Representative of FLUIDRA S.A.)

Mr Juan PLANES VILA

(Absent)

Mr Bernat CORBERA SERRA

(Absent)

Mr Bernat GARRIGOS CASTRO

(Absent)

Mr Oscar SERRA DUFFO

(Absent)

Banc Sabadell Inversió i Desenvolupament, S.A.
(Represented by Carles VENTURA SANTAMANS)

(Absent)

Grupo Corporativo Empresarial de la Caja de Ahorros
y Monte de Piedad de Navarra, S.A.U.
(Represented by Eduardo López Milagro)

(Absent)

Mr Juan Ignacio Acha-Orbea Echevarría

Mr Kam Song Leong

(Absent)

Mr Richard J. Cathcart

(Absent)