

**FLUIDRA, S.A.
AND SUBSIDIARIES**

Consolidated Financial Statements and Consolidated Directors' Report

31 December 2018

(Together with the consolidated audit report thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)



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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

**Translation of a report originally issued in Spanish. In the event of discrepancy,
the Spanish-language version prevails**

To the Shareholders of Fluidra, S.A.:

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Fluidra, S.A. (the Company) and its Subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2018, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2018, and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Take-over merger of the Zodiac Group

Description As described in Note 5 to the accompanying consolidated financial statements, on February 20, 2018 the General Meeting of Shareholders of Fluidra, S.A. approved the merger of Piscine Luxembourg Holdings 2, S.à.r.l. Effective control was taken on July 2, 2018 through the issuance of 83 million new shares given to Piscine Luxembourg Holdings 1, S.à.r.l., the sole shareholder of the absorbed company, and equity with a fair value of 1,139 million euros was received as a consideration.

In accordance with IFRS 3, Group Management have conducted an analysis advised by an independent expert to identify and allocate the purchase price to the assets and liabilities acquired. As a result of this analysis goodwill and intangible assets have arisen for an amount of 916 and 772 million euros, respectively. The recognition of the business combination and the determination of the acquired assets' and liabilities' fair value are based on methods and assumptions that require a high degree of judgment. Consequently, we have considered this area a key audit matter.

**Our
response**

Our audit procedures for this area consisted, among others, in:

- ▶ Assessing the criteria applied for recording the transaction as a business combination and establishing the date on which control was taken and the price paid.
- ▶ Reviewing, in collaboration with our valuations experts, the reasonableness of the method used by Management to conduct the purchase price allocation analysis, paying special attention to the main assumptions and projections taken into account in the measurement of the assets and liabilities acquired.
- ▶ Reviewing the acquired group's financial information to obtain evidence of the incorporated balance sheet balances at the date on which control was taken. For foreign companies, we have involved our international teams.
- ▶ Reviewing the qualitative and quantitative information included in the accompanying consolidated financial statements in accordance with the framework for financial information applicable to the Group.

Goodwill and other intangible assets

Description At December 31, 2018 the Group shows goodwill and other intangible assets amounting to 1,094 and 787 million euros, respectively. At least annually, Group Management analyze the recoverable amount of each significant Cash Generating Unit (CGU) to which these assets are allocated. The purpose of this analysis is to conclude about the need to record an impairment loss on goodwill or any other intangible asset. Impairment tests are performed using the discounted cash flow method based on a risk-free rate. We have considered this area a key audit matter since the analyses performed by Group Management require them to make complex estimates and judgments regarding the future results of the CGUs to which the aforementioned assets belong. The description of the balance, movements and recoverability analysis performed on the CGU to which the aforementioned goodwill has been allocated, as well as the information on other intangible assets, are described in Note 7 to the accompanying consolidated financial statements.

**Our
response**

Our audit procedures for this area consisted, among others, in:

- ▶ Reviewing, in collaboration with our valuation experts, the reasonableness of the method used by Management in the projection of the discounted cash flows of each CGU, covering, specifically, the discount rate used and the long-term growth rate.
- ▶ Reviewing the financial information projected in the business plan for each CGU by analyzing the historical financial and budget information, the current market conditions, and the forecasts about their potential evolution and public information provided by other sector companies.
- ▶ Reviewing the disclosures included in the notes to the consolidated financial statements in accordance with the requirements of IAS 36.

Trade and other receivables

Description At December 31, 2018 the Group has trade and other receivables, net of impairment losses, amounting to 312 million euros. As mentioned in Note 3h. iii) and 3h. iv) to the consolidated financial statements on the most relevant accounting principles applied, the Group estimates trade receivables considered to be doubtful receivables and, if any, records a provision for the financial assets to adjust accounts receivable to their fair value. Management estimate this provision based on individual reviews of trade receivables, as well as on the experience and collection trends in the sector taking into account the current economic and trade conditions.

Given the significance and judgment that assessing the collection of trade receivables entails, we have considered this area a key audit matter.

**Our
response**

Our audit procedures for this area consisted, among others, in:

- ▶ Assessing the main assumptions and judgments used by Management.
- ▶ Comparing Management's estimates with historical collection trends.
- ▶ Conducting an analysis of ratios over the Group's estimate of bad debts.
- ▶ Recalculating the provision for bad debts based on subsequent events (collections from customers, etc.) and analyzing the economic situation of the debtor.
- ▶ Assessing the appropriateness of the information disclosed by the Group in the consolidated financial statements regarding the provisions for doubtful receivables.

Inventories

Description At December 31, 2018 the Group has recorded inventories in the accompanying consolidated balance sheet for an amount of 253 million euros, net of impairment losses. The several types of inventories are located at different warehouses and factories that the Group has in both Spain and abroad. As indicated in Note 3.j) to the accompanying consolidated financial statements, the Group measures inventories at cost and if their net realizable value becomes lower than acquisition cost the corresponding impairment loss is recorded as an expense in the income statement. Given the relevance and significance of these balances to the consolidated financial statements taken as a whole, and the subjectivity involved in estimating the net realizable value of inventories, we have considered this area a key audit matter.

Our response

Our audit procedures for this area consisted, among others, in:

- ▶ A test of details on the cost, actual margins and measurement of obsolete inventory.
- ▶ Testing historical costs using samples, by checking the acquisition cost against the original purchase invoice.
- ▶ Assessing whether any inventories were sold at a negative margin, by analyzing the last invoices of sales carried out subsequent to year end and up to the date we completed our work.
- ▶ Analyzing stock turnover to validate the estimates of obsolete inventories made by Group Management.
- ▶ Engaging our IT experts to understand the computer process and validate general and application controls over the software program determining the provision for obsolescence recorded by the Group.

Our audit procedures for checking the physical existence of inventories consisted, among others, in:

- ▶ Assessing the relevant internal control procedures, specifically by analyzing the periodical stock counts that the Group carries out and the automatic record of sale transactions. Also, at a date close to year end, we attended a selection of physical inventories carried out at the warehouses and factories to validate the counts made by Group employees, and checked the results of our counts against the results of the counts made by Group employees.

Other information: Consolidated management report

Other information refers exclusively to the 2018 consolidated management report, the preparation of which is the responsibility of the parent Company's directors and is not an integral part of the financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

- a. A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report or where applicable, that the consolidated management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and if not, disclose this fact.
- b. a general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining information contained therein is consistent with that provided in the 2018 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibility of the Parent Company's Directors and the audit committee for the consolidated financial statements

The directors of the Parent Company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Parent Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee of the Parent Company is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's directors.
- ▶ Conclude on the appropriateness of the Parent Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Parent Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Parent Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the audit committee of the Parent Company

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee of the Parent Company on March 28, 2019.

Term of engagement

The ordinary general shareholders' meeting held on May 03, 2016 appointed us as auditors for 3 years, commencing on December 31, 2016.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

Alfredo Eguiagaray
Partner

March 28, 2019

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position
Consolidated income statement
Consolidated statement of comprehensive income
Consolidated statement of changes in equity
Consolidated statement of cash flows
Notes to the consolidated financial statements

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Fluidra, S.A. and Subsidiaries

Consolidated financial statements

31 December 2018 and 2017

(Expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

- **Consolidated financial statements**

- Consolidated statement of financial position
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of changes in equity
- Consolidated cash flow statement

- **Notes to the financial statements**

1. Nature, principal activities and companies composing the Group
2. Basis of presentation
3. Relevant accounting principles applied
4. Segment reporting
5. Business combinations
6. Property, plant and equipment
7. Goodwill and Other intangible assets
8. Investment property
9. Investments accounted for using the equity method
10. Current and non-current financial assets
11. Derivative financial instruments
12. Non-current assets held for sale and liabilities relating to non-current assets held for sale and discontinued operations
13. Inventories
14. Trade and other receivables
15. Equity
16. Earnings per share
17. Provisions
18. Financial liabilities from loans and borrowings and other marketable securities
19. Trade and other payables
20. Other non-current liabilities
21. Risk management policy
22. Supplies and change in inventories of finished goods and work in progress
23. Sales of goods and finished products
24. Income from the rendering of services
25. Employee benefit expenses
26. Other operating expenses
27. Operating leases
28. Finance income and costs
29. Deferred taxes and Income tax
30. Related party balances and transactions
31. Environmental information
32. Other commitments and contingencies
33. Auditors' and related group companies' fees
34. Information on late payments to suppliers
35. EBITDA
36. Events after the reporting period

- **Appendices**

- APPENDIX I Detail of the corporate name and purpose of the subsidiaries, associates and jointly-controlled entities directly or indirectly owned
- APPENDIX II and III Detail of segment results
Detail of segment assets and liabilities

Fluidra, S.A. and Subsidiaries

Consolidated statement of financial position

31 December 2018 and 2017

(Expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

<u>Assets</u>	<u>Notes</u>	<u>31/12/2018</u>	<u>31/12/2017</u>
Property, plant and equipment	6	116,222	98,506
Investment property	8	3,220	3,298
Goodwill	7	1,093,689	196,218
Other intangible assets	7	787,325	35,192
Equity-accounted investments	9	28	-
Non-current financial assets	10	6,709	4,202
Other receivables	14	2,383	3,053
Deferred tax assets	29	85,020	22,326
Total non-current assets		2,094,596	362,795
Non-current assets held for sale	12	43,869	-
Inventories	13	253,330	172,764
Trade and other receivables	14	312,070	159,975
Other current financial assets	10	4,922	4,138
Derivative financial assets	11	356	78
Cash and cash equivalents		170,061	64,756
Total current assets		784,608	401,711
TOTAL ASSETS		2,879,204	764,506
<u>Equity</u>			
Capital		195,629	112,629
Share premium		1,148,591	92,831
Retained earnings and other reserves		107,259	136,145
Treasury shares		(13,690)	(6,888)
Other comprehensive income		(5,282)	(1,067)
Equity attributable to equity holders of the parent	15	1,432,507	333,650
Non-controlling interests		8,214	10,034
Total equity		1,440,721	343,684
<u>Liabilities</u>			
Bank borrowings and other marketable securities	18	856,454	137,774
Derivative financial instruments	11	7,870	1,349
Deferred tax liabilities	29	199,266	21,034
Provisions	17	18,786	14,807
Government subsidies		352	661
Other non-current liabilities	20	26,469	22,733
Total non-current liabilities		1,109,197	198,358
Liabilities relating to non-current assets held for sale	12	5,818	-
Bank borrowings and other marketable securities	18	51,593	79,310
Trade and other payables	19	247,736	135,433
Provisions	17	24,111	7,249
Derivative financial instruments	11	28	472
Total current liabilities		329,286	222,464
TOTAL EQUITY AND LIABILITIES		2,879,204	764,506

The accompanying consolidated notes are an integral part of the consolidated financial statements of Fluidra, S.A. and subsidiaries for the year ended 31 December 2018.

Fluidra, S.A. and Subsidiaries

Consolidated income statement

31 December 2018 and 2017

(Expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Notes	31/12/2018	31/12/2017 (*)
Revenues			
Sales of goods and finished products	23	1,029,641	776,514
Revenue from services rendered	24	18,184	15,734
Work performed by the Group for its own non-current assets		7,854	5,338
Total operating income		1,055,679	797,586
Operating expenses			
Changes in inventories of finished goods and work in progress and consumables of raw materials	22	(538,250)	(389,599)
Employee benefits expense	25	(222,952)	(164,570)
Depreciation/amortisation expenses and impairment losses	6, 7, 8 and 12	(66,727)	(36,142)
Other operating expenses	26	(229,585)	(150,395)
Total operating expenses		(1,057,514)	(740,706)
Other profit/(loss)			
Profit from sales of fixed assets		406	2,192
Total other profit/(loss)		406	2,192
Operating profit		(1,429)	59,072
Finance income / (expense)			
Finance income		1,951	2,177
Finance cost		(28,111)	(12,573)
Exchange differences		(1,436)	(2,679)
Net finance income/(cost)	28	(27,596)	(13,075)
Share in profit/(loss) for the year from investments accounted for using the equity method		64	(32)
Profit/(loss) before tax on continuing operations		(28,961)	45,965
Income tax expense	29	(3,856)	(12,983)
Profit/(loss) after tax on continuing operations		(32,817)	32,982
Profit/(loss) after tax on discontinued operations	12	895	(168)
Consolidated profit/(loss) after tax		(31,922)	32,814
Profit attributed to non-controlling interests		2,000	1,761
Profit attributed to equity holders of the parent		(33,922)	31,053
From continuing operations		(34,817)	31,221
From discontinued operations		895	(168)
EBITDA	35	65,362	95,182
Basic and diluted earnings/(losses) per share from continuing operations (euros)	16	(0.22859)	0.28148
Basic and diluted earnings/(losses) per share (euros)	16	(0.22271)	0.27997

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12)

Fluidra, S.A. and Subsidiaries

Consolidated Statement of comprehensive income

for the years ended 31 December 2018 and 2017

(Expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

		<u>31/12/2018</u>	<u>31/12/2017</u>
Profit/(loss) for the year		(31,922)	32,814
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Recalculation of the measurement of defined benefit plans		-	-
Tax effect		-	-
Items that will be reclassified to profit or loss			
Cash flow hedges	Note 11	(6,790)	828
Actuarial gains and losses		11	-
Exchange differences on translation of foreign operations		971	(10,378)
Tax effect		<u>1,567</u>	<u>(207)</u>
Other comprehensive income for the year, net of tax		<u>(4,241)</u>	<u>(9,757)</u>
Total comprehensive income for the year		<u><u>(36,163)</u></u>	<u><u>23,057</u></u>
Total comprehensive income attributable to:			
Equity holders of the parent		(38,137)	21,843
From continuing operations		(38,060)	22,886
From discontinued operations		(77)	(1,043)
Non-controlling interests		<u>1,974</u>	<u>1,214</u>
		<u><u>(36,163)</u></u>	<u><u>23,057</u></u>

(*) The consolidated statement of comprehensive income at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

The accompanying consolidated notes are an integral part of the consolidated financial statements of Fluidra, S.A. and subsidiaries for the year ended 31 December 2018.

Fluidra, S.A. and Subsidiaries

Consolidated statement of changes in equity
for the years ended 31 December 2018 and 2017

(Expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Equity attributable to equity holders of the parent

	Capital	Share premium	Legal reserve	Accumulated gains	Treasury shares	Other comprehensive income		Total	Non-controlling interests	Total equity Net
						Currency translation differences	Other			
Balance at 1 January 2017	112,629	92,831	13,854	104,004	(6,319)	9,706	(1,563)	325,142	11,177	336,319
Profit (loss) for the year	-	-	-	31,053	-	-	-	31,053	1,761	32,814
Other comprehensive income	-	-	-	-	-	(9,831)	621	(9,210)	(547)	(9,757)
Total comprehensive income for the year	-	-	-	31,053	-	(9,831)	621	21,843	1,214	23,057
Inclusion of entities	-	-	-	-	-	-	-	-	(64)	(64)
Disposal of entities	-	-	-	-	-	-	-	-	-	-
Change in ownership interest	-	-	-	(19)	-	-	-	(19)	(141)	(160)
Treasury shares	-	-	-	989	(569)	-	-	420	-	420
Equity-based payments	-	-	-	1,264	-	-	-	1,264	-	1,264
Other	-	-	1,788	(1,788)	-	-	-	-	26	26
Dividends	-	-	-	(15,000)	-	-	-	(15,000)	(2,178)	(17,178)
Balance at 31 December 2017	112,629	92,831	15,642	120,503	(6,888)	(125)	(942)	333,650	10,034	343,684
Profit (loss) for the year	-	-	-	(33,922)	-	-	-	(33,922)	2,000	(31,922)
Other comprehensive income	-	-	-	-	-	996	(5,211)	(4,215)	(26)	(4,241)
Total comprehensive income for the year	-	-	-	(33,922)	-	996	(5,211)	(38,137)	1,974	(36,163)
Inclusion of entities	-	-	-	-	-	-	-	-	-	-
Disposal of entities	-	-	-	-	-	-	-	-	-	-
Share capital increase	83,000	1,055,760	-	(137)	-	-	-	1,138,623	575	1,139,198
Change in ownership interest	-	-	-	(822)	-	-	-	(822)	(724)	(1,546)
Treasury shares	-	-	-	1,430	(6,802)	-	-	(5,372)	-	(5,372)
Equity-based payments	-	-	-	4,576	-	-	-	4,576	-	4,576
Other	-	-	24,498	(24,509)	-	-	-	(11)	4	(7)
Dividends	-	-	-	-	-	-	-	-	(3,649)	(3,649)

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Balance at 31 December 2018	<u>195,629</u>	<u>1,148,591</u>	<u>40,140</u>	<u>67,119</u>	<u>(13,690)</u>	<u>871</u>	<u>(6,153)</u>	<u>1,432,507</u>	<u>8,214</u>	<u>1,440,721</u>
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The accompanying consolidated notes are an integral part of the consolidated financial statements of Fluidra, S.A. and subsidiaries for the year ended 31 December 2018.

Fluidra, S.A. and Subsidiaries

Consolidated Statements of Cash Flows
for the years ended 31 December 2018 and 2017

(Expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Note	2018	2017
Cash flows from operating activities			
Profit/(loss) for the year before tax		(27,977)	45,777
Adjustments for :			
Depreciation/amortisation		61,002	33,821
Provision for bad debts		3,336	1,626
Provision for/(reversal of) impairment losses on assets		9,198	6,558
Provision for/(reversal of) impairment losses on financial assets		(66)	544
Provision for/(reversal of) losses on risks and expenses		2,880	5,857
Provision for/(reversal of) losses on inventories		28	551
Income from financial assets		(330)	(865)
Finance cost		25,700	8,633
(Exchange gains/(losses))		691	2,503
Share in (profit)/loss for the year from associates accounted for using the equity method		(64)	32
(Profit)/loss on the sale of property, plant and equipment and other intangible assets		56	(750)
(Profit)/loss on the sale of subsidiaries		-	(1,447)
Government grants released to income		(149)	(206)
Adjustments to the consideration paid against results for business combinations		1,315	1,641
Share-based payment expenses		4,576	1,264
(Profit)/loss on derivative financial instruments at fair value through profit or loss		(466)	523
Operating profit before changes in working capital		79,730	106,062
Changes in working capital excluding effects of acquisitions and currency translation differences			
Increase/(decrease) in trade and other receivables		(28,992)	(11,625)
Increase/(decrease) in inventories	22	22,683	(9,973)
Increase/(decrease) in trade and other payables		(6,954)	6,797
Provisions paid	17	(1,192)	(184)
Cash from operations		65,275	91,077
Interest paid		(23,372)	(7,004)
Interest collected		330	865
Income tax paid		(10,860)	(15,936)
Net cash from operating activities (*)		31,373	69,002
Cash flows from investing activities			
From the sale of property, plant and equipment		2,824	2,371
From the sale of other intangible assets		66	23
From the sale of financial assets		1,703	2,035
Dividends received		36	-
Proceeds from the sale of subsidiaries, net of cash used		-	10,182
Proceeds from the sale of subsidiaries in prior years		124	186
Acquisition of property, plant and equipment		(26,561)	(17,286)
Acquisition of intangible assets		(12,176)	(10,779)
Acquisition of other financial assets		(6,865)	(4,847)
Payments for acquisitions of subsidiaries, net of cash and cash equivalents	5	34,558	(3,287)
Payments for acquisitions of subsidiaries in prior years		(9,494)	(17,570)
Net cash from investing activities (*)		(15,785)	(38,972)
Cash flows from financing activities			
From issues of capital		(138)	0
Payments from repurchase of treasury shares		(7,677)	(2,530)
Proceeds from the sale of treasury shares		2,302	3,606
Proceeds from grants		2	41
Proceeds from bank financing		879,377	6,368
Payments from bank borrowings and finance leases		(768,663)	(38,816)
Dividends paid		(3,649)	(17,178)
Net cash from financing activities (*)		101,554	(48,509)
Net increase/(decrease) in cash and cash equivalents		117,142	(18,479)
Cash and cash equivalents at 1 January		64,756	86,099
Effect of currency translation differences on cash flows		(665)	(2,864)
Cash and cash equivalents at 31 December		181,233	64,756

(*) Includes the cash flows from continuing and discontinued operations (note 12).

The accompanying consolidated notes are an integral part of the consolidated financial statements of Fluidra, S.A. and subsidiaries for the year ended 31 December 2018.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

1. **Nature, principal activities and companies composing the Group**

Fluidra, S.A. (hereinafter the Company) was incorporated as a limited liability company for an indefinite period in Girona on 3 October 2002 under the name Aquaria de Inv. Corp., S.L., and changed to its current name on 17 September 2007.

The Company's corporate purpose and activity consists in the holding and use of equity shares, securities and other stock, and advising, managing and administering the companies in which the Company holds an ownership interest.

The Company is domiciled at Avenida Francesc Macià, nº 60, planta 20, in Sabadell (Barcelona).

The Group's activity consists in the manufacture and marketing of accessories and machinery for swimming-pools, irrigation and water treatment and purification.

Fluidra, S.A. is the parent company of the Group comprising the subsidiaries detailed in the accompanying Appendix I (hereinafter Fluidra Group or the Group). Additionally, the Group holds ownership interest in other entities as detailed also in that Appendix. Group companies have been consolidated using the financial statements prepared/approved for issue by the corresponding managing bodies and Board of Directors.

Share capital was represented by 112,629,070 ordinary shares with a par value of Euros 1 each, fully subscribed and paid up. On 31 October 2007 Fluidra, S.A. (the Company) completed its initial public offering process through the public offering of 44,082,943 ordinary shares with a par value of 1 euro each. These shares representing share capital are quoted on the Barcelona and Madrid stock exchanges, and also on the continuous market.

On 2 July 2018 Fluidra, S.A. increased its share capital for a nominal amount of Euros 83,000,000 by issuing and circulating 83,000,000 ordinary shares of Euros 1 par value each, which were fully subscribed by Piscine Luxembourg Holdings 2 S.à.r.l. (penultimate shareholder of the Luxembourg company Zodiac Pool Solutions S.à.r.l., which is the parent of the Zodiac Group) without entitlement, as per article 304.2 of the Spanish Corporations Act, to any preferential subscription rights. The difference between the fair value of the equity received by Fluidra, S.A. by virtue of the merger and the par value was allocated to the share premium.

Following this increase, share capital is represented by 195,629,070 ordinary shares with a par value of Euros 1 each, fully subscribed and paid up.

2. **Basis of presentation**

The consolidated financial statements have been prepared from the accounting records of Fluidra, S.A. and the companies included in the Group. The 2018 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS-EU) and other financial reporting framework provisions in order to present fairly the consolidated equity and consolidated financial position of Fluidra, S.A. and its subsidiaries at 31 December 2018 and its consolidated financial results, consolidated cash flows and changes in consolidated equity for the year then ended.

a) Basis of presentation of the consolidated financial statements

These financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial instruments at fair value through profit or loss and equity.

(b) Comparative information

For comparative purposes, the consolidated financial statements include the 2018 consolidated figures in addition to those of the prior year for each item of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the notes thereto, which were part of the 2017 consolidated financial statements approved by the shareholders at their general meeting on 27 June 2018.

The Group's accounting policies that are described in note 3 have been consistently applied to the year ended 31 December 2018 and the accompanying comparative information at 31 December 2017.

Since the Group has a binding agreement to sell the electronic pool cleaner development, manufacture and sale businesses developed by the company Aquatron Robotic Technology, Ltd., described in note 12, "Non-current assets held for sale and liabilities relating to non-current assets held for sale", the income statement for the year 2017 has been restated for the purpose of comparison with the twelve-month period ended 31 December 2018, in accordance with IFRS 5.

Details of the impacts resulting from restating the income statement for 2017 are as follows:

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

	31/12/2017	Application of IFRS 5 (note 12)	31/12/2017
Operating income			
Sales of goods and finished products	781,425	(4,911)	776,514
Income from the rendering of services	15,934	(200)	15,734
Work performed by the Group and capitalized as non-current assets	5,902	(564)	5,338
Total operating income	803,261	(5,675)	797,586
Operating expenses			
Change in inventories of finished products and work in progress and raw materials consumables	(383,111)	(6,488)	(389,599)
Personnel expense	(169,356)	4,786	(164,570)
Depreciation and amortization expenses and impairment losses	(40,379)	4,237	(36,142)
Other operating expenses	(153,963)	3,568	(150,395)
Total operating expenses	(746,809)	6,103	(740,706)
Other gains and losses			
Profit from sales of fixed assets	2,197	(5)	2,192
Total other gains and losses	2,197	(5)	2,192
Operating profit	58,649	423	59,072
Finance income / cost			
Finance income	2,365	(188)	2,177
Finance cost	(12,702)	129	(12,573)
Exchange gains/(losses)	(2,503)	(176)	(2,679)
Net finance income/(cost)	(12,840)	(235)	(13,075)
Share of profit/(loss) for the year of entities accounted for using the equity method	(32)	-	(32)
Profit/(loss) before tax from continuing operations	45,777	188	45,965
Income tax expense	(12,963)	(20)	(12,983)
Profit/(loss) after tax from continuing operations	32,814	168	32,982
Profit/(loss) after tax from discontinued operations	-	(168)	(168)
Consolidated profit/(loss) after tax	32,814	-	32,814
Profit/(loss) attributable to non-controlling interests	1,761	-	1,761
Profit/(loss) attributable to equity holders of the parent	31,053	-	31,053
From continuing operations	31,053	168	31,221
From discontinued operations	-	(168)	(168)
EBITDA	98,996	(3,814)	95,182
Basic and diluted earnings per share from continuing operations (euros)	0.27997	0.00151	0.28148
Basic and diluted earnings per share (euros)	0.27997	-	0.27997

In addition, the Group has restated goodwill and the comparative business segments for 2017 in accordance with the new segments and cash-generating units (CGUs) structure determined by the Group after the merger with the Zodiac Group (see note 4 and 7).

All significant mandatory accounting principles have been applied.

The Parent's Directors expect these 2018 consolidated financial statements, which were authorized for issue on 27 March 2019, to be approved by the shareholders at their general meeting without modification.

c) Significant accounting estimates and key assumptions and judgments when applying accounting policies

In the preparation of the consolidated financial statements in accordance with IFRS-EU, Group Management is required to make judgements, estimates and assumptions affecting the adoption of the standards and the amounts of assets, liabilities, income and expenses. The estimates and assumptions adopted are based on historical experience and various other factors understood to be reasonable under the existing circumstances.

In the Group's 2018 consolidated financial statements, estimates were occasionally used in order to quantify certain assets, liabilities, income, expenses and commitments reported herein. These relevant accounting estimates and assumptions mainly relate to:

- The useful life and fair value of the customer portfolio and other intangible assets (note 7).
- The assumptions used in determining the fair value of the Cash Generating Units (CGUs) or group of CGUs for the purposes of evaluating potential impairment of goodwill and other assets (see note 7).
- Assessment of technical and commercial feasibility of development projects in progress (see notes 3 (d)(ii) and 7).
- Estimate of expected credit losses from receivables and obsolete inventory (see notes 3 h) j), 13 and 14).
- The fair value of financial instruments and of certain unquoted financial assets (see notes 10 and 11).
- Assumptions used in determining the fair values of assets, liabilities and contingent liabilities related to the business combination of Grupo Zodiac, I.D. Electroquímica, S.L., Fluidra Waterlinx Pty, Ltd, SIBO Fluidra Netherlands B.V., Agrisilos, S..R.L., Riiot Labs NV/SA and Grand Effects (see notes 19 and 20). Liabilities for contingent considerations relate to level 3 fair value hierarchy in accordance with IFRS 13.
- The fair value of the commitment to the Company's management team to acquire an ownership interest in the Company's share capital (see notes 3 (p) and 30 (b)).
- Estimates and judgements related to provisions for litigation (see notes 3 (o) and 17).
- Assessment of the recoverability of tax credits, including tax losses from prior years and rights to deduction. Deferred tax assets are recognized to the extent that future tax profit is available against which temporary differences can be charged, based on the management's assumptions about the amount of and payment schedules for future tax profit. Additionally, in the case of deferred tax assets related to investments in group companies, their capitalization takes into account whether they will be reversed in the foreseeable future (see notes 3 (r) and 29).
- Determining the accounting acquirer in the merger with the Zodiac Group.

Although these estimates are made on the basis of the best information available on the events analysed at 31 December 2018, events may occur in the future which require adjusting these estimates (upwards or downwards) in future reporting periods. Any effect on the consolidated financial statements of adjustments made in future reporting periods is recognized prospectively.

Additionally, the main judgements made by the Company's Management in identifying and selecting the criteria applied in the measurement and classification of the main items presented in the consolidated financial statements are as follows:

- Reasons supporting the transfer of risks and rewards in leases and in the recognition of disposals of financial assets and liabilities (see notes 3 (g) and 27).
- Reasons supporting the classification of assets as investment property (see notes 3 (e) and 8).
- Assessment criteria for impairment of financial assets (see notes 3 (h) (iii) and 10), and
- Reasons supporting the capitalization of development projects (see notes 3 (d) (ii) and 7).

d) Changes in IFRS-EU standards in 2018

- Standards and interpretations approved by the European Union applied for the first time in 2018.

The accounting standards used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2017, except for the new standards and any amendments that are applicable as of 1 January 2018, the main ones being as follows:

- IFRS 9 Financial instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The Group has had to change its accounting policies to adopt these standards, not restating the comparative information.

These standards did not have a significant impact in their initial application.

The Zodiac Group recognised the impact of IFRS 15 on the first balance sheet of the business combination, as it was not applicable to the Group until 1 October 2018.

- Standards and interpretations issued by the IASB but not applicable in 2018

The Group intends to apply the standards, interpretations and amendments issued by the IASB whose application is not mandatory in the European Union as at the date of authorizing the accompanying consolidated financial statements for issue when they are effective, to the extent applicable to the Group.

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 applies to periods commencing 1 January 2019. The Group has made a preliminary estimate of what the adoption of IFRS 16 would entail. Based on a prospective calculation it has decided to measure the right-of-use asset at the same value as the liability according to data at 30 June 2017. Based on this data its assets and liabilities would increase by Euros 70 to 90 million.

In 2018, the Group has continued to assess the potential affect of IFRS 16 on its consolidated financial statements, with the aim of assessing the impacts again after the merger with the Zodiac Group in order to comply with the standard by the end of the first quarter of 2019.

3. Significant accounting principles applied

The most significant ones are summarized as follows:

a) Consolidation principles

i) Subsidiaries and business combinations

Subsidiaries are companies, including structured entities, over which the Company holds direct or indirect control through subsidiaries.

The Company holds control over a subsidiary when it is exposed to, or has the right to receive, variable yield as a result of its involvement in it, and has the capacity to influence such yield through the power it exercises over the subsidiary. The Company is authorised to direct the relevant activities when valid substantive rights are held. The Company is exposed to, or has the right to receive, variable yield as a result of its involvement in the subsidiary when the yield it obtains from such involvement may vary based on the economic evolution of the entity (IFRS 10.6, 10 and 15).

The subsidiaries' income, expenses and operating cash flows are consolidated from the acquisition date, i.e., the date on which the Group obtains effective control over them. Subsidiaries are no longer consolidated from the date on which such control is relinquished.

The Group applied the exception contemplated in IFRS 1 First-time adoption of International Financial Reporting Standards so that only business combinations undertaken after 1 January 2005, the IFRS-EU transition date, have been accounted for using the acquisition method. Acquisitions completed prior to the transition date were accounted for in accordance with the then-prevailing accounting principles, corrected and adjusted as required as of the transition date.

Business combinations made prior to 1 January 2010

The cost of the business combinations made prior to 1 January 2010 was determined at acquisition date as the sum of the fair values of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the Group in exchange for control of the acquiree, additionally including any cost directly attributable to the acquisition. Additionally, adjustments to the cost of the business combination that depend on future events are part of such cost provided that the amount is probable and can be measured reliably.

The cost of the business combination was allocated between the fair values of the acquired assets, assumed liabilities and contingent liabilities (net identifiable assets) of the acquired company. This criterion was not applied to non-current assets and disposal groups held for sale measured at fair value less cost to sell.

The surplus between the cost of the business combination and the Group's interest in the fair value of the acquired entity's net identifiable assets was recorded as goodwill, whereas the shortfall, if any, is recorded in profit or loss once the cost of the combination and fair values have been duly reconsidered.

The cost of the business combination included the contingent considerations, provided that they were probable and could be estimated reliably at the date of acquisition. Subsequent measurement of contingent considerations or subsequent changes therein are recorded as a prospective adjustment to the cost of the business combination.

Business combinations made after 1 January 2010

The consideration transferred in the business combination is determined at the acquisition date and calculated as the sum of the fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any contingent consideration depending on future events or compliance with certain conditions in exchange for the control of the business acquired.

The consideration transferred excludes any amounts that do not form part of the exchange for the acquiree. Acquisition-related costs are recognized as incurred.

At the acquisition date the Group recognizes any assets acquired and liabilities assumed at their fair value. The liabilities assumed include contingent liabilities to the extent that they represent present obligations that arise as a result of past events and their fair value can be reliably measured.

The assets acquired and liabilities assumed are classified and designated for subsequent measurement purposes on the basis of contractual agreements, financial terms, accounting policies, operating conditions and other pertinent circumstances that exist at the acquisition date, except for lease and insurance agreements.

The excess over the consideration transferred, plus any non-controlling interest in the acquiree and the net amount of assets acquired and liabilities assumed, is recognized as goodwill. Any shortfall after assessing the amount of consideration transferred, the value assigned to non-controlling interests and the identification and measurement of the net assets acquired, is recognized in profit or loss.

Contingent consideration is classified as a financial asset or liability, equity instrument or provision in accordance with the underlying contractual conditions. To the extent that subsequent changes in fair value of a financial asset or liability are not due to an adjustment to the measurement period, they are recorded in consolidated profit or loss. The contingent consideration classified as equity is not subsequently updated, and its settlement is likewise recognized in equity. The contingent consideration classified as a provision is subsequently recognized at fair value through profit or loss.

Inter-company transactions, balances and unrealized gains and losses on transactions between group companies have been eliminated on consolidation. If any, unrealized losses on the transfer of assets between group companies have been deemed an indication of the potential impairment of the assets transferred.

The subsidiaries' accounting policies have been aligned with those used by the Group for like transactions and events in similar circumstances.

The financial statements of the subsidiaries used in the consolidation process refer to the same presentation date and reporting period as those of the Parent.

ii) Non-controlling interests

Non-controlling interest in a subsidiary are recorded at the percentage of the ownership held in the fair value of the net identifiable assets acquired, and are presented in equity separately from the equity attributed to the equity holders of the Parent. Non-controlling interest in consolidated profit/(loss) and consolidated total comprehensive income for the year are likewise presented separately in the consolidated income statement and the consolidated statement of comprehensive income, respectively.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The Group's share and the non-controlling interest in consolidated profit/(loss) for the year (consolidated total comprehensive income for the year) and in changes in equity of the subsidiaries, net of adjustments and eliminations on consolidation, is determined based on the ownership interest held at year end, excluding the possible exercise or conversion of potential voting rights and after discounting the effect of agreed or non-agreed dividends on cumulative preference shares that may have been classified in the equity accounts. However, the existence or absence of control is determined considering the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently grant access to the economic benefits associated with the ownership interest, that is, the right to receive future dividends and changes in the value of subsidiaries.

Surplus losses attributable to non-controlling interests generated prior to 1 January 2010 that are not allocable to such interests, as they exceed the amount of the equity interest in the related subsidiary, are recognized as a reduction in equity attributable to owners of the parent, unless the non-controlling interests have a binding obligation to assume some or all of such losses and have the capacity to make any additional investments necessary. Any profits obtained subsequently by the Group are then allocated to equity attributable to owners of the parent until the amount of losses absorbed in prior reporting periods in respect of non-controlling interests has been replenished.

From 1 January 2010, the results and each component of other comprehensive income are allocated to equity attributable to owners of the Parent and to the non-controlling interests in proportion to their respective ownership interests, even if this implies a negative non-controlling interests balance. Agreements entered into between the Group and non-controlling interests are recognized as a separate transaction.

Transactions with non-controlling interests

The increase or decrease in non-controlling interest of a subsidiary with no loss of control is recognized as a transaction with equity instruments. Therefore, no new acquisition cost arises as a result of an increase, nor any gain or loss is recognized from a decrease, but the difference between the consideration paid or received and the carrying amount of non-controlling interest is recognized in the investing company's reserve, without prejudice to reclassifying the consolidation reserves and reallocating the other comprehensive income between the Group and the non-controlling interest. In a decrease in the Group's ownership interest in a subsidiary, non-controlling interest is recorded for its share in consolidated net assets.

Put options granted prior to 1 January 2010

The Group recognizes put options on ownership interest in subsidiaries granted to non-controlling interest at the date of acquisition of a business combination as an advance acquisition of such interest, recording a liability for the present value of the best estimate of the amount payable, which is part of the cost of the business combination.

Subsequently, the change in the liability due to the effect of the financial discount is recorded as a finance cost in profit or loss, and the rest is recognized as an adjustment to the cost of the business combination. Any dividends paid to non-controlling interests until the date of exercise of the options are likewise recognized as an adjustment to the cost of the business combination. If finally the options are not exercised, the transaction is recognized as a sale to non-controlling interest.

Put options granted subsequent to 1 January 2010

The Group recognizes put options on ownership interest in subsidiaries granted to non-controlling interest at the date of acquisition of a business combination as an advance acquisition of such interest, recording a financial liability for the present value of the best estimate of the amount payable, which is part of consideration paid.

Subsequently, the change in the financial liability is recognized as a finance cost or income in profit or loss. Discretionary dividends, if any, paid to non-controlling interests up to the date the options are exercised, are recognised as a distribution of earnings, reflecting this amount as an increase in profits attributable to non-controlling interests. In the event that dividends are predetermined or incorporated into the measurement of the financial liability, settlement is discounted from the financial liability's carrying amount.

Notes to the consolidated financial statements

If finally the options are not exercised, the transaction is recognized as a sale of shares to non-controlling interests.

iii) Associates

Associates are defined as the entities over which the Company has significant influence, either directly or through other subsidiaries. Significant influence is the power to participate in the financial and operating policy decisions of an entity but no control or joint control over is held.

Investments in associated entities are recorded using the equity accounting method from the date significant influence is exercised until the date on which the Company can no longer prove this influence exists.

The acquisition of associates is recorded by applying the acquisition method used for subsidiaries. Goodwill, net of accumulated impairment losses, is included in the carrying amount of the investment accounted for using the equity method.

iv) Impairment

The Group applies the impairment criteria contained in IAS 9: Financial instruments, so as to determine whether it is necessary to recognize any additional impairment loss with respect to the net investment in the associate or in any other financial asset held with it as a result of applying the equity method.

b) Foreign currency

i) Functional and presentation currency

The consolidated financial statements are presented in thousands of euros rounded to the nearest thousand. The euro is the Parent Company's functional and presentation currency.

ii) Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing between the functional currency and the foreign currency at the transaction dates. Monetary assets and liabilities in foreign currency are translated to the functional currency at the closing exchange rate, while non-monetary items measured at historical cost are translated at the exchange rate prevailing at the transaction date. Exchange gains and losses arising on the settlement of foreign currency transactions and on the translation into euros at the closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

In the presentation of the consolidated statement of cash flows, cash flows from transactions in foreign currencies are translated into euros applying the exchange rates approximate to those existing at the date the cash flows occurred. The impact of fluctuations in exchange rates on cash and cash equivalents denominated in foreign currency is presented under a separate caption in the statement of cash flows as "Exchange gains/(losses) on cash and cash equivalents".

The Group presents the effect of the conversion of deferred tax assets and liabilities denominated in foreign currency together with the deferred income tax in profit or loss.

iii) Translation of foreign operations

The translation into euros of foreign operations whose functional currency is not the currency of a hyperinflationary country is made using the following criteria:

- Assets and liabilities, including any goodwill and any adjustments to the net assets arising on the acquisition of foreign operations, including comparative balances, are translated at the closing exchange rate at the balance sheet date;
- Income and expenses, including comparative balances, are translated at the exchange rate prevailing at the date of each transaction; and
- All exchange gains or losses derived from applying the above-mentioned criteria are

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

recognized as translation differences in other comprehensive income.

In the presentation of the consolidated statement of cash flows, cash flows, including comparative balances, from the foreign subsidiaries are translated into euros applying the exchange rates prevailing at the date the cash flows occurred.

Translation differences related to foreign operations recognized in other comprehensive income are recorded jointly under one line in profit or loss and when recognition in profit or loss related to the disposal of such operations occurs.

(c) Property, plant and equipment

i) Assets for own use

Property, plant and equipment are measured at acquisition cost less any accumulated depreciation and any impairment losses. The cost of property, plant and equipment built by the Group is determined following the same criteria as those used for acquired property, plant and equipment, considering also the principles established for the production cost of inventories. The capitalization of the production cost is recognized under Work performed by the Group and capitalized as non-current assets in the consolidated income statement.

The cost of property, plant and equipment includes the acquisition price less any trade discounts or rebates plus any cost directly related to its location on the place and under the conditions necessary for it to operate as expected by the Directors and, where appropriate, the initial estimate of dismantling or disposal costs, as well as the restoration of the land it is located on, provided that these obligations are assumed as a result of its use and for purposes other than the production of inventories

The Group records separately the items of a complex asset whose useful lives are different from the main asset's.

ii) Investment in rented premises

The Group recognizes permanent investments in properties leased from third parties following the same criteria as the ones used for property, plant and equipment items. These investments are depreciated over the shorter of the useful life of the asset or over the lease term. To this effect, the determination of the lease term is consistent with that established for its classification. In the event that the full-term execution of the lease agreement is uncertain, a provision is recorded for the estimated amount of the net carrying amount of irrecoverable investments. Likewise, the cost of these investments includes the estimated costs of dismantling and disposing of the assets and restoring the land they are located on that the Group shall pay at the end of the agreement; thus, a provision is recorded for the present value of the estimated cost that is expected to be incurred.

iii) Costs subsequently incurred

The Group recognizes as an increase in the cost of the assets, the replacement cost of an asset's items when incurred, provided that it is probable that additional future economic benefits will be obtained from the asset and that the cost can be measured reliably. Other costs, including repair and maintenance expenses on property, plant and equipment items are charged to the profit and loss account in the period incurred.

iv) Depreciation

Property, plant and equipment items are depreciated by allocating their depreciable amount, which is the acquisition cost less residual value, on a straight-line basis over their useful lives. Depreciation is determined separately for each portion of a property, plant and equipment item that has a significant cost in relation to the total cost of the item.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Land is not depreciated. The depreciation of property, plant and equipment items is determined as follows:

	<u>Estimated years of useful life</u>
Buildings	33-45
Plant and machinery	3-10
Other installations, equipment and furniture	3-10
Data processing equipment	2-5
Transport equipment	3-8
Other property, plant and equipment	4-10

At each year end, the Group reviews the residual value, useful life and depreciation method of property, plant and equipment items. Any changes to initially established criteria are accounted for as a change in accounting estimates.

v) Impairment

The Group measures and determines impairment losses on property, plant and equipment and any reversals thereof in accordance with the criteria described in note 3 (f).

d) Intangible assets

i) Goodwill

Goodwill is determined following the criteria indicated in note 3 (a)(i) Subsidiaries and business combinations.

Goodwill is not amortized but it is tested for impairment at least once a year, or more frequently if an event is identified that could give rise to a potential impairment loss on the asset. Goodwill arisen in business combinations is allocated to each cash-generating unit (CGU) or groups of CGUs that are expected to benefit from the synergies of the combination, applying the criteria outlined in section note 3(f). After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill arisen in business combinations prior to 1 January 2005 is shown at its net carrying amount as indicated in the financial statements for the year ended 31 December 2004, considering such carrying amount as an attributed cost.

Internally generated goodwill is not recognized as an asset.

ii) Internally generated intangible assets

Costs related to research activities are recognized as an expense when incurred. The costs related to development activities of certain products are capitalized to the extent that:

- The Group has technical studies available that support the feasibility of the production process;
- There is a commitment by the Group to complete the production of the asset so that it is available for sale;
- The asset will generate enough economic profit through future sales in the markets in which the Group operates;
- The Group has the technical and financial (or other) resources necessary to complete the asset and has developed budget control systems and analytical accounting systems to monitor budgeted costs, modifications made and costs actually incurred in the projects.

Notes to the consolidated financial statements

The cost of the assets generated internally by the Group is determined following the same criteria as for determining the production cost of inventories. The production cost is capitalized through the payment of the costs attributable to the asset in the Work performed by the Group and capitalized as non-current assets caption in the consolidated income statement.

Additionally, the costs incurred in the performance of activities that contribute to developing the value of the businesses in which the Group operates as a whole are recorded as expenses when incurred.

Also, replacements or subsequent costs incurred in intangible assets are generally recorded as expenses, unless they increase the future economic benefits expected from the assets.

iii) Intangible assets acquired in business combinations

Since 1 January 2005 identifiable intangible assets acquired in business combinations have been measured at fair value at acquisition date, provided that fair value can be determined reliably. Subsequent costs related to research and development projects are recorded following the criteria used for internally generated intangible assets.

Customer portfolios acquired mainly include the value of the relation existing between the corresponding company and their customers, which has arisen as a result of a contract and, therefore, are identified as intangible assets in accordance with a contractual and legal criterion. Additionally, the patents acquired include the value of the technologies for manufacturing certain products, and arose as a result of a contract. They have been measured at market value using generally accepted measurement methods based on discounted cash flows. Additionally, finite useful lives have been calculated based on historical evidence of the renewal of the continuing relation with these customers and based on the residual period for the right to use the patents, considering expected technical obsolescence.

iv) Other intangible assets

Other intangible assets are presented in the consolidated statement of financial position at cost, less any accumulated amortization and any impairment losses.

v) Useful life and amortisation

The Group assesses the intangible asset's useful life to be either finite or indefinite. An intangible asset is deemed to have an indefinite useful life when the period over which it will generate net cash inflows has no foreseeable limit.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment.

Intangible assets with finite useful lives are amortised by allocating the amortisable amount over their useful lives using the following criteria:

	Amortisation method	Estimated years of useful life
Development costs	Straight-line basis	3-15
Industrial property and patents	Straight-line basis	5-8
Computer software	Straight-line basis	3-5
Relations with customers	Declining-balance method	3-62
Other intangible assets	Declining-balance method / Straight-line basis	5-10

To this end, amortisable amount is understood as acquisition cost less residual value.

The Group reviews the residual value, useful life and amortisation method of intangible assets at the end of each reporting period. Changes to initially established criteria are accounted for as a change in accounting estimates.

vi) Impairment of assets

The Group measures and determines impairment losses on intangible assets and any reversals thereof in accordance with the criteria described in note 3 (f).

e) Investment property

Investment property is property fully or partially held for obtaining income, gains or both rather than for producing or providing goods or services. Investment property is initially measured at cost, including transaction costs.

Investment property is subsequently measured following the cost criteria established for property, plant and equipment. Depreciation methods and useful lives are presented in that section.

f) Impairment of non-financial assets

The Group assesses whether there are indications that depreciable or amortisable non-financial assets may be impaired, including entities accounted for using the equity method, in order to determine if the carrying amount of said assets exceeds their recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. The calculation of an asset's value in use reflects an estimate of the future cash flows expected to derive from the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows expected to derive from the asset.

Negative differences arisen as a result of comparing the carrying amounts of the assets with their recoverable amounts are recorded in profit or loss.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Impairment losses on cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit up to the highest of its fair value less costs to sell, its value in use and zero.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. Impairment losses on goodwill may not be reversed. Impairment losses on assets other than goodwill are reversed if, and only if, there has been a change in the estimates used to calculate the asset's recoverable amount.

Any reversals of impairment losses are charged to income. The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset.

The reversal of an impairment loss on a CGU is allocated between the assets of the unit, except for goodwill, pro rata on the basis of the carrying amount of the assets down to the lowest of their recoverable amount and carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset.

g) Leases

The Group has the right to use certain assets under lease agreements.

Leases in which the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset are classified as finance leases; all other leases are classified as operating leases.

i) Finance leases

At the commencement of the lease term, the Group recognizes an asset and liability at the lower of the fair value of the leased property and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Finance costs are recognized in the consolidated income statement using the effective interest rate method. Contingent rents are recognised as an expense when it is probable that they will be incurred.

The accounting policies applied to the assets used by the Group under lease agreements that qualify as finance leases are the same as those outlined in note 3 (c).

ii) Operating leases

Lease payments under an operating lease, net of incentives received, are recognized as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

h) Financial assets

IFRS 9 replaces the provisions of IAS 39 regarding the recognition, classification and measurement of financial assets and liabilities, financial asset impairment and hedge accounting.

Notes to the consolidated financial statements

(i) Classification and Measurement

From 1 January 2018 (date of initial application of IFRS 9), Group management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into IFRS 9 compliant categories. The main effects of this reclassification are as follows:

Financial assets	Note	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortised cost
Opening balance at 31 December 2017 - IAS 39				
Non-current financial assets	10	502	-	3,700
Non-current derivative financial instruments	11	-	-	-
Other non-current receivables	14	-	-	3,053
Trade and other receivables	14	-	-	159,975
Other current financial assets	10	-	-	4,138
Current derivative financial instruments	11	78	-	-
Cash and cash equivalents		-	-	64,756
Opening balance at 1 January 2018 - IFRS 9				
		580	-	235,622

(ii) Derivatives and hedge accounting

Interest rate and exchange rate swaps held at 31 December 2017 were classified as cash flow hedges under IFRS 9. The Group's risk management strategies and the documentation of hedges is in line with IFRS 9 requirements and therefore these relationships are treated as ongoing hedges.

(iii) Impairment of financial assets

The Group has the following types of financial assets which are subject to the new model of expected credit losses:

- Accounts receivable on sales of goods and finished products and on services rendered, and
- Other financial assets at amortized cost
- Cash and cash equivalents

The Group had to review its asset impairment methodology to bring it into line with IFRS 9 for each of these asset categories. The change in this methodology did not have a significant impact in its initial application.

(iv) Accounting standards applied since 1 January 2018

Since 1 January 2018, the Group has been classifying its financial assets in the following measurement categories:

- Those measured subsequently at fair value (through other comprehensive income or recognised in income), and
- Those measured at amortised cost.

The classification depends on the business model of the entity to manage the financial assets and contractual terms of the cash flows.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

For assets measured at fair value, profit and loss is recognised in income or other comprehensive income. For investments in equity instruments held for trading, it will depend on whether the Group has made an irrevocable choice upon initial recognition to recognise investments in equity at fair value through other comprehensive income.

The Group only reclassifies investments in debt when its business model for managing these assets changes.

Upon initial recognition, the Group measures a financial asset at fair value plus, in the case of a financial asset not recognised at fair value through income, the transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through income are taken to income.

Financial assets with embedded derivatives are recognised in full since their cash flows are deemed to comprise solely the payment of the principal and interest.

a) Debt instruments

The subsequent measurement of the debt instruments depends on the Group's asset management business model and the nature of the cash flow on the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets held for collection of contractual cash flows when these cash flows only represent payments of principal and interest are measured at amortised cost. Income on these financial assets is included in financial income according to the effective interest rate method. Losses arising as a result of disposals are expensed directly. Impairment losses and the value are recorded in separate income statement captions.
- **Fair value through other comprehensive income (FVOCI):** Assets held for collection of contractual cash flows and for the sale of financial assets, when these cash flows only represent payments of principal and interest, are measured at fair value through other comprehensive income. Changes in the carrying value are taken to other comprehensive income, except for recognition of impairment gains and losses, ordinary interest income and exchange gains or losses, which are recognised in the income statement. When financial assets are written off, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to income and recognised in other gains/(losses). Income on these financial assets are included in financial income according to the effective interest rate method. Exchange gains and losses are taken to other gains/(losses) and impairment expenses are recorded in a separate income statement caption.
- **Fair value through other income (FVOI):** Assets that do not meet the criteria for recognition at amortised cost or fair value through other comprehensive income are recognised at fair value through income. A gain or loss in a debt investment subsequently recognised at fair value through income is recognised as net within other gains/(losses) in the years in which it arises.

b) Equity instruments

The Group subsequently measures all equity investments at fair value. When Group management has opted to record gains and losses in the fair value of equity investments in other comprehensive income, there is no subsequent reclassification of the gains and losses in fair value through income following the disposal in investment accounts. Dividends on these investments continue to be recognised in income for the year with other income when the Group's distribution entitlement is established.

Changes in the fair value of financial assets at fair value through income are recognised in other gains/(losses) in the income statement where applicable. Impairment losses (and reversals of impairment losses) in equity investments measured at fair value through other comprehensive income are not recognised separately to other changes in fair value.

c) Derivatives and hedging activities

Cash flow hedges that qualify for hedge accounting.

Notes to the consolidated financial statements

The effective part of the gain or loss on the hedging instrument classed as a cash flow hedge is recognised in the cash flow hedge reserve in equity. Gains or losses relating to the ineffective part are taken straight to income, under other income/(expenses).

The amounts accumulated in net equity are reclassified in the years in which the hedged item affects income for the year, as follows:

- When the hedged item subsequently leads to the recognition of a non-financial asset (such as inventories), the deferred hedging gains and losses are included in the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss for the year when the hedged item affects net income (e.g. through the cost of sales).
- Gains or losses corresponding to the effective part of interest rate swaps hedging variable rate loans is recognised in the income statement under “financial expenses” at the same time as the interest expense on the hedged loans.

When a hedging instrument expires, is sold or ends, or when a hedge no longer meets the hedge accounting criteria, any accumulated deferred gain or loss and the deferred costs of the hedge in equity at that time remain in equity until the planned transaction occurs, resulting in the recognition of a non-financial asset, such as inventories. When the planned transaction is no longer expected to happen, the accumulated gain or loss and the deferred hedging costs that were recognised in equity are reclassified straight away to profit and loss.

d) Impairment

The Group evaluates the expected credit losses associated with the debt instruments recognised at amortised cost on a prospective basis and at fair cost through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in the credit risk.

For trade receivables, the Group applies the simplified approach under IFRS 9, which requires that losses expected over the life of the item are recognised from the initial recognition of the account receivable.

To measure the expected credit losses the insolvency risk matrix has been calculated in order to obtain the historical impairment rate of the trade debtor portfolio. This historical impairment rate has been corrected based on the budgeted future collection periods in order to obtain the expected credit losses.

i) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified at the date of their initial recognition, where applicable, as financial liabilities at fair value through profit and loss, bank borrowings, accounts payable or derivatives designated as hedging instruments in an effective hedge.

All financial liabilities are initially recognised at fair value and directly attributable transaction costs on bank borrowings and accounts payable are netted.

Group financial liabilities include trade and other payables, bank borrowings, including current account overdrafts, financial guarantee contracts and derivative financial instruments.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as follows:

(iii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated in their initial recognition at fair value through profit and loss.

Notes to the consolidated financial statements

Financial liabilities are classified as held for trading if their purpose is to be repurchased in the short term. This category includes derivative financial instruments contracted by the Group which have not been designated as hedging instruments in the hedging relationships. Embedded derivatives that have been separated are also classified as held for trading, unless designated as effective hedging instruments.

Gains and losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated in the initial recognition at fair value through profit and loss are only designated at the initial recognition date if they meet the criteria established in IFRS 9. The Group has not designated any financial liabilities at fair value through profit or loss.

(iv) Bank borrowings

This is the most significant financial liability category for the Group. After initial recognition, bank borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as the interest accrued using the effective interest rate method.

Amortised cost is calculated taking into account any acquisition premium or discount and the instalments and costs that are an integral part of the effective interest method. Interest accrued in accordance with this effective interest rate method is included in "Financial expenses" in the income statement.

This category generally applies to bank borrowings with interest.

(v) Derecognition

A liability is derecognised when the obligation is discharged, cancelled or expires.

When an existing financial liability is replaced with another from the same lender with substantially different conditions, or when the conditions of an existing liability are modified significantly, this exchange or modification is treated like a derecognition of the original liability and the new obligation is recognised. The difference in the respective carrying amounts is recognised in the income statement.

j) Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, such as interest incorporated into the nominal amount, and any additional costs incurred to bring the goods to a saleable condition, other costs directly attributable to the acquisition, as well as borrowing costs and indirect taxes not recoverable from the Spanish taxation authorities.

Trade discounts granted by suppliers are recognized as a cost reduction of the acquired inventories as soon as it is probable that the necessary conditions for the discounts to qualify as such will be met, and the excess amount, if any, is recognized as a reduction in consumption in the consolidated income statement.

The production cost of inventories includes the acquisition cost of raw materials and other consumables and the costs directly related to the units produced and a systematically calculated portion of either the variable or fixed indirect costs incurred during the transformation process. Indirect fixed costs are distributed based on whichever is higher: normal working conditions for the means of production, or production output.

The cost of raw materials, other supplies, goods, and conversion are assigned to the different cash-generating units in stock, based on the average weighted price method.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The Group uses the same cost formula for all inventories having the same nature and similar use within the Group.

When the cost of inventories exceeds net realizable value, an adjustment is made to profit and loss. Net realizable value is understood to be:

- Raw materials and other consumables: replacement cost. However, the Group does not make any adjustments if the finished products in which the raw materials are incorporated are expected to be sold at a price equivalent to their production cost or higher;
- Goods and finished products: estimated selling price less costs to sell;
- Work in progress: the estimated selling price of the related finished goods, less the estimated costs to complete production and the costs necessary to make the sale;

The previously recognized reduction in value is reversed against profit or loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances. The reversal of the reduction in value is limited to the lower of the cost and the revised net realizable value of the inventories.

k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and demand deposits at banks. This caption also includes other short-term highly-liquid investments readily convertible into specific amounts of cash that do not mature beyond three months.

For the purpose of the cash flow statement, demand bank overdrafts that are part of the Group's cash management and that are recorded in the consolidated statement of financial position as bank borrowings under financial liabilities are included as cash and cash equivalents.

The Group classifies the cash flows from interest received and paid as operating activities, except for the interest received on loans granted for reasons other than the Group's ordinary activity. Dividends received from associates are classified as investing activities and dividends paid by the Company, as financing activities.

l) Own equity instruments

The acquisition by the Group of equity instruments of the Company is presented separately at acquisition cost as a decrease in consolidated shareholders' equity in the consolidated statement of financial position. In the transactions entered into with own equity instruments no profit or loss is recognized in the consolidated income statement.

Transaction costs related to own equity instruments, including issue costs related to a business combination, are recorded as a decrease in reserves, net of any tax effect.

Subsequent repayment of the parent's equity instruments gives rise to a capital reduction for the amount of those shares, and the positive or negative difference between acquisition cost and the nominal amount of the shares is charged or credited to reserve accounts for retained earnings.

Dividends related to equity instruments are recorded as a reduction in consolidated equity when they are approved by the shareholders in general meeting.

m) Government grants

Grants awarded by public administrations are recorded when there is reasonable assurance that the conditions associated with their awarding will be met and they will be received.

i) Capital grants

Capital grants awarded as monetary assets are recorded with a credit to the "Government grants" caption of the consolidated statement of financial position, and are recorded in the "Other income" caption as the corresponding financed assets are depreciated or amortized.

ii) Operating grants

Operating grants are recorded as a reduction in the expenses they finance.

Grants received as compensation for expenses or losses incurred, or in order to provide immediate financial support not related to future expenses, are recorded with a credit to other income accounts.

iii) Interest rate grants

Financial liabilities comprising implicit assistance in the form of below-market interest rates are initially recognized at fair value. The difference between this value, adjusted where necessary for the issue costs of the financial liability and the amount received, is recognized as a government grant based on the nature of the grant awarded.

n) Employee benefits

i) Termination benefits

Termination benefits are recognized at the earlier of the date from which the Group can no longer withdraw its offer and that on which it recognizes the costs of a restructuring effort that will entail the payment of termination benefits.

In respect of termination benefits as a result of the employees' decision to accept a voluntary redundancy offer, the Group is deemed unable to withdraw its offer at the earlier of the date on which the employees accept the offer and the date of effectiveness of some form of restriction on the Group's ability to withdraw the offer.

In respect of involuntary termination, the Group is deemed unable to withdraw its offer when it has communicated the plan to the affected employees or their union representatives and the actions needed to complete the plan suggest that it is unlikely that there will be significant changes in the plan; the plan identifies the number of employees whose services are to be terminated, their job classification of function, their location and their expected termination date; and the termination benefits to be received by the laid-off employees have been established in sufficient detail to enable them to determine the type and amount of remuneration they will receive upon termination.

If the Group expects to fully settle the termination benefits within twelve months after year end, the liability is discounted using the market returns for issues of high-rated bonds.

ii) Termination benefits linked to restructuring processes

Termination benefits related to restructuring processes are recognized when the Group has a constructive obligation, i.e., when there is a detailed formal plan for such process identifying at a minimum the business (or parts of the business) concerned, the main locations affected, the function and approximate number of employees who will be compensated for termination of their services, the termination benefits to be paid, and the plan's implementation timing, and a valid expectation has been raised among those affected that the restructuring will be carried out either because the plan has started to be implemented or because the main features of the plan have been announced to those affected by it.

iii) Other long-term employee benefits

The Group has assumed payment to its employees of the obligations derived from the collective agreements to which certain Spain group companies are adhered, whereby the employees adhered to them with at least 25 or 40 years of service in the company shall receive 45 or 75 days, respectively, of

Notes to the consolidated financial statements

the last fixed salary. The Group has recorded the estimated liability for this commitment in the "Provisions" caption of the consolidated statement of financial position.

Additionally, in accordance with prevailing regulations in the corresponding country, certain foreign group companies have commitments to their employees for retirement bonuses, recording the estimated liability in the above-mentioned caption, whereby upon retirement employees will receive an amount accrued over their working lives at the company based on an annual amount accrued derived from applying a ratio over the overall annual remuneration of the employee, with the liability recorded at the beginning of the year subject to the increase in the cost of living. Some of these commitments are financed through the payment of insurance premiums.

The liability for long-term employee benefits recorded in the consolidated statement of financial position corresponds to the present value of the obligations assumed at year end.

In the case of externalized commitments the liability for long-term employee benefits recorded in the consolidated statement of financial position corresponds to the present value of the defined benefit obligations existing at year end less the fair value of the plan assets at that date.

The Group recognizes as an expense or income accrued for long-term employee benefits the net amount of the service cost for the year, the net cost of interest and the recalculation of the measurement of the net liability for long-term benefits, as well as the one related to any reimbursement and the effect of any reduction or settlement of the commitments acquired.

The present value of the obligations existing at year end and the service cost is calculated periodically by independent actuaries using the projected unit credit method. The discount interest rate is determined based on the market interest rates for issues of high-rated bonds, denominated in the currency in which the benefits will be paid and with maturity periods similar to those for the corresponding benefits.

The reimbursement rights to some or all payment obligations for defined benefits are only recognized when collection is virtually certain.

The asset or liability for defined employee benefits is recorded as current or non-current based on the realization or maturity period of the corresponding benefits.

iv) Short-term employee benefits

The Group recognizes the expected cost of short-term employee benefits as paid leave, the right to which accumulates from period to period, as employees render the services that vest the right to this remuneration. If paid leave is not cumulative, the cost is recognized as the leave is taken.

The Group recognizes the expected cost of share in profit or employee bonus plans when it has a legal or constructive present obligation as a result of past events and a reliable estimate of the obligation can be made.

o) Provisions

Provisions are recognized when the Group has a present obligation (legal or implicit) as a result of a past event; it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount of the obligation can be reliably estimated.

The amount recognized as a provision in the consolidated statement of financial position is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognized as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The financial effect of the provisions is recorded as a finance cost in profit or loss. The provisions do not include the tax effect, nor the disposals or abandonment of assets.

Notes to the consolidated financial statements

The provision is reversed if it is less probable than not that an outflow of resources will be required to settle the obligation. The provision is reversed against the profit or loss caption in which the corresponding expense was recorded, and the surplus, if any, is recognized in the "Other income" caption.

p) Share-based payment transactions

The Group recognizes the goods and services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. If the goods or services are received as part of an equity-settled share-based payment, it recognizes an increase in equity; if they are received as part of a cash-settled share-based payment, it recognizes a liability along with a balancing charge in profit or loss or an asset in the consolidated statement of financial position.

The delivery of equity instruments as consideration for the services performed by the employees of the Group or third parties providing similar services are measured by reference to the fair value of the equity instruments granted.

Employee benefits paid in the form of equity instruments are recognized by applying the following criteria:

- If the equity instruments granted vest immediately on the grant date, the services received are recognized with a charge to profit or loss, with a corresponding increase in equity;
- If the equity instruments granted vest when the employees complete a specified service period, those services are accounted for during the vesting period, with a credit to equity accounts.

The Group measures the fair value of the instruments granted to employees at the grant date.

Market-related vesting conditions and other non-determining vesting conditions are taken into account when measuring the fair value of the equity instruments granted. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognized for services received is based on the number of equity instruments that eventually vest. Consequently, the Group recognizes an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest, revising this estimate if the number of equity instruments expected to vest differs from previous estimates.

Once the services received and the corresponding increase in equity have been recognized, no additional adjustments to equity are made after the vesting date, without prejudice to making the corresponding reclassifications in equity.

q) Revenue from contracts with customers

The Group has adopted IFRS 15 Revenue from contracts with customers since 1 January 2018, which has entailed adapting certain accounting policies. The application of IFRS 15 did not have a significant impact on the Group's accounting policies and no adjustments have been required.

i) *Sale of goods*

Revenue from sale of goods is recognised when control of the goods is transferred to the customer. Delivery is complete when the products have been dispatched to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products as per the sales contract, the acceptance conditions have expired or the Group has objective evidence that all the acceptance criteria have been met.

A receivable is recognised when the goods are delivered since this is the point in time in which the consideration is unconditional, only requiring the passage of time in order for the right of payment to fall due.

When the customer is entitled to return the product within a specific period, the company is obliged to refund the acquisition cost. Ordinary income is adjusted by the expected value of the refunds and the cost of sales is adjusted by the value of the corresponding expected goods returns. Under IFRS15, a

Notes to the consolidated financial statements

refund liability is recognised for expected customer returns as an adjustment in ordinary income in trade and other payables. At the same time, the Group is entitled to recover the product from the customer when the customer exercised their right to return and recognise an asset and a corresponding adjustment in the cost of sales. The asset is measured by reference to the former carrying amount of the product.

ii) Services rendered

Income from services is recognised in the year in which they are rendered. In the case of fixed-price contracts, revenue is recognised on the basis of the actual service rendered until the end of the reporting period, as a percentage of the total services to be rendered. This is determined on the basis of the total actual costs incurred in relation to the total expected costs.

Some contracts include multiple deliverables, such as installation services. However, installation is simple, does not entail an integration service and could be carried out by a third party. Therefore, it is recognised as a separate execution obligation. In this case, the transaction price will be allocated to each execution obligation based on the separate sale prices. When these are not directly discernible, they are estimated based on the expected cost plus margin.

If the circumstances change, the estimated revenue, costs and degree of completion is reviewed. Any resulting increase or decrease in revenue or estimated costs is reflected in profit and loss for the year in which management becomes aware of the circumstances calling for the review.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If payments exceed the services rendered, a contract liability is recorded.

iii) Financial components

The Group does not expect to have any contracts in which the period between the transfer of goods and services promised to the customer and the payment received exceeds one year. Therefore, the Group does not adjust any of the transaction prices on account of the time value of money.

iv) Dividend income

Income from dividends on investments in financial instruments is recognized in profit or loss when the Group's right to receive payment is established.

r) Income tax

Tax expense (income) comprises current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of consolidated taxable profit (tax loss) for the year. Current tax liabilities and assets are measured at the amount expected to be paid or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences while deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. Temporary differences are defined as differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Current and deferred tax is recognized in profit or loss, except to the extent that the tax arises from: (i) a transaction or event which is recognized, in the same or a different period, outside profit or loss, directly in consolidated equity; or (ii) a business combination.

Tax credits on the income tax granted by public administrations as a decrease on the amount payable for this tax are recognized as a decrease in the income tax expense when there is reasonable assurance that the conditions related to the right to deduction will be met.

Notes to the consolidated financial statements

In certain territories, the Group has availed itself of the consolidated tax regime, as mentioned in note 29.

i) Recognition of taxable temporary differences

A deferred tax liability is recognized for all taxable temporary differences, except:

- to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss);
- to the extent that the deferred tax liability relates to taxable temporary differences associated with investments in subsidiaries or joint ventures where the Group has the capacity to control the date of reversal and it is not probable that reversal will happen in the foreseeable future.

ii) Recognition of deductible temporary differences

Deferred tax assets are recognized provided that:

- it is probable that sufficient future taxable profit will be available against which they can be utilized, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss);
- they relate to deductible temporary differences associated with investments in subsidiaries or joint ventures to the extent that temporary differences will be reversed in the foreseeable future and future taxable profit will be available to offset the differences;

Tax planning opportunities are only considered for the purpose of assessing the recoverability of deferred tax assets if the Group intends to use them or it is probable that it will use them.

iii) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and factoring in the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

The Group reviews the carrying amounts of its deferred tax assets at the end of each reporting period with a view to reducing these carrying amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow part or all of the assets to be utilized.

Deferred tax assets that do not satisfy the above conditions are not recognized in the consolidated statement of financial position. At the end of each reporting period, the Group reassesses unrecognized deferred tax assets to determine whether the recognition criteria have been met.

iv) Offsetting and classification

The Group only offsets current tax assets and current tax liabilities if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right, when they relate to income taxes levied by the same taxation authority and on the same taxable entity and when the taxation authority permits the Group to make or receive a single net payment, or to recover the assets and settle the liabilities simultaneously in each future year in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

s) Offsetting of assets and liabilities, income and expenses

Assets and liabilities and income and expenses are not offset, unless offsetting is required or allowed by a Standard or Interpretation.

t) Classification of current and non-current assets and liabilities

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. For these purposes, assets and liabilities are classified as current in accordance with the following criteria:

- Assets are classified as current when they are expected to be realized or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for trading, they are expected to be realized within twelve months from the reporting date, or are cash or cash equivalents, unless they are restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting period, or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.
- Financial liabilities are classified as current liabilities when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue.
- Deferred tax assets and deferred tax liabilities are recognized in the consolidated statement of financial position as non-current assets and non-current liabilities, irrespective of the expected date of recovery or settlement.

u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment, assess its performance, and for which discrete financial information is available.

v) Environment

The Group carries out activities whose primary purpose is to prevent, reduce or repair damages caused to the environment from its operations.

Expenses incurred for environmental activities are recognized under "Other operating expenses" during the year in which they are incurred.

Property, plant and equipment acquired by the Group for long-term use to minimize the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognized as assets applying the measurement, presentation and disclosure criteria described in section (c) above.

Where appropriate, the Group records provisions for environmental activities when such expenses are known in the same year or previous year, and when the related concepts are clearly specified. These provisions are recorded based on the criteria indicated in section (o) Provisions of this note. Compensation to be received by the Group in connection with environmental obligations is recognized as an amount receivable in assets on the consolidated statement of financial position, provided that there is no doubt as to whether this compensation will actually be received, and that it does not exceed the amount of the recorded obligation.

4. **Segment information**

As a result of the merger with the Zodiac Group, the Group's structure and segments have altered in 2018.

The Fluidra Group's new organisational structure following the merger is organized into three divisions, two of them covering a geographical approach, which manage the Group's sales and distribution activity, and the third one, which comprises the manufacture and logistics chain for the whole Group. A manager is assigned to each division and they must report directly to the Management Advisory Committee, maintaining regularly contact to deal with operations, operating results and financial profit/(loss), forecasts and plans for each segment. The Management Advisory Committee monitors financial information based on the following division structure.

The Sales Divisions are ESA and North America.

The ESA segment (Europe, Southern Hemisphere & Asia) relates to Europe, Africa, Asia, Australia and South America, including mature markets showing more modest growth and a larger market share where the strategy is to improve profitability through operating leverage driven by the merger with the Zodiac Group and also other emerging markets with higher growth expectations and a greater focus on public pools and the construction of new pools.

The North America segment relates to markets in the USA and Canada and the focus is on increasing market share in the largest global pool market, taking advantage of growth in the smart pool market, customer loyalty and a wider range of products.

Lastly, the Operations Division, which is mainly located in Spain, France, China and Mexico, focuses on increasing cost efficiency through the rationalization of production plant structure, improving quality, demand planning and the optimization of industrial assets.

This organizational structure affects the identification of the cash generating units (CGUs) of the Group (note 7) and the segment information.

In addition to the three segments mentioned above, the holding, real estate and/or services companies (where there are no operational or sales activities and which do not generate significant revenue to third parties) are included in the Shared Services caption. This breakdown is provided for the purposes of reconciling the segment information in the total consolidated figures in the financial statements, as it does not constitute an operating segment under IFRS 8.

The inter-segment selling prices are established based on standard terms and conditions available to unrelated third parties.

The difference between the sum of the items of the different business segments and the total thereof in the consolidated income statement corresponds to the "Shared services" caption and to the intra-segment consolidation adjustments, basically the sales between the Operations division and the Sales divisions, and their corresponding margin adjustment in inventories, as well as other adjustments derived from the business combinations and consolidation.

The Management Advisory Committee uses EBITDA (see note 35) to measure the segment results. Amortization and depreciation and impairment losses are linked to the assets directly allocated to the segment activity, excluding the impact of allocating the acquisition price of business combinations and investment portfolio provisions. Net financial profit/(loss) and income tax expense are not allocated by segment, as these activities are dealt with by the Group's central departments.

Furthermore, in 2017 and 2018 discontinued operations have not been allocated to any segment, since the operations have not been managed by the Management of the respective segment.

Notes to the consolidated financial statements

Intangible assets, deferred taxes, goodwill and financial assets and liabilities are not allocated by segment, as they are dealt with at Group level. Each segment manages non-current property, plant and equipment and working capital (NWC), as defined in Appendix II.

A breakdown of the Group's segment information for 2018 and 2017 is shown in Appendix II and Appendix III to these consolidated financial statements, in which the 2017 comparative information has been restated in accordance with the new segment structure described in this note.

5. Business combinations and sales of group companies

The breakdown of transactions resulting in a business combination in 2018 and 2017 is as follows:

2018

On 2 July 2018, the Fluidra Group and the Zodiac Group combined their businesses by means of a cross-border takeover merger by Fluidra, S.A. (absorbing company) of Piscine Luxembourg Holdings 2 S.à.r.l. (absorbed company) with the termination by dissolution without liquidation of the absorbed company and transfer en bloc of all its equity to the absorbing company, which acquires, by universal succession, the entire equity and rights and obligations of the absorbed company, in the terms and conditions set forth in the joint merger project (see note 15).

For accounting purposes, this merger has been treated like a direct acquisition, wherein Fluidra, S.A. is considered the acquiring entity and the assets and liabilities of Piscine Luxembourg Holdings 2 S.à.r.l. have been measured at fair value, as the acquired entity (in accordance with IFRS 3 (amended) Business Combinations).

Due to qualified majorities in the shareholder agreements, as well as the balance of the new Board of Directors, neither of the two parties -the main shareholder, Rhône Capital L.L.C., or the majority shareholders of Fluidra prior to the merger (Boyser, S.R.L., Dispur, S.L., Piumoc Inversions, S.A.U., and Edrem, S.L.)- have de facto control of the merged entity.

Due to this, and since IFRS 3 requires that an accounting acquirer be specified and the merger does not constitute a joint agreement in accordance with IFRS 11, Fluidra, S.A. has been identified as the accounting acquirer. This conclusion is based on the distribution of the voting rights (the pre-merger shareholders of Fluidra receive 57.6% of the voting rights) and on the fact that the relative size of Fluidra prior to the merger is larger than the Zodiac Group, based on the exchange equation and other financial indicators. Furthermore, no reason has been found to indicate otherwise.

During the period comprised between the date of acquisition and 31 December 2018, the acquired business generated consolidated total sales of goods and finished products amounting to Euros 238,367 thousand and a loss of 44,856 thousand, respectively.

If the acquisition had occurred on 1 January 2018, the Group's sales of goods and finished products would have increased by Euros 286,014 thousand and consolidated profit after tax would have increased by Euros 54,841 thousand.

Due to commercial and management synergies, this acquisition has been distributed among the different CGUs determined following the merger (see note 7).

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The breakdown of the consideration paid, of the fair value of the net assets acquired and goodwill for the business combinations carried out during the twelve-month period ended 31 December 2018 is as follows:

	Thousands of euros
Consideration paid	
Shares transferred	1,138,760
Contingent consideration	-
Total consideration paid	<u>1,138,760</u>
 Fair value of net assets acquired	 <u>222,303</u>
Goodwill	<u>916,457</u>

The value of the shares transferred is determined by the quoted price of Fluidra, S.A. on 29 June 2018 (Euros 13.72 per share). On 3 November 2017 the quoted price was Euros 8.87 per share.

The intangible assets that have not been recorded separately from goodwill and have therefore been included in it since they do not meet the separability criterion required by IFRS-EU mainly relate to distribution networks, work force and synergies of the acquired business. The goodwill on this acquisition is not expected to be deductible for tax purposes.

The accounting of this business combination is definitive.

The most significant differences that have arisen between the carrying amounts of the businesses acquired during the year and their fair values correspond to: customer relationships, trademarks, patents, inventory revaluation, tax loss carryforwards and expenses relating to the Zodiac Group's previous financing.

The fair values of the customer relationships, trademarks and patents are based on measurements made by an independent expert using the MEEM methodology (multi-period excess earning method) and the royalty relief method. The key assumptions used are based on the strategic plans approved by Management.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The amounts recorded in the consolidated statement of financial position at the date of acquisition of the assets, liabilities and contingent liabilities of the businesses acquired (Zodiac Group) during the twelve-month period ended 31 December 2018, by significant categories, are as follows:

	Thousands of euros
	Fair value
Property, plant and equipment	22,323
Goodwill	2,898
Other intangible assets	772,079
Other non-current financial assets	760
Non-current derivative financial instruments	485
Deferred tax assets	69,429
Inventories	110,384
Trade and other receivables	131,913
Other current financial assets	33
Cash and cash equivalents	34,558
Total assets	1,144,862
Bank borrowings and other marketable securities - non-current	563,627
Deferred tax liabilities	193,049
Non-current provisions	7,804
Other non-current liabilities	835
Bank borrowings and other marketable securities - current	12,621
Trade and other payables	128,757
Current provisions	15,866
Total liabilities and contingent liabilities	922,559
Total net assets	222,303
Total net assets acquired	222,303
Shares transferred	1,138,760
Cash and cash equivalents acquired	34,558
Cash paid for the acquisitions	(34,558)

In the twelve-month period ended 31 December 2018, cash has been disbursed in connection with the acquisitions of subsidiaries and non-controlling interests for an amount of Euros 9,494 thousand (Euros 17,570 thousand during the same period ended 31 December 2017).

During 2018, Euros 124 thousand have been received corresponding to deferred collections on the sale of the company Accent Graphic, S.L.U. (Euros 186 thousand in 2017).

2017

On 5 April 2017, the Group acquired the French company Poolweb, SAS, which distributes spare parts for swimming pools and spas for sale online. A total amount of Euros 46 million was paid for that acquisition.

During the period comprised between the date of acquisition and 31 December 2017, the acquired business has generated consolidated total sales of goods and finished products amounting to Euros 4,261 thousand and consolidated total profit after tax amounting to Euros 313 thousand.

If the acquisition had occurred on 1 January 2017, the Group's sales of goods and finished products would have increased by Euros 1,397 thousand and consolidated profit after tax would have increased by Euros 2 thousand.

Due to commercial and management synergies, this acquisition was integrated into the Europe CGU.

On 6 July 2017, the Group acquired a 90% interest in Italian company Agrisilos, S.R.L.

Agrisilos, S.R.L. manufactures and markets high-end designer above-ground pools under the Laghetto brand. This acquisition completed the Group's above-ground pool range.

The acquisition of this business meant the acquisition of its trademark, property, plant and equipment, distribution licenses, inventories, employees and the other assets and liabilities related to this activity.

An initial amount of Euros 1,800 thousand was paid for this acquisition and contingent amounts were established mainly subject to the results that the acquired business obtains during 2017 and 2018. The Group recognised an amount of Euros 995 thousand related to this contingent consideration at the date of acquisition. The Group estimated the fair value of this consideration weighing the potential outcomes based on the probabilities estimated for each one. The agreement does not stipulate a maximum amount payable.

As a result of this acquisition, the Group has a purchase commitment for the remaining 10% which must be executed in June 2020 and the price of which is largely subject to 2017, 2018 and 2019 sales and profits recorded by the business acquired. At acquisition date, the Group recorded a non-current liability for the present amount of the price of said put option amounting to Euros 414 thousand, and no non-controlling interest has been recognized.

During 2018, the terms of the contingent liability and the 10% purchase commitment were renegotiated, extending the calculations in both cases by one year.

During the period comprised between the date of acquisition and 31 December 2017, the acquired business has generated consolidated total sales of goods and finished products amounting to Euros 2,605 thousand and consolidated total profit after tax amounting to Euros 229 thousand.

If the acquisition had occurred on 1 January 2017, the Group's sales of goods and finished products would have increased by Euros 5,616 thousand and consolidated profit after tax would have increased by Euros 2 thousand.

Due to commercial and management synergies, this acquisition was integrated into the Europe CGU.

On 27 July 2017, the Group acquired an 80% interest in Belgian company Riit Labs NV/SA.

Riit Labs NV/SA is a start-up which created the "Blue by Riit" smart device, an innovative remote-control technology for pool maintenance.

The acquisition of this business meant the acquisition of its patents, property, plant and equipment, distribution licenses, inventories, employees and the other assets and liabilities related to this activity.

An initial amount of Euros 3,341 thousand was paid for this acquisition and contingent amounts were established mainly subject to the sales of the acquired businesses up to 31 December 2020. The Group recognised an updated amount of Euros 993 thousand related to this contingent consideration at the date of acquisition. The Group estimated the fair value of this consideration weighing the potential outcomes based on the probabilities estimated for each one. The agreement establishes a maximum and minimum limit for this contingent consideration of Euros 2,400 thousand and Euros 1,200 thousand, respectively.

As a result of this acquisition, the Group granted a call option to the minority shareholder for the remaining 20%, which can be executed by third parties from 1 January 2021 to 1 January 2023. In turn, the minority shareholder granted a call option to the Group that can be exercised at any time. The price of this option is largely subject to the sales and profits recorded by the business acquired in the years ended before the option is executed. At acquisition date, the Group recorded a non-current liability for the present amount of the price of said put option amounting to Euros 1,014 thousand, and no non-controlling interest has been recognized.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

During the period comprised between the date of acquisition and 31 December 2017, the acquired business did not generate consolidated total sales of goods and finished products and generated total loss after tax of Euros 314 thousand.

If the acquisition had occurred on 1 January 2017, the Group's sales of goods and finished products would have increased by Euros 589 thousand and consolidated profit after tax would have been reduced by Euros 44 thousand.

Due to commercial and management synergies, this acquisition was integrated into the Operations CGU.

The breakdown of the consideration paid, of the fair value of the net assets acquired and goodwill for the business combinations carried out during the twelve-month period ended 31 December 2017 is as follows:

	Thousands of euros
Consideration paid	
Cash paid	5,187
Contingent consideration	<u>3,416</u>
Total consideration paid	<u>8,603</u>
Fair value of net assets acquired	<u>2,481</u>
Goodwill	<u><u>6,122</u></u>

The intangible assets that were not recorded separately from goodwill and were therefore included in it since they do not meet the separability criterion required by IFRS-EU mainly relate to distribution networks, work force and synergies of the acquired business.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The amounts that were recorded in the consolidated statement of financial position at the date of acquisition of the assets, liabilities and contingent liabilities of the businesses acquired during the twelve-month period ended 31 December 2017, by significant categories, are as follows:

	Thousands of euros
	Fair value
Property, plant and equipment	597
Other intangible assets	4,997
Other non-current financial assets	41
Other non-current receivables	281
Deferred tax assets	437
Inventories	4,581
Trade and other receivables	3,273
Other current financial assets	9
Cash and cash equivalents	1,900
Total assets	16,116
Bank borrowings	2,830
Deferred tax liabilities	1,189
Non-current provisions	1,054
Government grants	25
Other non-current liabilities	2,168
Trade and other payables	6,277
Current provisions	92
Total liabilities and contingent liabilities	13,635
Total net assets	2,481
Total net assets acquired	2,481
Paid in cash	5,187
Cash and cash equivalents acquired	1,900
Cash paid for the acquisitions	3,287

Following Fluidra's strategy to divest in non-essential activities in order to focus on the Group's core business, on 28 March 2017 the company Aplicaciones Técnicas Hidráulicas, S.L.U. was sold for an amount of Euros 10,476 thousand.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The breakdown of the sale of the abovementioned company during the twelve-month period ended 31 December 2017 was as follows:

	Thousands of euros
Amount received in cash	7,609
Deferred collections	<u>2,867</u>
Total	<u>10,476</u>
Total net assets sold	<u>9,029</u>
Profit from the Sale	<u>1,447</u>

The amounts that were derecognized in the consolidated statement of financial position at the date of disposal of the assets, liabilities and contingent liabilities of the businesses sold during the twelve-month period ended 31 December 2017, by significant categories, are as follows:

	Thousands of euros
Property, plant and equipment	66
Other intangible assets	12
Goodwill	3,113
Other non-current financial assets	50
Deferred tax assets	12
Inventories	3,604
Trade and other receivables	10,940
Cash and cash equivalents	<u>294</u>
Total assets	18,091
Bank borrowings	5,792
Trade and other payables	<u>3,270</u>
Total liabilities and contingent liabilities	9,062
Total net assets	<u>9,029</u>
Total net assets sold	<u>9,029</u>
Amount received in cash	7,609
Cash and cash equivalents sold	<u>294</u>
Net cash from the sale	<u>7,315</u>

As a result of deferred collections on the sale of Aplicaciones Técnicas Hidráulicas, S.L.U., Euros 2,867 thousand was also collected.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

6. Property, plant and equipment

The movements in the Property, plant and equipment accounts during 2018 and 2017 are as follows:

	Thousands of euros								
	Balances at 31/12/2017	Business combinations (note 5)	Additions	Disposals	Impairme nt	Transfers	Transfers to discontinued operations (note 12)	Translation differences	Balances at 31/12/2018
Cost									
Land and buildings	70,724	5,541	321	(3,056)	(914)	18	(2,439)	32	70,227
Plant and machinery	134,835	2,224	8,179	(3,549)	(563)	1,263	(1,780)	(1,055)	139,554
Other installations, tools and furniture	136,231	8,791	5,989	(2,542)	(503)	1,201	(4,782)	(583)	143,802
Other PP&E	26,400	971	2,308	(1,785)	(9)	(323)	(736)	(363)	26,463
Property, plant and equipment under construction	2,550	4,796	9,610	(98)	(14)	(4,371)	-	227	12,700
	<u>370,740</u>	<u>22,323</u>	<u>26,407</u>	<u>(11,030)</u>	<u>(2,003)</u>	<u>(2,212)</u>	<u>(9,737)</u>	<u>(1,742)</u>	<u>392,746</u>
Accumulated amortisation									
Buildings	(33,079)	-	(1,688)	840	-	-	949	15	(32,963)
Plant and machinery	(104,925)	-	(6,899)	3,011	-	-	1,021	692	(107,100)
Other installations, tools and furniture	(112,888)	-	(8,072)	2,691	-	-	2,561	582	(115,126)
Other PP&E	(21,342)	-	(2,326)	1,609	-	-	491	233	(21,335)
	<u>(272,234)</u>	<u>-</u>	<u>(18,985)</u>	<u>8,151</u>	<u>-</u>	<u>-</u>	<u>5,022</u>	<u>1,522</u>	<u>(276,524)</u>
Net carrying amount	<u>98,506</u>	<u>22,323</u>	<u>7,422</u>	<u>(2,879)</u>	<u>(2,003)</u>	<u>(2,212)</u>	<u>(4,715)</u>	<u>(220)</u>	<u>116,222</u>

	Thousands of Euros							
	Balances at 31/12/2016	Business combinations (note 5)	Additions	Disposals	Impairment	Transfers	Exchange gains (losses)	Balances at 31/12/2017
Cost								
Land and buildings	74,883	-	102	(1,604)	-	(2,398)	(259)	70,724
Plant and machinery	136,313	1,456	8,392	(9,990)	-	331	(1,667)	134,835
Other installations, tools and furniture	132,582	1,560	3,753	(1,428)	-	796	(1,032)	136,231
Other PP&E	25,047	427	2,700	(1,229)	-	63	(608)	26,400
Property, plant and equipment under construction	1,157	1	2,967	(1)	-	(1,549)	(25)	2,550
	<u>369,982</u>	<u>3,444</u>	<u>17,914</u>	<u>(14,252)</u>	<u>-</u>	<u>(2,757)</u>	<u>(3,591)</u>	<u>370,740</u>
Accumulated amortisation								
Buildings	(32,461)	-	(1,872)	410	-	791	53	(33,079)
Plant and machinery	(108,240)	(1,342)	(6,661)	9,913	-	393	1,012	(104,925)
Other installations, tools and furniture	(107,548)	(1,246)	(5,808)	1,132	-	(45)	627	(112,888)
Other PP&E	(20,444)	(259)	(2,114)	1,112	-	(121)	484	(21,342)
	<u>(268,693)</u>	<u>(2,847)</u>	<u>(16,455)</u>	<u>12,567</u>	<u>-</u>	<u>1,018</u>	<u>2,176</u>	<u>(272,234)</u>
Net carrying amount	<u>101,289</u>	<u>597</u>	<u>1,459</u>	<u>(1,685)</u>	<u>-</u>	<u>(1,739)</u>	<u>(1,415)</u>	<u>98,506</u>

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

a) Property, plant and equipment pledged as guarantees

At 31 December 2018 and 2017 no property, plant and equipment items are mortgaged.

Additionally, at 31 December 2018 and 2017 no property, plant and equipment items have been pledged as guarantees.

b) Insurance

The consolidated Group has taken out insurance policies to cover the risks to which its property, plant and equipment items are exposed. The coverage of these policies is considered sufficient.

c) Goods acquired under finance lease arrangements

The following assets are held by the Group under finance leases at 31 December 2018 and 2017:

	Thousands of euros	
	2018	2017
Land and buildings	13,916	15,561
Plant and machinery	227	4,457
Other installations, tools and furniture	808	839
Other property, plant and equipment	832	866
	15,783	21,723
Less: accumulated depreciation	(6,926)	(7,948)
Balance at 31 December	8,857	13,775

The main characteristics of the most significant finance lease arrangements by subsidiary are as follows:

1) Fluidra Commercial, S.A.U.: real estate leasing with BBVA for the purchase of an industrial unit in La Garriga at a cost value of Euros 10,700 thousand. Agreement signed on 21/12/04, the last payment matures on 21/12/19. Lease payments are settled monthly and the outstanding amount at 31/12/2018 is Euros 1,259 thousand (Euros 2,344 thousand in 2017), with a purchase option of Euros 100 thousand. It accrues a fixed interest rate of 3.8% until 2014 and a variable interest rate of Euribor plus 0.5%.

2) Astral Pool Australia Pty Ltd.: equipment leasing with West-Pac Banking Corporation for the acquisition of machinery at a cost value of Euros 2,432 thousand. Agreement signed on 18/10/2016, maturing on 18/10/2022 and repaid early in July 2018. There is no outstanding amount at 31/12/2018 (the outstanding amount at 31/12/2017 was Euros 1,913 thousand). It accrues interest at a fixed rate of 5.6%.

The breakdown of the minimum lease payments and the present value of finance lease liabilities by term to maturity at 31 December 2018 and 2017 is shown in note 18.

The finance lease liabilities are effectively guaranteed since the rights to the leased asset revert to the lessor in the event of default.

During 2017 no contingent rents have been paid in connection with these contracts, except for the interest spread resulting from the annual evolution of Euribor, in accordance with the initial terms and conditions agreed upon in said contracts.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The Group has not acquired property, plant and equipment under finance leases in 2018 (Euros 367 thousand in property, plant and equipment was acquired under finance leases in 2017).

d) Fully depreciated assets

The cost of fully depreciated property, plant and equipment items still in use at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Buildings	24,375	21,571
Plant and machinery	89,246	77,175
Other installations, tools and furniture	109,259	87,920
Other property, plant and equipment	22,540	17,487
	<u>245,420</u>	<u>204,153</u>

e) Property, plant and equipment items located abroad.

At 31 December 2018 property, plant and equipment items located outside Spain amount to Euros 47,953 thousand (Euros 30,548 thousand at 31 December 2017).

f) Gains (losses) on disposals of fixed assets

In the twelve-month period ended 31 December 2018, there were no significant disposals of fixed assets.

Proceeds from disposals of fixed assets during the year ended 31 December 2017 mainly correspond to the profits on the sale of the company Aplicaciones Técnicas Hidráulicas, S.L.U. for an amount of Euros 1,447 thousand (see note 5), as well as profits on the sale of a property located in France for an amount of Euros 324 thousand.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

7. Goodwill and Other intangible assets

The movements in the Goodwill and Other intangible assets accounts during 2018 and 2017 are as follows:

a) Goodwill

	Thousands of euros							
	Balances at 31/12/2017	Business combinations (note 5)	Additions	Disposals	Impairment	Transfers to discontinued operations (note 12)	Translation differences	Balances at 31/12/2018
Carrying amount								
Goodwill	196,218	919,355	-	-	(5,312)	(15,194)	(1,378)	1,093,689

Thousands of Euros							
	Balances at 31/12/2016	Business combinations (note 5)	Additions	Disposals	Impairment	Exchange gains (losses)	Balances at 31/12/2017
Carrying amount							
Goodwill	199,557	6,122	94	(3,113)	(3,242)	(3,200)	196,218

b) Other intangible assets

Thousands of euros									
	Balances at 31/12/2017	Business combinations (note 5)	Additions	Disposals	Impairment	Transfers	Transfers to discontinued operations (note 12)	Translation differences	Balances at 31/12/2018
Cost									
Development expenses for work in progress	38,526	61,707	8,053	(1,423)	(767)	(613)	(4,781)	1,121	101,823
Relations with customers/Contractual relations	35,662	551,117	6	-	-	-	-	8,713	595,498
Computer software	37,546	148	2,976	(237)	-	2,354	(517)	(40)	42,230
Patents, Trademarks and Other intangible assets	37,758	159,107	1,141	(2)	(1,117)	(67)	(25,285)	924	172,459
	149,492	772,079	12,176	(1,662)	(1,884)	1,674	(30,583)	10,718	912,010
Accumulated amortisation									
Product development expenses	(34,826)	-	(9,326)	1,423	-	546	3,434	(308)	(39,057)
Relations with customers/Contractual relations	(25,724)	-	(24,831)	-	-	-	-	(395)	(50,950)
Computer software	(22,662)	-	(5,874)	124	-	(18)	402	(30)	(28,058)
Patents, Trademarks and Other intangible assets	(31,088)	-	(1,907)	47	-	10	25,353	965	(6,620)
	(114,300)	-	(41,938)	1,594	-	538	29,189	232	(124,685)
Net carrying amount	35,192	772,079	(29,762)	(68)	(1,884)	2,212	(1,394)	10,950	787,325

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Thousands of Euros

	Balances at 31/12/2016	Business combinations (note 5)	Additions	Disposals	Impairment	Transfers	Exchange gains (losses)	Balances at 31/12/2017
Cost								
Development expenses for work in progress	39,916	773	4,158	(1,695)	(1,528)	(2,051)	(1,047)	38,526
Relations with customers/Contractual relations	42,293	-	-	(4,684)	(824)	2,495	(3,618)	35,662
Computer software	31,682	242	6,081	(364)	(133)	243	(205)	37,546
Patents, Trademarks and Other intangible assets	36,611	4,596	540	(1,135)	(435)	(661)	(1,758)	37,758
	150,502	5,611	10,779	(7,878)	(2,920)	26	(6,628)	149,492
Accumulated amortisation								
Product development expenses	(33,186)	(335)	(3,873)	1,694	-	22	852	(34,826)
Relations with customers/Contractual relations	(28,984)	-	(4,306)	4,684	-	73	2,809	(25,724)
Computer software	(18,039)	(231)	(4,909)	343	-	1	173	(22,662)
Patents, Trademarks and Other intangible assets	(29,500)	(48)	(4,244)	1,122	-	(9)	1,591	(31,088)
	(109,709)	(614)	(17,332)	7,843	-	87	5,425	(114,300)
Net carrying amount	40,793	4,997	(6,553)	(35)	(2,920)	113	(1,203)	35,192

No intangible assets have been pledged as guarantees.

Additions of product development expenses in 2018 amounting to Euros 8,053 thousand (Euros 4,158 thousand in 2017) correspond to work performed by the Group and capitalized as non-current assets, and are included in said caption of the consolidated income statement

The cost of fully amortized intangible assets still in use at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Development expenses for work in progress	41,491	27,752
Computer software	27,644	12,170
Patents, Trademarks and Other intangible assets	48,753	29,685
	117,888	69,607

At 31 December 2018 intangible assets located outside Spain amount to Euros 774,791 thousand (Euros 19,368 thousand at 31 December 2017).

c) Impairment and allocation of goodwill to CGUs.

2018

For the purpose of impairment testing, the Group has allocated goodwill to its cash-generating units (CGUs) in accordance with IFRS 36, where a CGU is defined as a smaller identifiable group of assets which generates cash inflows that are largely independent of those from other assets or groups of assets.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The CGUs identified by the Fluidra Group following the merger mentioned in note 5 are described below:

- 1) Operations: this CGU has not changed with regards the pre-merger definition of Fluidra CGUs.
- 2) North America: represents both a segment and a separate CGU, based mainly on the territory's high level of independence. Prior to the merger, the American CGU only included the Aqua USA operation and was included as a CGU within the Expansion segment. In the combined business, American operations from the Zodiac Group were added to create the North America CGU.
- 3) Europe: this CGU is defined as the joining together of the pre-merger Fluidra Europe CGU and the pre-merger SSA Fluidra Österreich, GmbH CGU, as the sales policies, type of markets and the overlapping of roles following the integration of the Zodiac Group's business in Europe has resulted in integrated management since the merger date.
- 4) Certikin International, LTD and SIBO Fluidra Netherlands B.V.: these companies from prior acquisitions are not included in Europe from an operational and sales perspective, as they are highly independent due to the UK market and the range of product in the case of SIBO. As a result, they continue to be separate CGUs in line with the pre-merger Fluidra definition.
- 5) Expansion: there have been no changes to this CGU's definition, regardless of the fact that before it was considered as a separate segment based on its relative representation and separate supervision.
- 6) Sohem – Southern Hemisphere: this was one of the segments (and CGUs) defined by the Zodiac Group in its consolidated financial statements, which included operations in South Africa and Australia. At Fluidra post-merger, the Zodiac organisation model is used whereby key policies and decisions are made jointly and there is a single unit in charge. As a result of this, the following pre-merger Fluidra CGUs have been grouped together: Fluidra Australia Pty Ltd and Fluidra Waterlinx Pty Ltd together with the Zodiac Group's business.

For impairment test purposes, the goodwill arising on the acquisition of the Zodiac Group has been allocated to the following CGUs and group of CGUs expected to benefit from the synergies obtained on the business combination:

- Operations
- North America
- Europe and the Southern hemisphere

The Certikin, SIBO and Expansion CGUs are not expected to benefit from the synergies of the business combination and they have not therefore been allocated any portion of the goodwill generated.

The Operations and North America CGUs have been allocated goodwill at CGU level, which in both cases coincides with the segment definition set out in note 4.

In the case of Europe and Sohem, goodwill has been allocated to a "group of CGUs" on the basis that the group is not supervised by management at a lower level than the respective segment. In other words, based on the new organisational and reporting structure following the merger, goodwill is not supervised on a European level separately from Sohem. Similarly, goodwill has not been allocated to the entire ESA segment (see note 4), as some CGUs within the segment will not benefit from the business combination (as Zodiac did not operate in these territories). Goodwill has therefore been allocated to the remaining CGUs included in the segment.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The breakdown of goodwill allocated by CGU or group of CGUs at 31 December 2017 and 31 December 2018 is as follows:

	Segment	Thousands of euros	
		31/12/2018	31/12/2017
Operations	Operations	187,326	59,705
North America	North America	512,323	-
Certikin Internacional, LTD	ESA	3,403	3,427
Expansion	ESA	44,823	45,290
SIBO Fluidra Netherlands B.V.	ESA	5,048	5,048
Aqua Manufacturing	Operations	-	17,051
Europe and the Southern hemisphere	ESA	340,766	65,697
Total		<u>1,093,689</u>	<u>196,218</u>

This table shows the restatement of goodwill in Fluidra pre-merger at 31 December 2017 with the new structure described above.

Movement in goodwill is mainly attributable to the business combinations arising in 2018 (see note 5), the reclassification of the entire amount of goodwill corresponding to Aqua Manufacturing under Non-current assets held for sale (see note 2b and note 12) and the disposal of goodwill attributable to Fluidra Youli Fluid Systems (Wenzhou) Co., LTD.

The movement in goodwill is also due to the currency translation differences arisen from the goodwill denominated in foreign currency, mainly due to the fluctuations in the exchange rates of the pound sterling, Australian dollar, the US dollar, the Chinese renminbi and the South African rand.

As mentioned above, the Operations CGU has recognised a part disposal of goodwill for this CGU linked to the purchase carried out on 9 October 2012, whereby the group acquired the production business of the company Fluidra Youli Fluid Systems (Wenzhou) Co., LTD, a company that develops, manufactures and sells fluid handling products and accessories in China.

The recoverable amount of each CGU is determined based on fair value calculations less disposal costs, calculated using a Level 3 methodology in line with the hierarchy established in IFRS 3. These calculations are based on cash flow projections from the financial budgets and/or strategic plans approved by Management relating to the different cash generating units to which goodwill is allocated. They are determined on a four-year basis and can be extended to a ten-year period to progressively standardise flows using a long-term growth rate, depending on the different markets. The process for preparing the strategic plans of the CGUs considers the current situation of each CGU's market, analyzing the macroeconomic and competitive environments, as well as the CGU's position in those environments and the opportunities for growth. Key factors for business development are chiefly evolution in the existing pools in each market in terms of the maintenance business and evolution in the construction of new pools. In addition, potential operating efficiencies due to growth are taken into consideration. These projections are corrected on the basis of the level of compliance with strategic plans and/or financial budgets achieved in prior years. The said projections and estimates are consistent with those that would be made by a market participant.

The key assumptions used in the strategic plans relate to sustained business growth in pools (aftermarket), moderate growth in the construction of new pools in mature markets and sustained growth in emerging markets, combined with an increase in our penetration in commercial pools in some geographical areas where our presence is still small and increased market share in the American market. These projections also include the operational expense and purchase synergies resulting from the merger with the Zodiac Group. These synergies are considered to be replicable by market participants other than Fluidra, since they largely relate to cost optimisations and general structural expenses.

In terms of the Operations division, revenues are linked to the increase in sales divisions resulting from the partial integration of manufacturing within Fluidra. The assumptions used in the strategic plans relate to a

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

recovery in profitability due to greater efficiency obtained through the lean management plans in production plants, the integration of the logistics chain and the operating leverage due to growth and also potential purchase synergies from the merger with the Zodiac Group.

The quantitative assumptions used are shown in the accompanying table:

CGU	Sales CAGR (*) 2018-2022	EBITDA CAGR (*) 2018-2022	g (**) 2018	WACC (***) 2018	WACC (****) 2018
Operations	5.40%	7.34%	1.91%	7.87%	9.70%
North America	5.02%	10.04%	2.29%	7.54%	9.65%
Certikin Internacional, LTD	4.08%	4.34%	1.94%	6.56%	8.21%
Expansion	8.04%	12.13%	2.00%	11.09%	13.47%
SIBO Fluidra Netherlands B.V.	8.59%	10.22%	1.55%	6.43%	8.32%
Europe and the Southern hemisphere	5.88%	11.74%	2.11%	7.80%	10.16%

(*) CAGR stands for Compound Annual Growth Rate over 4 years.

(**) Perpetual growth rate.

(***) After-tax discount rate.

(****) Before-tax discount rate.

From the eleventh year, cash flow projections are calculated using a growth rate in perpetuity in accordance with each market. The growth rates applied are detailed in the table above.

The discount rates applied to cash flow projections used for the CGUs have been calculated based on risk-free rates (interest rates for sovereign debt of each country, always the one applicable to each market at 31 December), tax rate, market risk premiums, and debt spreads for the markets in which the CGUs operate. The discount rates applied before and after tax are detailed in the table above.

The Group performed a sensitivity analysis on the impairment calculation using reasonable variations in the key assumptions used. The following variations have been assumed for CGUs and groups of CGUs with significant goodwill (Europe, Expansion, Operations, North America, Southern hemisphere and Europe and Southern hemisphere)

- Decrease of 100 basis points in the EBITDA margin in perpetuity (EBITDA)
- Growth rate in perpetuity - Decrease of 0.5% (g)
- Discount rate - Increase of 0.5% (WACC)

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The quantitative result of these reasonable variations on the model, shown as a percentage surplus/shortfall over the book value of goodwill at 31 December 2018, is as follows:

CGU	EBITDA	g	WACC
Operations	>100%	>100%	>100%
North America	>100%	>100%	>100%
Certikin Internacional, LTD	>100%	>100%	>100%
Expansion	>100%	>100%	>100%
SIBO Fluidra Netherlands B.V.	>100%	>100%	>100%
Europe and the Southern hemisphere	>100%	>100%	>100%

In any manner, it is deemed that none of the aforementioned variations to the key assumptions in the measurement model would imply the need to recognise a goodwill impairment at 31 December 2018.

Additional changes in the assumptions used to determine fair value could alter the impairment estimate.

The Group's market capitalization at 31 December 2018 amounts to Euros 1,915.2 million.

2017

For the purpose of impairment testing, the Group allocated goodwill to its cash-generating units (CGUs) in accordance with the geographical area of the transaction and the business segment.

During 2017, as a result of the former shareholders of the Aqua Group leaving the management, the Group has restructured the Aqua Group into two separate units. On the one hand, Aqua Manufacturing, as the Group's pool cleaners factory, focused on the manufacture of devices that are marketed by Fluidra's distribution network in Europe and the rest of the world, including the United States. On the other hand, Aqua EEUU remained an independent distribution unit in the US market. Thus, the Fluidra Group expected a positive evolution as a result of giving each market greater focus.

The redistribution of the values allocated to goodwill in accordance with the new structure of the Aqua Group has considered the relative value in use at December 31, 2016. This value in use was calculated on the basis of the estimated cash flows at that date, with discount rates after tax of 7.5% for Aqua USA and 7.7% for Aqua Manufacturing, and a long-term growth rate of 2%.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The breakdown of goodwill allocated by CGU or groups of CGUs at 31 December 2017 is as follows:

		Thousands of euros
	Segment	31/12/2017
Europe	Europe	41,386
Expansion	Expansion	45,290
Operations	Operations	59,705
Certikin Internacional, LTD	Europe	3,427
SSA Fluidra Österreich, GmbH	Europe	4,991
Fluidra Australia PTY LTD and subsidiaries	Expansion	8,773
Aqua Manufacturing	Operations	17,051
Aqua USA	Expansion	-
Fluidra Waterlinx	Expansion	10,547
SIBO	Europe	5,048
Total		196,218

Changes in goodwill were attributable, inter alia, to the business combinations entered into in 2017 (see note 5), the disposal of the company Aplicaciones Técnicas Hidráulicas, S.L.U. (see note 5) which was integrated into the Europe CGU, as well as the impairment of the Aqua USA CGU.

The movement in goodwill was a result of the change in the currency translation differences arisen from the goodwill denominated in foreign currency, mainly due to fluctuations in the exchange rates of the pound sterling, Australian dollar, US dollar, Israeli shekel, Chinese renminbi and the South African rand.

The CGUs corresponded to the Group's management structure, which was split into three divisions, two of which were based on a geographical approach: the Europe and Expansion divisions which managed the Group's sales and distribution activity, and the third division which covered operations and the entire Group's logistics chain.

When there was a management unit whose cash flows could be individualized at the company or group of companies level and there was a single management (Australia, SSA, Waterlinx, Certikin Internacional, Aqua Manufacturing, Aqua USA, SIBO) the lowest company or group of companies level was used as CGU.

The recoverable amount of each CGU was based on value-in-use calculations. These calculations used cash flow projections based on finance budgets and/or strategic plans, approved by Management, for the cash generating units to which goodwill had been allocated and covered a period of 4 years. The process for preparing the strategic plans of the Europe and Expansion CGUs considered the current situation of each CGU's market, analyzing the macroeconomic and competitive environments, as well as the CGU's position in those environments and the opportunities for growth based on market projections and competitive positioning. Key factors for business development were chiefly evolution in the existing pools in each market in terms of the maintenance business and evolution in the construction of new pools. In addition, potential operating efficiencies due to growth were taken into consideration. These projections were corrected on the basis of the level of compliance with strategic plans and/or financial budgets achieved in prior years.

The key assumptions used in the strategic plans related to a recovery of the construction of new pools in mature markets (Europe and USA) and sustained growth in emerging markets, combined with an increase in our penetration in commercial pools in some geographical areas where our presence was still small.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

As for the Operations division, revenue was associated with the growth of the other two sales divisions (Europe and Expansion), as a result of the integration of production into Fluidra. The assumptions used in the strategic plans related to a recovery in profitability due to greater efficiency obtained through the lean management plans in production plants, the integration of the logistics chain and the operating leverage due to growth.

The quantitative assumptions used are shown in the accompanying table:

CGU	Sales CAGR (*)	EBITDA CAGR (*)		WACC (**)	WACC (***)
	2017-2021	2017-2021	g	2017	2017
Europe	4.30%	9.17%	1.00%	7.63%	9.93%
Expansion	5.56%	7.60%	2.00%	10.56%	12.43%
Operations	4.24%	7.21%	1.50%	7.63%	9.54%
Certikin International, LTD	3.37%	4.47%	1.00%	6.31%	7.82%
FLUIDRA ÖSTERREICH GmbH "SSA"	0.75%	0.80%	1.00%	6.72%	8.67%
Fluidra Australia PTY LTD and subsidiaries	6.94%	21.49%	1.50%	8.48%	11.49%
Aqua Manufacturing	4.53%	3.67%	2.00%	6.59%	7.18%
Aqua USA	5.42%	56.07%	2.00%	6.71%	8.36%
Fluidra Waterlinx Pty Ltd	4.06%	8.76%	2.00%	10.33%	13.68%
SIBO Fluidra Netherlands B.V.	5.13%	5.43%	2.00%	5.93%	7.23%

(*) CAGR stands for Compound Annual Growth Rate over 4 years.

(**) After-tax discount rate.

(***) Before-tax discount rate.

In all cases, impairment tests were based on cash flow projections based on strategic plans and/or financial budgets, which covered a period of four years. Cash flow projections from year five onwards were calculated using a growth rate in perpetuity according to each market. This rate did not exceed the medium- and long-term growth rate for the businesses in which the CGUs operate. The rates applied are detailed in the table above.

The discount rate applied to cash flow projections used for the CGUs was calculated based on risk-free rates (interest rates for sovereign debt of each country, always the one applicable to each market at 31 December), tax rate, market risk premiums, and debt spreads for the markets in which the CGUs operate. The before and after-tax rates rates applied are detailed in the table above.

In the case of the Aqua USA CGU, the value in use, which amounted to Euros 12.4 million did not cover the value of the net assets and goodwill allocated, and therefore, the Group recognized an impairment amounting to Euros 3.2 million. The impairment of this goodwill was due to an evolution of the sales business in the USA which was lower than projected at 2016 year end.

The Group performed a sensitivity analysis on the impairment calculation using reasonable variations in the key assumptions used. For the CGUS with significant goodwill (Europe, Expansion, Operations and Aqua Manufacturing) the following decreases were assumed:

- Decrease of 100 basis points in the EBITDA margin for 2020 (EBITDA)
- Growth rate in perpetuity - Decrease of 0.5% (g)
- Discount rate - Increase of 0.5% (WACC)

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The quantitative result of these reasonable variations, shown as a percentage surplus/shortfall over the book value of goodwill at 31 December 2017, is as follows:

CGU	EBITDA	g	WACC
Europe	>100%	>100%	>100%
Expansion	>100%	>100%	>100%
Operations	>100%	>100%	>100%
Aqua Manufacturing	>100%	>100%	>100%

Changes in the assumptions used to determine the value in use may modify the estimate of impairment.

The Group's market capitalization at 29 December 2017 amounted to Euros 1,330.2 million.

8. Investment property

The movements in the Investment property accounts during 2018 and 2017 are as follows:

	Thousands of euros			
	Balances at 31/12/2017	Additions	Disposals	Balances at 31/12/2018
Cost				
Land	1,880	-	-	1,880
Buildings	3,518	-	-	3,518
	5,398	-	-	5,398
Accumulated amortisation				
Buildings	(2,100)	(78)	-	(2,178)
	(2,100)	(78)	-	(2,178)
Net carrying amount	3,298	(78)	-	3,220

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

	Thousands of Euros			
	balances at 31/12/2016	Additions	Disposals	Balances at 31/12/2017
Cost				
Land	1,430	-	-	1,880
Buildings	1,253	-	(15)	3,518
	2,683	-	(15)	5,398
Accumulated amortisation				
Buildings	(975)	(34)	13	(2,100)
	(975)	(34)	13	(2,100)
Net carrying amount	1,708	(34)	(2)	3,298

The fair value of investment property does not substantially differ from the net carrying amount.

9. Investments accounted for using the equity method

The movements in investments accounted for using the equity method are as follows:

	Thousands of euros	
	2018	2017
Balances at 1 January	-	120
Share in profit/(loss)	64	(32)
Additions/ Inclusions	-	(88)
Dividends received	(36)	-
Balance at 31 December	28	-

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The breakdown of the key financial figures of companies accounted for using the equity method in 2018 and 2017 is as follows:

			2018				
			Thousands of Euros				
	Country	% ownership interest	Assets	Liabilities	Equity	Income	Profit/(loss)
Astral Nigeria, LTD	Nigeria	25	577	13	564	1,162	54
OCM Products Limited	Great Britain	50	466	506	(40)	194	101
			<u>1,043</u>	<u>519</u>	<u>524</u>	<u>1,356</u>	<u>155</u>
			2017				
			Thousands of euros				
	Country	% ownership interest	Assets	Liabilities	Equity	Income	Profit/(loss)
Astral Nigeria, LTD	Nigeria	25	985	329	656	2,197	175
OCM Products Limited	Great Britain	50	557	698	(141)	162	(152)
			<u>1,542</u>	<u>1,027</u>	<u>515</u>	<u>2,359</u>	<u>23</u>

On 3 July 2017, the Group acquired a 50% non-controlling interest in OCM Products Limited, a company that manufactures and markets residential and commercial pool filter systems.

10. Current and non-current financial assets

The breakdown of Other current and non-current financial assets is as follows:

		Thousands of euros	
	Note	2018	2017
Financial assets at fair value through profit or loss		487	
Available-for-sale financial assets		-	502
Deposits and guarantees		<u>6,222</u>	<u>3,700</u>
Total non-current assets		<u>6,709</u>	<u>4,202</u>
Deposits and guarantees		4,922	4,138
Derivative financial instruments	11	<u>356</u>	<u>78</u>
Total current		<u>5,278</u>	<u>4,216</u>

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The Deposits and guarantees caption mainly includes time deposits that earn market interest rates and are classified in the "Loans and receivables" caption, as well as deposits and guarantees given as a result of rental contracts. These are measured following the criteria established for financial assets in note 3. The difference between the amount given and fair value is recognized in the income statement as a prepayment over the lease term.

The fair value of quoted securities is determined based on their price at the reporting date of the consolidated financial statements.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

11. Derivative financial instruments

The breakdown of the derivative financial instruments is as follows:

		2018			
		Thousands of euros			
Notional amount		Fair values			
		Assets		Liabilities	
		Non-current	Current	Non-current	Current
1) Derivatives held for trading					
a) <i>Exchange rate derivatives</i>					
Foreign currency contracts	16,232	-	356	-	28
Total derivatives traded on over-the-counter markets		-	356	-	28
Total derivatives held for trading		-	356	-	28
2) Hedging derivatives					
a) <i>Cash flow hedges</i>					
Interest rate swaps	609,752	-	-	7,870	-
Total hedging derivatives		-	-	7,870	-
Total recognized derivatives		-	356	7,870	28
(note 10)					
		2017			
		Thousands of euros			
Notional amount		Fair values			
		Assets		Liabilities	
		Non-current	Current	Non-current	Current
1) Derivatives held for trading					
a) <i>Exchange rate derivatives</i>					
Foreign currency contracts	19,902	-	78	-	472
Total derivatives traded on over-the-counter markets		-	78	-	472
Total derivatives held for trading		-	78	-	472
2) Hedging derivatives					
a) <i>Cash flow hedges</i>					
Interest rate swaps	99,563	-	-	1,349	-
Total hedging derivatives		-	-	1,349	-
Total recognized derivatives		-	78	1,349	472
(note 10)					

The overall amount of the change in fair value of derivatives held for trading, which has been estimated using measurement techniques, has been recognized in profit or loss and amounts to a profit of Euros 459 thousand (a profit of Euros 242 thousand in 2017).

The overall amount of the change in fair value of hedging derivatives, which has been estimated using measurement techniques and has been recognized in consolidated equity as it has been considered an effective hedge, has resulted in a decrease of Euros 5,223 thousand (an increase of Euros 621 thousand in 2017).

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The overall amount of cash flow hedges that has been transferred in 2018 from other comprehensive income in equity to the consolidated income statement (under finance cost) amounts to a loss of Euros 644 thousand (a loss of Euros 776 thousand in 2017).

a) Interest rate swaps

The Group uses interest rate swaps, at a floating interest rate without knock-out barriers, with fixed rate values ranging from 0.329% to 3.097% in 2018 (in 2017 the values ranged from 0.36% to 0.49%). These derivatives are used to manage exposure to fluctuations in the interest rates mainly of bank loans.

Hedging derivatives at 31/12/2018			
Notional amount in thousands of euros	Start date	End date	Type of derivative
200,000	31/10/2018	31/10/2022	Fixed swap
60,000	31/10/2018	31/10/2022	Fixed swap
109,170	31/10/2018	31/10/2022	Fixed swap
30,000	05/11/2018	31/10/2022	Fixed swap
30,000	07/11/2018	31/10/2022	Fixed swap
109,170	08/11/2018	31/10/2022	Fixed swap
43,668	13/11/2018	31/10/2022	Fixed swap
27,744	13/12/2018	31/10/2022	Fixed swap
<u>609,752</u>			

Hedging derivatives at 31/12/2017			
Notional amount in thousands of euros	Start date	End date	Type of derivative
12,861	05/03/2015	25/02/2020	Fixed swap
20,076	05/03/2015	25/02/2020	Fixed swap
12,861	05/03/2015	25/02/2020	Fixed swap
6,431	05/03/2015	25/02/2020	Fixed swap
12,861	05/03/2015	25/02/2020	Fixed swap
6,431	05/03/2015	25/02/2020	Fixed swap
8,470	05/03/2015	25/02/2020	Fixed swap
8,470	05/03/2015	25/02/2020	Fixed swap
4,705	05/03/2015	25/02/2020	Fixed swap
3,137	05/03/2015	25/02/2020	Fixed swap
2,510	05/03/2015	25/02/2020	Fixed swap
750	28/04/2015	25/03/2020	Fixed swap
<u>99,563</u>			

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The breakdown, by notional amount and residual maturity term, of the swaps prevailing at year end is as follows:

	Thousands of euros	
	2018	2017
Between one and five years	609,752	99,563
	<u>609,752</u>	<u>99,563</u>

Since derivatives are not traded on organized markets, the fair value of swaps is calculated using the discounted value of expected cash flows due to the spread in rates, based on observable market conditions at the date of measurement (corresponding to the level 2 measurement method in accordance with IFRS 13).

b) Exchange rate derivatives

To manage exchange rate risk in future firm sales and purchases, the Group has arranged option contracts and currency forwards in the main markets in which it operates. For some of them, the Group applies hedge accounting.

The breakdown, by type of foreign currency, of the notional amounts of exchange rate derivatives at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
GBP / USD	3,057	2,918
GBP / EUR	7,900	5,475
EUR / USD	2,358	5,837
AUD / EUR	2,774	-
ZAR / USD	143	-
EUR / ILS	-	5,500
EUR / ZAR	-	111
USD / ZAR	-	61
	<u>16,232</u>	<u>19,902</u>

At 31 December 2018 and 2017, all foreign exchange derivatives are held for trade, with no hedging derivatives at that date.

The breakdown, by notional amount and residual maturity term, of the exchange rate derivatives is as follows:

	Thousands of euros	
	2018	2017
Within one year	16,232	19,902
	<u>16,232</u>	<u>19,902</u>

The fair value of these derivatives has been estimated using the discounted cash flow method based on forward exchange rates available in public databases at the reporting date (corresponding to the level 2 measurement method in accordance with IFRS 13).

The gains and losses from measuring and settling these contracts are taken to finance costs for the year.

12. Non-current assets held for sale and liabilities relating to non-current assets held for sale and discontinued operations

On 31 December 2018 non-current assets held for sale and liabilities relating to non-current assets held for sale correspond to the electronic pool cleaner development, manufacture and sale businesses run by the company Aquatron Robotic Technology, Ltd. in Afula (Israel).

On 27 June 2018 in relation to the merger between the Fluidra Group and the Zodiac Group, the European Commission deemed the merger compatible with the domestic market subject to compliance with certain obligations, including the sale of Aquatron Robotic Technology, Ltd., a wholly-owned subsidiary of Fluidra, to a suitable buyer.

Since, on the 31 December 2018, the Group has a binding agreement to sell these clearly identified assets and liabilities, the sale was completed on 31 January 2019 (see note 36), the accounting balances of these assets and liabilities have been transferred to the caption "Non-current assets held for sale" and "Liabilities relating to non-current assets held for sale", in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Furthermore, these have been deemed discontinued operations since they comprise items held for sale which represent a significant business line separate to the rest, therefore, all income and expenses corresponding to these businesses in 2018 and 2017 are presented in the caption Profit/(loss) after tax on discontinued operations.

The property located in Castiglione delle Stiviere at Via Mazzini 28/Z owned by Zodiac Pool Systems Italia, S.R.L., is also included under this caption. The Group has a firm purchase offer

Assets held for sale, less their related liabilities, have been measured at their carrying value or the expected sale amount less cost of sale, whichever is lower. This has led to the recognition of impairment on this account at 31 December 2018 amounting to Euros 2,614 thousand.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Details of the nature of the assets classified as held for sale and the related liabilities, at 31 December 2018, are as follows:

<u>Assets</u>	<u>31/12/2018</u>
Property, plant, and equipment	4,715
Goodwill	15,194
Other intangible assets	1,394
Non-current financial assets	25
Deferred tax assets	311
Total non-current assets	21,639
Inventories	7,106
Trade and other receivables	949
Other current financial assets	3,000
Derivative financial instruments	3
Cash and cash equivalents	11,172
Total current assets	22,230
TOTAL ASSETS	43,869
<u>Liabilities</u>	
Deferred tax liabilities	212
Provisions	79
Government grants	147
Total non-current liabilities	438
Trade and other payables	3,140
Provisions	2,202
Derivative financial instruments	38
Total current liabilities	5,380
TOTAL LIABILITIES	5,818

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Details of the nature of the consolidated income statement caption Gains/(losses) after tax on discontinued operations for 2018 and 2017, are as follows:

	31/12/2018	31/12/2017
Operating income		
Sales of goods and finished products	5,837	4,911
Income from the rendering of services	104	200
Work performed by the Group and capitalized as non-current assets	723	564
Total operating income	6,664	5,675
Operating expenses		
Change in inventories of finished products and work in progress progress and raw materials consumables	4,835	6,488
Personnel expense	(4,494)	(4,786)
Depreciation and amortization expenses and impairment losses	(3,473)	(4,237)
Other operating expenses	(3,240)	(3,568)
Total operating expenses	(6,372)	(6,103)
Other gains and losses		
Profit from sales of fixed assets	-	5
Total other gains and losses	-	5
Operating profit	292	(423)
Finance income / cost		
Finance income	616	188
Finance cost	(669)	(129)
Exchange gains/(losses)	745	176
Net finance income/(cost)	692	235
Share of profit / (loss) for the year of entities accounted for using the equity method	-	-
Profit/(loss) before tax from continuing operations	984	(188)
Income tax expense	(89)	20
Profit/ (loss) after tax from discontinued operations	895	(168)
Profit / (loss) from discontinued operations attributable to non-controlling interests	-	-
Profit / (loss) from discontinued operations attributable to equity holders of the parent	895	(168)
EBITDA	3,765	3,814

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The breakdown of the statement of comprehensive income for this activity in 2018 and 2017 is as follows:

	<u>31/12/2018</u>	<u>31/12/2017</u>
Profit / (loss) for the period	895	(168)
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss		
Recalculation of the measurement of defined benefit plans	-	-
Tax effect	-	-
Items that will be reclassified to profit or loss		
Cash flow hedges	-	-
Exchange differences on translation of foreign operations	(972)	(875)
Tax effect	-	-
	<u>(972)</u>	<u>(875)</u>
Other comprehensive income for the year, net of tax	<u>(972)</u>	<u>(875)</u>
Total comprehensive income for the year	<u>(77)</u>	<u>(1,043)</u>
Total comprehensive income attributable to:		
Equity holders of the parent	(77)	(1,043)
Non-controlling interest	-	-
	<u>(77)</u>	<u>(1,043)</u>

The cash flows arising from discontinued operations in the consolidated statement of cash flows are:

	<u>31/12/2018</u>	<u>31/12/2017</u>
Cash flows from:		
Operating activities	2,523	(2,112)
Investing activities	(4,756)	5,492
Financing activities	103	(261)

13. Inventories

Details of inventories are as follows:

	Thousands of euros	
	2018	2017
Goods	68,815	33,529
Raw materials and other consumables	51,782	40,563
Finished products and work in progress	132,733	98,672
	<u>253,330</u>	<u>172,764</u>

At 31 December 2018 and 2017 there are no inventories with a recovery period greater than 12 months from the date of the consolidated statement of financial position.

As a result of the business combinations carried out during 2018, inventories amounting to Euros 110,384 thousand were incorporated (Euros 4,581 thousand in 2017).

The consolidated group companies have taken out a range of insurance policies to cover the risks to which inventories are exposed. The coverage of these policies is considered sufficient.

There are no significant commitments to purchase or sell goods.

During 2018, the Group has recorded reversals on inventories amounting to Euros 65 thousand to adjust them to their net carrying amounts (impairment losses of Euros 473 thousand in 2017) (see note 22).

14. Trade and other receivables

The breakdown of this caption in the consolidated statement of financial position is as follows:

	Thousands of euros	
	2018	2017
<u>Non-current</u>		
Other non-current receivables	2,383	3,053
<u>Current</u>		
Trade receivables for sales and services	285,856	157,279
Other current accounts receivable and prepayments	18,760	7,625
Public administrations	13,616	9,743
Current income tax assets	25,551	16,020
Provisions for impairment and bad debts	(31,713)	(30,692)
Total current	<u>312,070</u>	<u>159,975</u>

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

At 31 December 2018 and 2017 the Other non-current receivables caption includes Euros 1,138 thousand corresponding to repayment commitments to the shareholders taken on when they contributed securities in the capital increase, as detailed in note 29.

The fair value of trade and other receivables does not significantly differ from book value.

There is no significant concentration of credit risk over trade receivables in any of the Group segments.

The most significant balances in currencies other than the euro at 31 December 2018 and 2017 are as follows:

	Thousands of euros	
	2018	2017
US Dollars	124,364	22,360
Australian dollar	27,456	17,543
Pounds sterling	8,759	7,625
South African rand	8,689	6,374
UAE dirham	7,340	7,021
Chinese renminbi	2,216	2,753
	<u>178,824</u>	<u>63,676</u>

Receivables from public administrations mostly relate to VAT receivable balances.

The movement in the provisions for impairment losses and bad debts for 2018 and 2017 is as follows:

	Thousands of euros
Balance at 31 December 2016	34,372
Business combinations	309
Charge for the year	5,305
Recoveries	(3,679)
Exchange gains (losses)	(1,063)
Write-offs	<u>(4,552)</u>
Balance at 31 December 2017	<u>30,692</u>
Business combinations	2,526
Charge for the year	7,394
Recoveries	(4,062)
Exchange gains (losses)	(37)
Write-offs	<u>(4,800)</u>
Balance at 31 December 2018	<u><u>31,713</u></u>

15. Equity

The breakdown of and movements in consolidated equity are shown in the consolidated statement of changes in equity.

- Share capital

At 31 December 2018 Fluidra, S.A.'s share capital consists of 195,629,070 ordinary shares with a par value of 1 euro each, fully subscribed. The shares are represented by book entries and are established as such by being recorded in the corresponding accounting record. All shares bear the same political and financial rights.

On 31 October 2007 Fluidra, S.A. (the Company) completed its initial public offering process through the public offering of 44,082,943 ordinary shares with a par value of 1 euro each.

These shares representing share capital are quoted on the Barcelona and Madrid stock exchanges, and also on the continuous market.

The Company only knows the identity of its shareholders through the information that they voluntarily provide or in compliance with applicable regulations. In accordance with the Company's information, the structure of significant ownership interest at 31 December 2018 and 2017 is as follows:

Ownership percentage

	31.12.2018	31.12.2017
Rhône Capital L.L.C.	42.43%	-
Boyser, S.R.L.	8.13%	14.12%
Dispur, S.L.	7.07%	12.28%
Piumoc Inversions, S.A.U.	5.07%	-
Edrem, S.L.	5.06%	13.50%
Maveor, S.L.	2.88%	5.01%
Santander Asset Management	2.87%	4.99%
Aniol, S.L.	0.78%	10.16%
Other shareholders	25.71%	39.94%
	<u>100.00%</u>	<u>100.00%</u>

On 3 November 2017, Fluidra, S.A., the syndicated shareholders of the Company, and in Luxembourg, Piscine Luxembourg Holdings 1 S.à.r.l. and Piscine Luxembourg Holdings 2 S.à.r.l., as ultimate and penultimate holders, respectively, of the Luxembourgian company Zodiac Pool Solutions S.à.r.l., signed an investment agreement whereby they agreed to combine the businesses of the Fluidra Group and the Zodiac Group by means of a cross-border merger.

Specifically, the transaction described consists of the cross-border takeover merger by Fluidra, S.A. (absorbing company) of Piscine Luxembourg Holdings 2 S.à.r.l. (absorbed company) in the terms set forth in articles 22 and thereafter of Act 3/2009 of 3 April, on structural modifications to corporations and articles 257 and thereafter of the Luxembourgian Corporations Law of 10 August 1915 (loi du 10 août 1915 sur les sociétés commerciales), with the termination by dissolution without liquidation, of the absorbed company and transfer en bloc of all of its equity to the absorbing company, which shall acquire, by universal succession, the entire equity and rights and obligations of the absorbed company, in the terms and conditions set forth in the join merger project.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The General Meeting of Shareholders of Fluidra, S.A. approved the merger on 20 February 2018 and it finally took effect on 2 July 2018.

The rate of exchange at which the shares of Piscine Luxembourg Holdings 2 S.à r.l. were swapped for Fluidra, S.A. shares is as follows: 69,1666667 ordinary shares in Fluidra, S.A. at Euros 1 par value for each ordinary share in Piscine Luxembourg Holdings 2 S.à r.l. of Euros 0,01 par value, with no additional monetary compensation. This rate of exchange was verified by an independent expert appointed by the Mercantile Registry.

By virtue of the merger and in accordance with the rate of exchange stated, Fluidra, S.A. issued 83,000,000 new ordinary shares at Euros 1 par value each, representing 42.43% of the share capital of Fluidra, S.A. after the merger, which were submitted to and subscribed by Piscine Luxembourg Holdings 1, S.à r.l., sole shareholder of the absorbed company, controlled by Rhône Capital. Fluidra, S.A.'s other shareholders (including the Company itself by virtue of its own shares held) are joint owners of 57.7% of the share capital after the merger.

For accounting purposes, this merger has been treated like a direct acquisition, wherein Fluidra, S.A. has been considered the acquiring entity and the assets and liabilities of Piscine Luxembourg Holdings 2 S.à r.l. have been measured at fair value, as the acquired entity (in accordance with IFRS 3 (amended) Business Combinations). The fair value received by Fluidra, S.A. as a result of the merger is Euros 1,138,760 thousand (see note 5).

- Share premium

This reserve can be freely distributed, except for that established in the section on Dividends and limitations on dividend distribution of this note.

- Legal reserve

Pursuant to article 274 of the Consolidated Text of the Corporate Enterprises Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

This reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

- Parent company shares

The movements in treasury shares during 2018 and 2017 are as follows:

		Euros	
	Number	Face value	Average acquisition/disposal price
Balances at 01/01/2017	1,817,144	1,817,144	3.4772
Acquisitions	352,281	352,281	7.1808
Disposals	(530,187)	(530,187)	(6.8013)
Balances at 31/12/2017	<u>1,639,238</u>	<u>1,639,238</u>	<u>4.2024</u>
Acquisitions	682,758	682,758	11.2446
Disposals	(185,308)	(185,308)	(12.4435)
Balances at 31.12.18	<u>2,136,688</u>	<u>2,136,688</u>	<u>6.4072</u>

The time and maximum percentage limits of treasury shares meet the statutory limits.

There are no shares of the Parent Company owned by group companies.

- Recognized income and expense

This caption mainly includes the currency translation differences and gains and losses on the measurement at fair value of the hedging instrument that corresponds to the portion identified as an efficient hedge, net of tax effect, if any.

- Dividends and limitations on the distribution of dividends

The Parent Company's voluntary reserves at 31 December 2018 amounting to Euros 50,379 thousand (Euros 22,723 thousand at 31 December 2017), as well as the share premium and profit/(loss) for the year of the Parent, are subject to legal limitations on their distribution.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The proposed appropriation of profit included in the Parent Company's financial statements for the years 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Basis of allocation:		
Profit / (loss) for the year	(33,878)	24,988
Distribution to:		
Legal reserves	-	2,499
Voluntary reserves	-	22,489
Dividends	-	-
Prior years' losses	(33,878)	-
Total	(33,878)	24,988

- Capital management

The objectives of the Group's capital management are to ensure that it maintains the ability to continue as a going concern so that it can provide returns to shareholders and benefit other stakeholders, and to maintain an optimal capital structure in order to reduce its cost of capital.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue shares and sell assets in order to reduce debt.

Fluidra, S.A. controls its capital structure based on total leverage and net financial debt over EBITDA ratios (see note 35).

- The total leverage ratio is calculated as total assets divided by total equity.
- The net financial debt ratio (NFD) over EBITDA is calculated as net financial debt divided by EBITDA. The net financial debt is determined by the sum of current and non-current bank borrowings and other marketable securities and derivative financial liabilities less non-current financial assets, less cash and cash equivalents, less other current financial assets, less derivative financial assets.

During 2018 the strategy, which has remained unchanged over prior years, was to keep the total leverage ratio and the net financial debt over EBITDA ratio between 2 and 2.5. In the case of the net financial debt over EBITDA ratio, the aforementioned target ratio has been exceeded in 2018. The Group will undertake all necessary actions to bring this back into line with the target as soon as possible. The ratios for 2018 and 2017 have been determined as follows:

Total leverage ratio:

	Thousands of euros	
	2018	2017
Total consolidated assets	2,879,204	764,506
Total consolidated equity	1,440,721	343,684
Total leverage ratio	2.00	2.22

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Net Financial Debt / EBITDA ratio:

	Thousands of euros	
	2018	2017
Liabilities from loans and borrowings and other marketable securities	908,047	217,084
Plus: Derivative financial instruments	7,898	1,821
Less: Cash and cash equivalents	(170,061)	(64,756)
Less: Non-current financial assets	(6,709)	(4,202)
Less: Other current financial assets	(4,922)	(4,138)
Less: Derivative financial instruments	(356)	(78)
Net financial debt	733,897	145,731
Ebitda (note 35)	65,362	95,182
Net Financial Debt over Ebitda	11.23	1.53

- Non-controlling interest

During 2018 the movement in non-controlling interest has been as follows:

Company	Percentage of non-controlling interest	
	31.12.2018	31.12.2017
Inquide Italia, S.R.L. (3)	0.00%	9.00%
Fluidra Balkans JSC (1)	44.34%	33.33%
AO Astral SNG (1)	10.00%	20.00%
Fluidra Egypt, Egyptian Limited Liability Company (1)	0.00%	10.00%
W.I.T. Egypt, Egyptian Limited Liability Company (1)	0.01%	10.09%
La Tienda Swimming Pool Maintenance LLC (2)	20.00%	0.00%
Fluidra Kazakstan Limited Liability Company (1)	49.00%	40.00%
Fluidra Adriatic D.O.O. (1)	30.00%	40.00%
Fluidra Österreich GmbH "SSA" (1)	3.00%	5.00%

(1) Purchase/sale of shares in 2018.

(2) Newly-created companies in 2018.

(3) Companies merged in 2018.

An amount of Euros 1,035 thousand has been paid as a result of transactions derived from these variations (Euros 323 thousand in 2017).

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

There are no significant restrictions on the group's capacity to act on the assets of non-controlling interest.

The most significant non-controlling interest at 31 December 2018 is as follows:

			2018				
			Thousands of euros				
	Country	% ownership interest	Assets	Liabilities	Equity	Income	Profit/(loss)
Fluidra Tr Su Ve Havuz Ekipmanlari AS	Turkey	49	1,394	301	1,093	2,416	329
Ningbo Dongchuan Swimming Pool Equipments Co, LTD	China	30	2,788	1,342	1,446	5,855	636
Fluidra Balkans JSC	Bulgaria	44.34	3,201	3,114	87	3,660	137
Fluidra Youli Fluid System (Wenzhou) Co., LTD	China	30	2,729	181	2,548	1,340	(651)

			2017				
			Thousands of euros				
	Country	% ownership interest	Assets	Liabilities	Equity	Income	Profit/(loss)
Fluidra Tr Su Ve Havuz Ekipmanlari AS	Turkey	49	1,729	415	1,314	2,663	243
Ningbo Dongchuan Swimming Pool Equipments Co, LTD	China	30	2,991	1,582	1,409	6,012	619
Fluidra Balkans JSC	Bulgaria	33.33	2,014	1,838	176	1,852	87
Fluidra Youli Fluid System (Wenzhou) Co., LTD	China	30	5,972	2,027	3,945	1,757	(314)

The figures indicated above correspond to the ownership percentage of each company.

16. Earnings per share**a) Basic earnings**

Basic earnings per share amounts are calculated by dividing consolidated profit / (loss) for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the twelve-month period ended 31 December 2018 and 2017, excluding own shares.

The breakdown of the basic earnings per share calculation is as follows:

	31.12.2018	31.12.2017
Profit/(loss) for the period attributable to equity holders of the Parent (thousands of euros)	(33,922)	31,053
Weighted average number of ordinary shares outstanding	152,309,624	110,915,538
Basic earnings/(losses) per share from continuing operations (euros)	(0.22859)	0.28148
Basic earnings/(losses) per share from discontinued operations (euros)	0.00588	(0.00151)

Profit/(loss) for the year corresponds to the profit/(loss) for the year attributable to equity holders of the Parent.

The weighted average number of ordinary shares during the year was calculated as follows:

	Number of shares	
	31.12.2018	31.12.2017
Ordinary shares outstanding at 1 January	112,629,070	112,629,070
Effect of changes in treasury shares	(1,705,747)	(1,713,532)
Effect of capital increase	41,386,301	-
Weighted average number of ordinary shares outstanding at 31 December	152,309,624	110,915,538

b) Diluted earnings

Diluted earnings/(losses) per share are calculated by adjusting profit/(loss) for the year attributable to equity holders of the Parent and the weighted average number of ordinary shares outstanding for all dilutive effects inherent to potential ordinary shares. Given that there are no potential ordinary shares, this calculation is not necessary.

Notes to the consolidated financial statements

17. Provisions

The breakdown of Other provisions is as follows:

	Thousands of euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Guarantees	-	24,111	-	7,249
Provisions for taxes	5,092	-	3,876	-
Provisions for obligations with employees	8,809	-	5,687	-
Provisions for long-term incentives	-	-	4,211	-
Litigation and other liabilities	4,885	-	1,033	-
Total	18,786	24,111	14,807	7,249

The Provisions caption includes, on the one hand, current provisions for warranties provided to cover potential incidents related to the products sold by the Group and, on the other hand, non-current provisions that are described in the following four captions: "Provisions for taxes" made to cover possible risks in relation to the tax obligations of the different countries in which the Group operates; "Provisions for commitments with employees" in accordance with labour legislation in certain countries in which the Group operates, to deal with possible employee compensation and future benefits; "Provision for long-term employee benefits" which includes cash compensation for the beneficiaries of the share plan detailed in note 30; and "Provisions for Litigation and other liabilities" which include provisions made by different Group companies in relation to contingencies deriving from their operations.

The movements during 2018 and 2017 are as follows:

	Guarantees	Provision for obligations with employees	Litigation and other liabilities	Provision for taxes	Provision for long-term employee benefits	Total
At 01 January 2017	6,050	4,087	502	3,830	-	14,469
Charge for the year	1,867	918	567	1,750	4,211	9,313
Business combinations	92	965	89	-	-	1,146
Payments / Disposals	(37)	(146)	-	(204)	-	(387)
Applications	(424)	(140)	(120)	(1,499)	-	(2,183)
Transfers	(70)	167	3	-	-	100
Exchange gains (losses)	(229)	(164)	(8)	(1)	-	(402)
At 31 December 2017	7,249	5,687	1,033	3,876	4,211	22,056
Charge for the year	1,845	2,434	1,137	1,363	-	6,779
Business combinations	15,866	1,473	6,331	-	-	23,670
Payments / Disposals	-	(1,229)	(289)	(65)	-	(1,583)
Applications	(1,552)	(368)	(496)	-	-	(2,416)
Transfers	502	788	(2,741)	(79)	(4,211)	(5,741)
Exchange gains (losses)	201	24	(90)	(3)	-	132
At 31 December 2018	24,111	8,809	4,885	5,092	-	42,897

18. Financial liabilities from loans and borrowings and other marketable securities

The breakdown of this caption in the consolidated statement of financial position is as follows:

	Thousands of Euros	
	2018	2017
Non-current borrowings	854,078	-
Bank borrowings	2,217	133,757
Finance lease payables	159	4,017
Total non-current assets	856,454	137,774
Bank loans	21,063	28,493
ABL credit facility	19,224	-
Non-current borrowings	7,363	-
Bank borrowings	2,572	38,790
Finance lease payables	1,371	2,049
Other marketable securities	-	9,978
Total current	51,593	79,310
Total liabilities from loans and borrowings and other marketable securities	908,047	217,084

All the balances shown in the table above correspond to the financial liabilities at amortized cost category.

At 31 December 2018 and 2017 bank borrowings and discount lines accrue an average market interest rate, except for those granted by Public Bodies, which accrue an interest rate between 0% and 0.643% (between 0% and 2.5% in 2017). There are no significant differences between the carrying amounts of financial liabilities and their fair values at 31 December 2018 and 2017.

As a result of the agreements signed between the Fluidra Group and the Zodiac Group on 3 November 2017, both parties undertook to make their best efforts to finance the resulting group. As a result of this process, on 8 March 2018 it was agreed to distribute the different loans included in the syndication process, with the debt refinancing taking effect when the merger took place.

The characteristics and conditions of these loans are as follows:

- Long-Term Euro Loan Tranche amounting to Euros 400 million.
- Long-Term USD Loan Tranche amounting to USD 500 million.
- Long-Term AUD Loan amounting to AUD 75 million.
- Multi-currency revolving credit facility amounting to Euros 130 million.
- ABL credit facility (asset-based loan, mainly clients and inventories) amounting to USD 230 million.

The term agreed is 7 years for the loan in its three tranches with quarterly repayments of 0.25%, and repayment in full at the end of the term; 6 years in the case of the revolving credit facility, and 5 years for the ABL.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The interest rates are index-linked to the Euribor or Libor at 1 month, with spreads ranging between 2.25% and 3.75% depending on the tranche and currency; the revolving credit facility is between 2% and 2.5% based on the leverage ratio; and for the ABL there is a margin of between 1.50% and 2% based on the drawdown.

The Group is obliged to report to the lenders quarterly and there are certain standard limitations on increasing borrowings in loans and credit facilities of this kind. Furthermore the revolving credit facility is subject to compliance with certain financial ratios based on the requirement to keep the Financial Debt/EBITDA ratio below 5.65 when the facility is drawn down more than 40%. With regard to the ABL credit facility, there is a trigger for entering the settlement period based on whether over 90% of the loan or the total facility is drawn down over five consecutive days or in any event over thirty consecutive days.

These loans and credit facilities are subject to arrangement and issuance fees, and an availability commission in the case of credit facilities. In addition, after 45 days from the date of allocation, insurance costs will apply to all tranches of long-term loans held.

As a result of the debt refinancing, the following loans have been cancelled: i) the loan signed by the Zodiac Group on 20 December 2016, ii) the ABL credit facility (asset-based financing) of the Zodiac Group, also signed on 20 December 2016, iii) the loan and revolving credit facility signed by Fluidra, S.A. with a syndicate of credit institutions on 25 February 2015, and iv) other bilateral loans and credit facilities held by the Fluidra Group. The cancelled bilateral loans amounted to Euros 31,980.

On 11 July 2017, in order to reduce financial costs and diversify sources of financing, Fluidra, S.A. set into action a promissory notes scheme on the Alternative Fixed Income Market (MARF) with a maximum maturity of one year and with a limit of Euros 50 million. On 29 June 2018 the scheme was extended for a further year and for the same amount. There is no debt amount at the close of the twelve-month period ended 31 December 2018.

The most significant loan included under current and non-current "Bank borrowings" corresponds to the loan signed by the company Fluidra Waterlinx Pty Ltd for a nominal amount of 150,000 thousand South-African rands (ZAR) on 17 September 2015, with maturity on 30 September 2020, at a fixed interest rate of 9.80% up to 31 December 2015 and a variable rate based on the Prime Rate plus a spread for the remaining period. This loan was taken out to refinance the existing loan and finance the acquisition of the company. The outstanding balance at 31 December 2018 amounts to Euros 4,093 thousand (Euros 7,396 thousand at 31 December 2017).

There are no significant financial liabilities that may be affected by the United Kingdom's withdrawal from the European Union (Brexit).

The most significant balances in currencies other than the Euro at 31 December 2018 and 2017 are as follows:

Non-current borrowings

	Thousands of Euros	
	2018	2017
US Dollars	456,754	17,012
Australian dollar	49,969	14,301
South African rand	8,508	10,582
Pounds sterling	30	534
Other currencies	1,260	1,732
	<u>516,521</u>	<u>44,161</u>

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The Group has the following credit and discount facilities at 31 December 2018 and 2017:

	Thousands of euros			
	2018		2017	
	Amount drawn down	Limit	Amount drawn down	Limit
Credit facilities	21,063	209,948	28,493	157,934
Discount facilities	-	10,000	-	12,500
	<u>21,063</u>	<u>219,948</u>	<u>28,493</u>	<u>170,434</u>

At 31 December 2018 and 2017 there are no borrowings backed by mortgage guarantees (see note 6).

The maturity of the non-current loans taken out with financial institutions is as follows:

Maturity	Thousands of euros	
	2018	2017
Within one year	9,935	38,790
Within 2 years	8,099	44,145
Within 3 years	6,294	82,621
Within 4 years	6,257	5,416
Within 5 years	6,144	815
More than five years	829,501	760
	<u>866,230</u>	<u>172,547</u>

The breakdown of the minimum lease payments and the present value of finance lease liabilities by term to maturity is as follows:

	Thousands of euros					
	2018			2017		
	Minimum payments	Interest	Principal	Minimum payments	Interest	Principal
Within one year	1,389	18	1,371	2,174	125	2,049
Between one and five years	168	9	159	4,206	189	4,017
More than five years	-	-	-	-	-	-
	<u>1,557</u>	<u>27</u>	<u>1,530</u>	<u>6,380</u>	<u>314</u>	<u>6,066</u>

During 2018 and 2017 the interest rate on all the loans taken out by the Group is renewed on a monthly, quarterly, half-yearly or yearly basis.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The only difference between the fair value and the carrying amount of the financial assets and liabilities corresponds to non-current loans, the fair value of which is Euros 878,506 thousand (versus a carrying amount of Euros 861,441 thousand). The rest of the financial assets and liabilities show no significant differences between fair values and carrying amounts.

Details of changes in liabilities for financing activities and in cash flows are as follows:

	Balances at 01/01/20 18	Non-monetary changes					Balances at 31/12/201 8
		Cash flows	Business combinations/Sal e of companies	Accumulate d interest	Exchange rate changes	Transfers to discontinued operations (note 12)	
Non-current borrowings	-	286,105	568,180	1,386	5,770	-	861,441
Non-current bank borrowings	133,757	(128,963)	41	-	(2,618)	-	2,217
Current bank borrowings	38,790	(35,961)	21	-	(278)	-	2,572
Non-current finance lease payables	4,017	(3,786)	-	-	(72)	-	159
Current finance lease payables	2,049	(650)	-	-	(28)	-	1,371
ABL credit facility	-	11,377	8,006	200	(359)	-	19,224
Current bank loans	28,493	(7,430)	-	-	-	-	21,063
Other marketable securities	9,978	(9,978)	-	-	-	-	-
	<u>217,084</u>	<u>110,714</u>	<u>576,248</u>	<u>1,586</u>	<u>2,415</u>	<u>-</u>	<u>908,047</u>
Cash and cash equivalents	<u>64,756</u>	<u>82,584</u>	<u>34,558</u>	<u>-</u>	<u>(665)</u>	<u>(11,172)</u>	<u>170,061</u>

	Balances at 01/01/20 17	Non-monetary changes					Balances at 31/12/201 7
		Cash flows	Business combinations/Sal e of companies	Accumulate d interest	Exchange rate changes	New leases	
Non-current bank borrowings	168,786	(35,024)	388	-	(393)	-	133,757
Current bank borrowings	37,322	(208)	830	907	(61)	-	38,790
Non-current finance lease payables	6,203	(2,386)	-	-	(119)	319	4,017
Current finance lease payables	2,262	(228)	-	4	(37)	48	2,049
Discount facilities	-	(85)	85	-	-	-	-
Current bank loans	35,401	(4,495)	(4,266)	20	1,833	-	28,493
Other marketable securities	-	9,978	-	-	-	-	9,978
	<u>249,974</u>	<u>(32,448)</u>	<u>(2,963)</u>	<u>931</u>	<u>1,223</u>	<u>367</u>	<u>217,084</u>
Cash and cash equivalents	<u>86,099</u>	<u>(20,085)</u>	<u>1,606</u>	<u>-</u>	<u>(2,864)</u>	<u>-</u>	<u>64,756</u>

19. Trade and other payables

The breakdown of this caption in the consolidated statement of financial position is as follows:

	Thousands of euros	
	2018	2017
Trade payables for purchases and services	186,569	90,378
Other borrowings	1,435	1,623
Liabilities arisen in business acquisitions / Suppliers of assets	2,631	10,738
Public administrations	15,397	11,932
Current income tax liabilities	3,858	4,358
Employee benefits payable	37,846	16,404
	<u>247,736</u>	<u>135,433</u>

At 31 December 2018, the caption Liabilities for business acquisitions/Suppliers of fixed assets includes Euros 1,328 thousand corresponding to cross options pertaining to the key management of the company Fluidra Waterlinx Pty Ltd. On 31 December 2018 the fair value of this contingent consideration has been revalued. As a result of this re-valuation, the Group has recorded Euros 287 thousand in the Losses on the fair value of financial instruments caption of the consolidated income statement for the year ended 31 December 2018 related to the increase in the contingent liability initially recorded (see note 28).

The same item also includes Euros 225 thousand corresponding to the best estimate of the fair value of the current consideration deriving from the acquisition of Agrisilos, S.R.L. (See note 5).

Additionally, an amount of Euros 636 thousand is also included on account of contingent liabilities from the acquisition of the business Grand Effects by the Zodiac Group before the merger with the Fluidra Group. At 31 December 2018, the fair value of the current and non-current contingent consideration has been remeasured. As a result of this remeasurement, the Group has recorded an amount of Euros 580 thousand under Losses in the fair value of financial instruments.

At 31 December 2017 the Liabilities arisen as a result of business acquisitions/Suppliers of fixed assets"caption include Euros 5,227 thousand corresponding to the best estimate of the fair value of the current contingent consideration derived from the acquisition of SIBO Fluidra Netherlands B.V.. On 31 December 2017 the fair value of this contingent consideration was revalued. As a result of this re-valuation, the Group recorded Euros 996 thousand in the Losses on the fair value of financial instruments caption of the consolidated income statement for the year ended 31 December 2017 related to the increase in the contingent liability initially recorded (see note 28)

The caption Liabilities for business acquisitions/Suppliers of fixed assets also includes Euros 2,871 thousand corresponding to cross options, including those pertaining to the key management of the company Fluidra Waterlinx Pty Ltd. On 31 December 2017 the fair value of this contingent consideration was revalued. As a result of this re-valuation, the Group recorded Euros 80 thousand in the Losses on the fair value of financial instruments caption of the consolidated income statement for the year ended 31 December 2017 related to the increase in the contingent liability initially recorded (see note 28).

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The same item also includes Euros 489 thousand corresponding to the best estimate of the fair value of the current consideration deriving from the acquisition of Agrisilos, S.R.L. (See note 5).

Additionally, this item includes Euros 1,545 thousand corresponding to the deferred payment of the business acquisitions made in prior years, mainly the purchase of Fluidra Waterlinx Pty Ltd.

Liabilities for contingent considerations from Fluidra Waterlinx Pty Ltd., Agrisilos, S.R.L. and Grand Effects correspond to level 3 fair value hierarchy in accordance with IFRS 13.

For these liabilities, the Group has used measurement models that take into account the present value of expected cash flows discounted at a risk-adjusted discount rate. Estimated cash flows have been determined considering different forecast EBITDA scenarios and other variables in accordance with the formula indicated in the agreements on the acquisition of the businesses, the payable amount for each scenario and the estimated probability of each scenario.

The most significant balances in currencies other than the Euro at 31 December 2018 and 2017 are as follows:

Trade payables:

	Thousands of euros	
	2018	2017
US Dollars	104,172	2,129
Australian dollar	14,130	12,995
Pounds sterling	7,134	6,511
South African rand	6,889	6,856
Chinese renminbi	6,637	8,244
	<u>138,962</u>	<u>36,735</u>

Payable balances to Public Administrations are as follows:

	Thousands of euros	
	2018	2017
Tax payables to tax authorities		
VAT	6,946	5,573
Withholdings	1,897	1,507
Social Security, payables	5,260	4,242
Other	<u>1,294</u>	<u>610</u>
	<u>15,397</u>	<u>11,932</u>

20. Other non-current liabilities

The breakdown of non-current liabilities is as follows:

	Thousands of euros	
	2018	2017
Liabilities arisen in business acquisitions	18,516	16,444
Other	7,953	6,289
Total	<u>26,469</u>	<u>22,733</u>

At 31 December 2018, the Liabilities arisen in business acquisitions caption includes Euros 7,695 thousand from the cross put/call options with the minority shareholder of the company SIBO Fluidra Netherlands B.V., which can be exercised between 1 January 2021 and 30 June 2021.

Under the caption Liabilities from business acquisitions an amount of Euros 6,652 thousand is also included corresponding to the put option of I.D. Electroquímica, S.L. This option can be exercised between 1 January 2020 and 31 December 2025. On 31 December 2018 the Group has re-estimated the value of the put option, recording an amount of Euros 365 thousand in the consolidated income statement caption Impairment in fair value of financial instruments for the year ended 31 December 2018, corresponding to the increase in value of the put option initially recorded (see note 28).

Euros 801 thousand is also included, pertaining to the options with the controlling shareholders of the company Riiot Labs NV/SA, and Euros 795 thousand, pertaining to the purchase agreement with the minority shareholder of Agrisilos, S.R.L. (See note 5).

Additionally, this caption also includes Euros 1,306 thousand from the contingent liability for the acquisition of Riiot Labs NV/SA and Euros 427 thousand from the contingent liability for the acquisition of Agrisilos, S.R.L. (See note 5).

During 2018, the conditions of both the contingent liability and the purchase commitment of Agrisilos, S.R.L. have been renegotiated, which has involved remeasuring both items, recording Euros 445 thousand in the Losses in the fair value of financial instruments caption of the income statement for 2018.

The caption Liabilities arisen in business acquisitions also includes an amount of Euros 840 thousand on account of contingent liabilities from the acquisition of the business Grand Effects by the Zodiac Group before the merger with the Fluidra Group.

At 31 December 2017, the Liabilities arisen in business acquisitions caption includes Euros 7,426 thousand from the cross put/call options with the minority shareholder of the company SIBO Fluidra Netherlands B.V., which can be exercised between 1 January 2021 and 30 June 2021. On 31 December 2017 the Group re-estimated the value of the cross options with the minority shareholder, recording an amount of Euros 1,138 thousand in the consolidated income statement caption Impairment in fair value of financial instruments for the year ended 31 December 2017, corresponding to the increase in value of the cross option initially recorded (see note 28).

Under the caption Liabilities from business acquisitions an amount of Euros 6,047 thousand is also included corresponding to the put option of I.D. Electroquímica, S.L. This option can be exercised between 1 January 2020 and 31 December 2025. On 31 December 2017 the Group re-estimated the value of the put option, recording an amount of Euros 194 thousand in the consolidated income statement caption Impairment in fair value of financial instruments for the year ended 31 December 2017, corresponding to the increase in value of the put option initially recorded (see note 28).

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Euros 778 thousand is also included, pertaining to the options with the controlling shareholders of the company Riio Labs NV/SA, and Euros 420 thousand, pertaining to the purchase agreement with the minority shareholder of Agrisilos, S.R.L. (See note 5).

Additionally, this caption also includes Euros 1,263 thousand from the contingent liability for the acquisition of Riio Labs NV/SA and Euros 510 thousand from the contingent liability for the acquisition of Agrisilos, S.R.L. (See note 5).

On 31 December 2017 the Group re-estimated the fair value of the contingent liability derived from the acquisition of Price Chemicals Pty Ltd, recording an amount of Euros 767 thousand in the consolidated income statement caption Increase in fair value of financial instruments for the year ended 31 December 2017, corresponding to the decrease in the contingent liability initially recorded (see note 28).

Liabilities relating to the contingent considerations of Fluidra Waterlinx Pty Ltd, SIBO Fluidra Netherlands B.V., I.D. Electroquímica, S.L., Riio Labs NV/SA, Agrisilos, S.R.L. and Grand Effects correspond to level 3 of the fair value hierarchy as per IFRS 13.

For these liabilities, the Group has used measurement models that take into account the present value of expected cash flows discounted at a risk-adjusted discount rate. Estimated cash flows have been determined considering different forecast EBITDA scenarios and other variables in accordance with the formula indicated in the agreements on the acquisition of the businesses, the payable amount for each scenario and the estimated probability of each scenario.

None of the liabilities arisen in business acquisitions is fixed or firm.

21. **Risk management policy**

Fluidra's risk management system has been designed to mitigate all risks to which the company is exposed on account of its business activities. The three cornerstones of Fluidra's risk management structure are as follows:

- Common management systems specifically designed to mitigate business risks.
- Internal control procedures, aimed at mitigating the risks arising from the preparation of financial reporting and improving its reliability, which have been designed in accordance with ICSFR.
- The risk map, which is the methodology use by Fluidra for identifying, understanding and measuring the risks that affect the company. Its purpose is to get a comprehensive perspective thereon, designing an efficient response system that is aligned with the business objectives.

These elements form an integrated system that allows the Group to appropriately manage the risks and mitigating controls throughout the organization.

Fluidra has a comprehensive and dynamic risk management system in place. It is applicable to the entire organization and its environment, is intended for the long term and is binding upon all employees, executives and directors of the company.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The Audit Committee is responsible for the preparation and execution of the risk system, specifically assisted by the internal audit department.

The internal audit department is responsible for the supervision and proper functioning of the risk management system.

The objectives of the audit committee are to:

- Inform the shareholders at the general meeting of any questions that may arise regarding matters that come within its competence.
- Propose the appointment of the auditors or audit firms to the Board of Directors, to be submitted for approval by the shareholders in general meeting, in accordance with article 264 of the Spanish Corporate Enterprises Act, as well as the terms of engagement, the scope of the professional engagement and the renewal or cancellation of the appointment.
- Supervise the efficiency of the Company's internal control, and especially the Internal Control over Financial Reporting, the internal audit, and where applicable, risk management systems, in addition to discussing with auditors significant weakness in the internal control system detected during the audit.
- Monitor the process for preparing and presenting regulated financial information.
- Review the Company's accounts, watch over compliance with legal requirements and the proper adoption of generally accepted accounting principles, with the direct assistance of the external and internal auditors.
- Manage appropriate relationships with auditors or audit firms to obtain information on questions which might jeopardize their independence, for review by the Committee, and any other audit-related items, as well as any other communications provided for in audit legislation and standards. In any event, annual written confirmation of their independence must be received from the auditors or audit companies regarding the entity or directly or indirectly related entities, and information on additional services of any kind provided to these entities by the aforesaid auditors or companies, or by the persons or entities related thereto, in accordance with the provisions of Law 19/1988, dated 12 July, on audits of financial statements.
- Prior to issuing the yearly audit report, a report expressing an opinion on the independence of the auditors of financial statements or audit firms must be published. This report in any event must opine on the provision of additional services to those discussed in the previous section.
- Oversee the fulfilment of the audit agreement, ensuring that the opinion on the financial statements and main contents of the audit report have been written clearly and accurately, as well as assessing each audit's results.
- Oversee compliance with regulations on related-party transactions. In particular, it shall ensure that the information on these transactions is notified to the market, in compliance with Order 3050/2004 issued by the Ministry of Economy and Finance on 15 September 2004.
- Examine compliance with the Internal Code of Conduct, the Board of Directors Regulations and, in general, the Company's governance rules and propose the necessary improvements therein.
- Receive information and, where appropriate, issue a report on the disciplinary measures that are intended to be taken against members of the Company's senior management.

In the identification, understanding and measurement of the risks affecting the Company, the following risk factors have been considered:

- Security incidents
- Irregular activities and relations with and between employees
- Risks related to the markets and activities in which the Group operates
- Brand reputation
- Process-related risks
- Economic environment

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

- Climatology
- Geopolitical risk
- Addition of new companies
- Financial risks
- Environmental issues

The risks are identified and assessed by analyzing the potential events that may give rise to them. Metrics are used to measure the probability and impact of the risks. The existing mitigating controls are determined, as well as the necessary additional action plans if those controls were considered insufficient.

This process, which is performed annually, allows the Company to obtain its Risk Map. From this map the most relevant risks are extracted, which together with the main changes over the prior year are submitted to the Audit Committee for discussion and approval.

The severity scale and probability scale are defined based on qualitative and quantitative criteria. Once the critical risks have been identified and reassessed, Company Management sets specific actions, appoints the persons responsible, and establishes the terms for mitigating their impact and probability, while reviewing the current controls over them. The analysis of risks, controls and actions taken to mitigate their impact and probability is submitted annually to the Audit Committee for supervision and approval. Subsequently, the Audit Committee reports to the Board of Directors.

In 2018 the following risks materialized:

- **Cyberattacks and fraud**

During 2018, the Fluidra Group has suffered several attacks and fraud attempts involving identity theft of members of Group Management. In one of these attacks, the identity theft perpetrator managed to contact an employee of Fluidra and have them carry out an online banking transaction involving a money transfer that proved difficult to trace. Although the action was not halted initially, it was detected in time and all the defined control and action mechanisms were deployed, managing to prevent the fraud from being fully completed. This action reflects the growing need to establish preventive measures and action plans that protect the Company against possible fraud or cyberattack.

- **Increased credit risk**

As a result of the merger with the Zodiac Group, in July 2018, the credit risk in the region of America has increased since there is a high concentration of invoicing to two major customers there. Fluidra is aware of this situation and has implemented the necessary actions to mitigate the effects of this risk. The Fluidra Group is a multinational company that continues to have a very broad and diversified customer portfolio.

The response and supervision plans to mitigate the risks that the entity is exposed to are as follows:

- a) Development of new products

Continuing analysis of sales of new strategic products and comparison with competitors using market research monitoring tools, analysis of statistical databases by type of market and product. Comparative studies that allow the products to be differentiated from the competitors' and update of product valuation files with the information obtained. Specific action plans aimed at ensuring that production capacities are adapted to the expected levels of demand for these new products.

- b) Technology risks

Given the activities carried out by Fluidra's business units, the protection of their technology and developments is an essential milestone for maintaining their competitive advantage. For such purpose, the Group follows certain development criteria and policies and legal protocols that ensure protection.

- c) Subsidiary management risk

Fluidra is clearly determined and convinced that the strengthening and standardization of its internal procedures and controls in the Group's subsidiaries is the right path to the prompt detection and eradication of

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

any irregularity in the management of the subsidiaries. In this regard, the INVICTUS project, consisting of a new Group-wide operations streamlining system, is a highly valuable tool for achieving this goal.

d) Development of new activities

Fluidra's continuous assessment of new activities and organisations that can bring more value to the Group has culminated in 2018 with the Zodiac Group merger. The Zodiac Group is a multinational group with a very significant presence in the United States.

Since Fluidra is aware that any new activity poses intrinsic risks, it has hired the services of expert external consultants that have advised it on purchase processes, and the Company has established the necessary controls to mitigate the risk associated with the development and integration of any new activity.

e) Human capital risks

Fluidra group companies have a variable remuneration policy linked to professional development and achievement of personal goals in order to identify and reward its best professionals.

The Parent has a whistle-blowing channel created by the Audit Committee, under the joint management of the Corporate Human Resources, Internal Audit and Legal departments so that any group employee can report any internal control, accounting or audit-related matters.

The Company has an Internal Code of Conduct related to the securities market.

f) Process-related risks

These risks are centrally managed and monitored by the Finance and Legal departments, and verified by the Internal Audit department.

The processes for obtaining the consolidated economic and financial information are developed centrally and under corporate criteria, and both the consolidated and each subsidiaries' individual financial statements are verified by the external auditors.

g) Climatology

The Company manages climatological risk through internationalization and the development of products and applications that allow it to use and operate its premises in adverse climates.

h) Economic environment

Continuing valuation of company assets by a multidisciplinary team in order to detect any impairment situation early and determine the actions to be taken to secure the profitability of the area's activities.

i) Financial risks

Market, liquidity, foreign exchange and interest rate risk management is monitored by the Group's Central Cash Department in accordance with the policies defined. This department identifies, evaluates, and covers financial risks in close collaboration with the Group's operating units.

i. Credit Risk

Credit risk is managed separately by each operating unit of the Group in accordance with the parameters set by Group policies, except for the subsidiaries in Spain, Portugal, France and Italy, where credit risk is managed centrally by the Group's Risk Department.

Credit risk exists when a potential loss may arise from Fluidra, S.A.'s counterparties not meeting their contractual obligations, that is, due to not collecting the financial assets according to the established amounts and time frame.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

In the case of the Group, the risk is mainly attributable to trade receivables. This risk, however, is mitigated since the Group has a highly diversified domestic and international customer portfolio, where none of the customers accounts for a significant percentage of total sales for the year, except for two customers on the American market.

Credit risk arising from the failure of a counterparty to meet its contractual obligations is duly controlled by policies and risk limits which establish requirements regarding:

- Appropriate agreements to the transaction made.
- Sufficient internal or external credit quality of the counterparty.
- Additional guarantees when necessary.

Additionally, there is an impairment loss policy for individual companies relating to trade receivables that ensures that fair values of accounts receivable do not significantly differ from their book value. This policy is mainly focused on accounts receivable more than 120 days past due.

The Group's exposure to past due not impaired financial assets is solely focused on the Trade and other receivables caption, and there are no other past due financial assets balances.

The tables below show the aging analysis of past due not impaired Trade and other receivables at 31 December 2018 and 2017:

	2018	2017
Not due	219,101	91,494
Past due	35,042	35,093
0 - 90 days	29,674	27,305
90 - 120 days	3,656	3,826
More than 120 days	1,712	3,962

ii. Liquidity Risk

Liquidity risk is the possibility that Fluidra, S.A. will not have sufficient funds or access to sufficient funds at an acceptable cost to meet its payment obligations at all times.

The Group manages liquidity risk based on prudent criteria in order to maintain sufficient cash and marketable securities, secure the availability of committed credit facilities to provide financing, and ensure its capacity to exit market positions. Due to the dynamic nature of the underlying businesses, the Group's Treasury Department aims to maintain sufficient headroom on its undrawn committed borrowing facilities.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The table below shows the Group's exposure to liquidity risk at 31 December 2018 and 2017. The table below shows an analysis of financial liabilities by contractual maturity:

	2018					
	Thousands of Euros					
	1 year	2 years	3 years	4 years	5 years	More than 5 years
Financial liabilities from loans and borrowings and other marketable securities	88,381	44,038	41,613	41,196	40,834	864,065
Capital	50,222	8,099	6,294	6,257	6,144	829,501
Interest	38,159	35,939	35,319	34,939	34,690	34,564
Finance lease liabilities	1,389	112	52	4	-	-
Share capital	1,371	105	50	4	-	-
Interest	18	7	2	-	-	-
Derivative financial liabilities	28	-	-	7,870	-	-
Trade and other payables	247,736	-	-	-	-	-
Other non-current liabilities	-	8,766	17,138	237	217	111
	<u>337,534</u>	<u>52,916</u>	<u>58,803</u>	<u>49,307</u>	<u>41,051</u>	<u>864,176</u>

	2017					
	Thousands of Euros					
	1 year	2 years	3 years	4 years	5 years	More than 5 years
Financial liabilities from loans and borrowings and other marketable securities	81,981	47,250	84,472	5,558	841	860
Capital	77,261	44,145	82,621	5,416	815	760
Interest	4,720	3,105	1,851	142	26	100
Finance lease liabilities	2,174	2,215	826	693	472	-
Share capital	2,049	2,129	767	658	463	-
Interest	125	86	59	35	9	-
Derivative financial liabilities	472	-	1,349	-	-	-
Trade and other payables	135,433	-	-	-	-	-
Other non-current liabilities	-	1,499	1,757	11,481	218	7,778
	<u>220,060</u>	<u>50,964</u>	<u>88,404</u>	<u>17,732</u>	<u>1,531</u>	<u>8,638</u>

During the next few months, based on its cash flow forecasts and financing available, the Group does not expect any difficulties in terms of liquidity.

Notes to the consolidated financial statements

iii. Foreign currency risk

The Group operates in the international arena and therefore is exposed to foreign exchange risks on transactions denominated in foreign currencies, especially in US dollar and Australian dollar. Foreign exchange risk arises on future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Group companies manage the foreign currency risk of future commercial transactions, recognized assets and liabilities by forward currency contracts mainly entered into by the Group's Treasury Department. Foreign exchange risk arises when future commercial transactions or firm commitments, recognized assets and liabilities and net investments in foreign operations are denominated in a currency that is not the Company's functional currency. This risk also arises as a result of balances between group companies that have been eliminated on consolidation. The Group's Treasury Department is responsible for managing the net position of each foreign currency by entering into external forward currency contracts.

The purpose of the Group's risk management policy is to cover the risk arising in transactions carried out in dollars through natural hedges (offsetting collections against payments), using forward instruments to hedge the excess or shortfall. All transactions in Australian dollar are hedged against the American dollar using forward instruments. All transactions in American dollar are hedged against the euro using forward instruments. No hedging instruments are used to hedge transactions carried out in the other foreign currencies. The Group also has several investments in foreign operations whose net assets are exposed to foreign currency translation risk. The Group manages the foreign currency risk relating to the net assets of its foreign operations in Australia and the United States mainly by holding borrowings denominated in the related foreign currency.

Although the Group arranges forward contracts for the economic hedging of foreign currency risks, not all of them are recognized applying hedge accounting.

At 31 December 2018, if the euro had appreciated by 10% with respect to the US dollar and the Australian dollar, keeping the other variables constant, consolidated profit after tax would have decreased by Euros 9,626 thousand and if the euro had depreciated by 10% with respect to the aforementioned foreign currencies, consolidated profit after tax would have increased by Euros 11,746 thousand, mainly as a result of the translation of accounts receivable denominated in foreign currency. Exchange differences included in recognized income and expenses would have decreased by Euros 23,512 thousand if the euro had appreciated by 10% and they would have increased by Euros 33,511 thousand if the euro had depreciated by 10%.

At 31 December 2017, if the euro had appreciated by 10% with respect to the US dollar, the Australian dollar, the sterling pound, the South African rand, the Brazilian real and the Israeli shekel, keeping the rest of variables constant, consolidated profit after tax would have decreased by Euros 2,037 thousand, and if the euro had depreciated by 10% with respect to the aforementioned foreign currencies, consolidated profit after tax would have increased by Euros 2,489 thousand, mainly as a result of the translation of accounts receivable denominated in foreign currency. Exchange differences included in recognized income and expenses would have decreased by Euros 9,002 thousand if the euro had appreciated by 10% and they would have increased by Euros 11,003 thousand if the euro had depreciated by 10%.

The potential impact of foreign exchange rate derivatives has not been included in the calculation above.

The main balances in currencies other than the euro are described in notes 14, 18 and 19 to the consolidated financial statements.

iv. Cash flow interest rate risk

Since the Group does not have any significant remunerated assets, income and cash flows from operating activities are not significantly exposed to the risk of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. As indicated in note 18, most loans taken out by the Group are linked to floating market interest rates that are updated every month.

Notes to the consolidated financial statements

The Group manages its cash flow interest rate risk with floating-to-fixed interest rate swaps without barriers. The effect of these interest rate swaps is to convert floating borrowings to fixed borrowings. Generally, the Group borrows at a floating rate and swaps for a fixed rate, which is generally lower than the fixed rate at which the Group could have borrowed. Under interest rate swaps, the Group agrees with other parties to exchange, on a regular basis (usually quarterly), the difference between fixed interest and floating interest calculated on the notional principal agreed upon.

If interest rates at 31 December 2018 had been 25 basis points higher or lower, all other variables held constant, consolidated profit before tax would have been Euros 1,152 thousand lower or higher (Euros 465 thousand in 2017), mainly due to higher / lower finance costs at variable rates.

The potential impact of interest rate derivatives has not been included in the calculation above.

v. Market risk

Apart from the swaps arranged by the Group mentioned in the section above, there are no significant price risks related to equity instruments classified as held for sale or at fair value through profit or loss.

22. Cost of sales and change in inventories of finished goods and work in progress

The breakdown of this income statement caption is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017 (*)
Purchases of raw and secondary materials	513,229	396,902
Change in inventories of raw materials, finished products and work in progress and goods for resale	25,086	(7,776)
Net charge to the provision for obsolescence	(65)	473
Total	<u>538,250</u>	<u>389,599</u>

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

23. Sales of goods and finished products

The breakdown of sales of goods and finished products by business unit in 2018 and 2017 is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017 (*)
Residential	665,979	443,093
Commercial	92,557	95,733
Water treatment	152,382	123,361
Fluid handling	72,800	63,268
Pool & Wellness	983,718	725,455
Domestic Irrigation & Water Treatment	24,888	28,620
Industrial & Others	21,035	22,439
Total	<u>1,029,641</u>	<u>776,514</u>

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

In 2018, the Commercial Pool caption included Euros 7,784 thousand (Euros 11,562 thousand in the corresponding prior year period) relating to the execution of projects where the rendering of services is recognised based on the degree of completion at the closing date, as long as the result of the transaction can be reliably estimated.

There are no customer accounts for sales to third parties greater than 10% of total sales.

24. Income from the rendering of services

This caption mainly includes the revenue from sales transportation services and other logistic services rendered by the Group.

25. Employee benefit expenses

The breakdown of employee benefits expense in 2018 and 2017 is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017 (*)
Wages and salaries	175,514	126,378
Termination benefits	3,650	1,742
Social security expense	36,236	26,260
Other employee welfare expenses	7,552	10,190
	<u>222,952</u>	<u>164,570</u>

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The Group's average headcount during the years 2018 and 2017 by professional category is as follows:

	31.12.2018	31.12.2017 (*)
Management	97	80
Sales, logistics and production staff	3,794	3,362
Administration and purchasing staff	1,074	850
	<u>4,965</u>	<u>4,292</u>

(*) Restated following application of IFRS 5 (see note 2b and note 12).

The average number of employees with a disability equal to or greater than 33% during 2018 amounts to 44 employees (39 employees in 2017), with 42 of them belonging to the professional category "sales, logistics and production" and the other 2 to "administration and purchasing staff" (37 and 2, respectively, in the prior year).

The Group's headcount by gender at year end is as follows:

	31.12.2018		31.12.2017 (*)	
	Male	Women	Male	Women
Board members (**)	12	-	8	1
Management	96	9	72	7
Sales, logistics and production staff	2,871	1,144	2,336	975
Administration and purchasing staff	618	591	448	431
	<u>3,597</u>	<u>1,744</u>	<u>2,864</u>	<u>1,414</u>

(*) Restated following application of IFRS 5 (see note 2b and note 12).

(**) The Board Members category includes two senior managers in 2018 and one in 2017.

26. Other operating expenses

The breakdown of "Other operating expenses" is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017 (*)
Leases and fees	29,111	23,633
Repairs and maintenance	12,829	10,497
Independent professional services	43,972	16,590
Temporary employment agency expenses	10,368	7,961
Commissions	4,770	4,040
Sales transportation and logistics services	48,449	36,575
Insurance premiums	3,242	2,470
Bank services	1,413	1,473
Advertising and publicity	17,004	10,040
Utilities	9,664	9,494
Communications	3,001	2,998
Travel expenses	15,028	9,855
Taxes	4,477	3,195
Adjustments due to impairment of trade receivables	3,332	1,532
Guarantees	3,868	4,407
Other (**)	19,057	5,635
	<u>229,585</u>	<u>150,395</u>

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

(**) It includes remuneration earned by the members of the Board of Directors, research and development expenses and other expenses.

In 2018, the Independent Professional Services caption includes the expenses corresponding to the merger and integration of Piscine Luxembourg Holdings 2 S.à.r.l.

27. Operating leases

The Group has entered into operating leases with third parties on several warehouses, premises and industrial units.

The main operating lease arrangements on warehouses and buildings have been entered for a term between one and seven years (slightly shorter than the useful lives of the assets), at market prices, there are no advantageous purchase options thereon, and most of them can be renewed at the date of termination by mutual agreement of both parties to the contract. Lease payments are periodically updated in accordance with a price index established in each agreement.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Future minimum lease payments payable under operating leases are as follows:

	Thousands of euros	
	2018	2017
Within one year	23,560	18,472
Between one and five years	55,808	33,752
More than five years	55,729	24,189
	<u>135,097</u>	<u>76,413</u>

Operating lease payments recognized as expenses in 2018 amounted to Euros 29,111 thousand (Euros 23,633 thousand in 2017) (see note 26).

28. Finance income and costs

The breakdown of finance income and costs is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017 (*)
Finance income		
Other finance income	330	677
Reversals due to impairment losses on financial assets at available-for-sale financial assets	-	13
Reversals due to impairment losses on financial assets amortised at cost other than trade and other receivables	406	287
Gains on the fair value of financial instruments	<u>1,215</u>	<u>1,200</u>
Total finance income	1,951	2,177
Finance cost		
Interest on debt (leasing, loans, policies and bills discounting)	(5,551)	(7,259)
Other finance costs	(2,352)	(1,354)
Losses on the fair value of financial instruments	(2,071)	(3,116)
Impairment losses on available-for-sale financial assets	-	(440)
Impairment losses on financial assets at amortized cost other than trade and other receivables	(340)	(404)
Non-current interest on loans	<u>(17,797)</u>	<u>-</u>
Total finance cost	(28,111)	(12,573)
Exchange gains/(losses)		
Exchange gains	26,700	18,484
Exchange losses	<u>(28,136)</u>	<u>(21,163)</u>
Total exchange gains / (losses)	(1,436)	(2,679)

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Net profit / (loss)

(27,596)

(13,075)

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

The Gains on the fair value of financial instruments caption includes Euros 362 thousand corresponding to the estimate at fair value of the contingent liabilities derived from acquisitions in prior years.

At 31 December 2017 the Gains on the fair value of financial instruments caption included Euros 767 thousand corresponding to the estimate at fair value of the contingent liability derived from the acquisition of Price Chemicals Pty, Ltd.

The Gains on the fair value of financial instruments caption includes Euros 1,677 thousand corresponding to the estimate at fair value of the contingent liabilities derived from acquisitions in prior years.

At 31 December 2018, Interest on debt (leasing, loans, policies and bills discounting) includes the negative effect of the cancellation of the derivatives associated to the syndicated financing, amounting to Euros 1,134 thousand.

29. Deferred taxes and Income tax

During 2018 the Group has availed itself of the consolidated tax return scheme through six tax subgroups: Fluidra, S.A., Zodiac Pool Solutions LLC, Zodiac Pool Solutions PTY LTD, ZPES Holdings, S.A.S., U.S. Pool Holdings Inc. and Fluidra Services Italia, S.R.L. The parent of each subgroup is the tax consolidation parent company which is responsible for the corresponding settlements to the tax authorities. The companies comprising each tax subgroup and the applicable tax rates are as follows:

Fluidra, S.A. (25%)

Fluidra Export, S.A.

Cepex, S.A.U.

Fluidra Commercial, S.A.U.

Fluidra Comercial España, S.A.U.

Fluidra Industry, S.A.U.

Fluidra J.V. Youli, S.L.

Fluidra Services España, S.L.U.

Industrias Mecánicas Lago, S.A.U.

Fluidra Industry España, S.L.U.

Inquide, S.A.U.

Metalast, S.A.U.

Poltank, S.A.U.

Fluidra Global Distribution, S.L.U.

Sacopa, S.A.U.

Talleres del Agua, S.L.U.

Togama, S.A.U.

Trace Logistics, S.A.U.

Unistral Recambios, S.A.U.

Fluidra Engineering Services, S.L.

Innodrip, S.L.U.

I.D. Electroquímica, S.L

Puralia Systems, S.L.U.

Fluidra Finco, S.L. (*)

Zodiac Pool Solutions, LLC (23.61%) (**)

Zodiac Pool Systems, LLC (**)

Cover Pools Incorporated (**)

Zodiac Pool Solutions PTY LTD (30%) (**)

Zodiac Group Australia PTY LTD (**)

Fluidra Australia PTY LTD (*)

Price Chemicals PTY LTD (*)

ZPES Holdings, S.A.S. (33.33%) (**)

Zodiac Pool Solutions, S.A.S. (**)

Zodiac International, S.A.S. (**)

Zodiac Pool Care Europe, S.A.S. (**)

U.S. Pool Holdings, Inc. (26.23%)

Fluidra USA, Inc.

Aquaproducts, Inc.

Fluidra Projects USA, Inc.

Fluidra Services Italia, S.R.L. (24%)

Fluidra Commerciale Italia, S.p.a.

Agrisilos, S.R.L. (*)

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

(*) Companies included in the tax subgroup in 2018.

(**) Newly-acquired companies.

In 2017 the Group availed itself of the consolidated tax return scheme through four tax subgroups: Fluidra, S.A., Fluidra Services France, S.A.S., U.S. Pool Holdings Inc. and Fluidra Services Italia, S.R.L.

The Company and the rest of subsidiaries (except for Fluidra Middle East FZE, Certikin Middle East FZE and La Tienda Swimming Pool Maintenance LLC) are required to file an annual corporate income tax return.

The breakdown of deferred tax assets and liabilities according to their nature is as follows:

	Thousands of euros					
	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment and investment property	1,741	1,657	4,808	4,266	(3,067)	(2,609)
Provision for guarantees	4,255	351	-	-	4,255	351
Provision for obligations with employees	3,217	65	-	-	3,217	65
Impact of IFRS 15	3,797	-	-	-	3,797	-
R&D expenses	321	75	4,532	83	(4,211)	(8)
Contractual relations and customer portfolio	815	46	129,129	2,763	(128,314)	(2,717)
Trademarks and patents	223	102	44,165	1,247	(43,942)	(1,145)
Inventories	4,560	4,613	1,873	1,169	2,687	3,444
Provision for inventory	1,142	1,027	-	-	1,142	1,027
Provision for receivables	2,846	2,411	-	-	2,846	2,411
Other provisions	5,018	3,457	-	-	5,018	3,457
Tax credit for unused tax loss carryforwards and deductions	52,628	7,033	-	-	52,628	7,033
Financial goodwill	-	-	6,003	6,827	(6,003)	(6,827)
Transaction costs	1,819	-	-	-	1,819	-
Other items	2,638	1,489	8,756	4,679	(6,118)	(3,190)
	<u>85,020</u>	<u>22,326</u>	<u>199,266</u>	<u>21,034</u>	<u>(114,246)</u>	<u>1,292</u>

The breakdown of changes in net tax assets and liabilities is as follows:

	Thousands of euros						
	31.12.2017	Profit and loss	Impact of the change in tax rate on profit or loss	Equity	Business combinations (note 5)	Exchange gains (losses) / Others	Transfers to discontinued operations (note 12)
Property, plant and equipment and investment property	(2,609)	354	-	-	(983)	51	120
Provision for guarantees	351	(1,080)	(51)	-	4,993	42	-
Provision for obligations with employees	65	2,989	(9)	-	-	172	-
Impact of IFRS 15	-	(242)	-	-	4,064	(25)	-
R&D expenses	(8)	404	-	-	(4,525)	(66)	(16)
Contractual relations and customer portfolio	(2,717)	6,269	-	-	(129,812)	(2,054)	-
Trademarks and patents	(1,145)	209	-	-	(42,567)	(439)	-
Inventories	3,444	8,719	-	-	(9,203)	(273)	-
Provision for inventory	1,027	91	-	-	103	(79)	-
Provision for receivables	2,411	163	(5)	-	263	31	(17)
Other provisions	3,457	(1,715)	-	-	3,539	(244)	(19)

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Tax credit for unused tax loss carryforwards and deductions	7,033	(3,967)	(67)	-	50,285	(656)	-	52,628
Financial goodwill	(6,827)	(166)	976	-	19	(5)	-	(6,003)
Transaction costs	-	(725)	-	-	2,534	10	-	1,819
Other items	<u>(3,190)</u>	<u>(1,861)</u>	<u>(62)</u>	<u>1,567</u>	<u>(2,330)</u>	<u>(75)</u>	<u>(167)</u>	<u>(6,118)</u>
Total	<u>1,292</u>	<u>9,442</u>	<u>782</u>	<u>1,567</u>	<u>(123,620)</u>	<u>(3,610)</u>	<u>(99)</u>	<u>(114,246)</u>

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

	Thousands of euros					
	31.12.2016	Profit and loss	Impact of the change in tax rate on profit or loss	Equity	Business combinations (note 5)	Exchange gains (losses) / Others
Property, plant and equipment and investment property	(2,788)	74	-	-	109	(4)
Provision for guarantees	274	85	-	-	-	(8)
Provision for obligations with employees	64	3	-	-	-	(2)
R&D expenses	(87)	(7)	-	-	-	86
Contractual relations and customer portfolio	(3,162)	411	-	-	-	34
Trademarks and patents	(724)	748	-	-	(1,189)	20
Inventories	3,028	272	-	-	-	144
Provision for inventory	1,000	(8)	-	-	84	(49)
Provision for receivables	2,647	(405)	-	-	202	(33)
Other provisions	2,320	1,187	-	-	12	(62)
Tax credit for unused tax loss carryforwards and deductions	10,753	(4,519)	-	-	-	799
Financial goodwill	(8,240)	1,413	-	-	-	-
Other items	(3,036)	(13)	-	(207)	30	36
Total	2,049	(759)	-	(207)	(752)	961

On 30 March 2006 the company made a capital increase through the non-monetary contribution of shares under the special tax regime set forth in Chapter VIII, Title VII of Royal Legislative Decree 4/2004, of 5 March, which enacts the Revised Text of the Spanish Corporate Income Tax Law.

Initially, the shareholders who contributed shares in the above-mentioned transaction availed themselves of said tax exemption, therefore transferring to the parent company their commitment to the tax authorities regarding the corresponding deferred tax, which amounted to Euros 7,790 thousand. However, on 31 March 2006 these shareholders signed a commitment to the Parent Company to return the entire amount subject to the exemption, which will be callable in the event that the equity shares linked to it are sold by the parent company or the corresponding tax is directly paid by the contributing shareholders in the event that they fully or partially sell the shares received as consideration for said contribution. Consequently, at 31 December 2006 the Company recognized a non-current deferred tax and a non-current account receivable amounting to Euros 7,790 thousand. In the event that the Company generated a collection right to the contributing shareholders, the amount to be paid by the contributing shareholders will be offset with future dividends to be distributed by the Company. After the sale of shares carried out by the shareholders on 31 October 2007 due to the Company's initial public offering, the non-current deferred tax and the non-current account receivable were reduced to Euros 1,138 thousand, which are included in the Other non-current accounts receivable caption (see note 14). At 31 December 2018 and 2017 neither non-current deferred tax nor non-current account receivable have shown any variation.

The items directly charged and credited to consolidated equity accounts for the year correspond to hedging instruments amounting to Euros 1,567 thousand in 2018 (Euros 207 thousand in 2017 corresponding to hedging instruments and the provision for long-term defined benefits).

The other deferred tax assets and liabilities recorded and reversed in 2018 and 2017 have been recognized with a charge or credit to the income statement, except for those arising from business combinations, exchange gains and losses and other concepts.

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The breakdown of the corporate income tax expense is as follows:

	Thousands of euros	
	2018	2017 (*)
Current tax		
for the year	14,215	13,183
Tax deductions	(1,304)	(2,589)
Adjustment in respect of prior years	90	153
Provision for taxes	683	1,477
Other	396	-
Deferred taxes		
Origination and reversal of temporary differences	(13,409)	(3,760)
Tax credit for unused tax loss carryforwards and deductions	3,967	4,519
Effect of the change in the tax rate	(782)	-
Total income tax expense	<u>3,856</u>	<u>12,983</u>

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

The reconciliation of current income tax with current net income tax liabilities is as follows:

	Thousands of euros	
	2018	2017 (*)
Current tax	12,911	10,594
Withholdings and payments made on account during the year	(12,291)	(16,345)
Other	(2,300)	514
Exchange gains (losses)	(53)	-
Additions from business combinations (note 5)	(12,064)	-
Tax payable in 2017	(7,896)	-
Tax payable in 2016	-	(6,425)
	<u>(21,693)</u>	<u>(11,662)</u>

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The relationship between income tax expense and profit from continuing operations is as follows:

	Thousands of euros	
	2018	2017 (*)
Profit for the year before tax from continuing operations	(28,961)	45,965
Profit at 25%	(7,240)	11,491
Effect of applying different effective tax rates in other countries	5,834	6,906
Permanent differences	4,841	(4,025)
Utilization of unrecognized loss carryforwards from prior years	(422)	(548)
Differences in the income tax expense from prior years	90	153
Withholding at source on income earned abroad	583	-
Provision for taxes	683	-
Tax deductions generated in the year	(1,304)	(2,589)
Effect of the change in the tax rate	(782)	-
Other	1,573	1,595
Income tax expense	<u>3,856</u>	<u>12,983</u>

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

Deferred tax assets related to unused tax loss carryforwards and unused tax credits recorded in the consolidated financial statements of the Group at 31 December 2018 and 2017 are as follows:

	Thousands of euros	
	2018	2017
Deductions	3,246	3,611
Tax loss carryforwards	<u>49,382</u>	<u>3,422</u>
	<u>52,628</u>	<u>7,033</u>

The Group only recognizes deductions and tax loss carryforwards for which recovery is considered probable. Tax loss carryforwards and deductions amounting to Euros 3,556 thousand and capitalized in prior years were utilized in 2018 (Euros 2,628 thousand in 2017). Mainly as a result of tax losses from the Spanish companies filing consolidated taxes, in 2018 an amount of Euros 600 thousand has been capitalized related to deductions and tax loss carryforwards (Euros 600 thousand in 2017).

In the business combination with the Zodiac Group, Euros 44,995 thousand in tax loss carryforwards were recorded from the Group's French companies.

The amounts and periods of reversal for the capitalized deductions at 31 December 2018 are as follows:

Years	Thousands of euros	Last year for utilization
2007-2014	942	2022-2032
2015	750	2033
2004-2017	1,554	No time limit
	<u>3,246</u>	

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

The amounts and periods of reversal for the capitalized tax loss carryforwards at 31 December 2017 are as follows:

Years	Thousands of euros	Last year for utilization
2007-2015	4,484	2021-2035
2005-2016	44,896	No time limit
2017	2	2047
	<u>49,382</u>	

Deferred tax assets related, unused tax loss carryforwards and unused deductions not recorded in the consolidated financial statements of the Group are as follows:

	Thousands of euros	
	2018	2017
Deductions	3,626	2,618
Tax loss carryforwards	<u>24,653</u>	<u>27,947</u>
	<u>28,279</u>	<u>30,565</u>

The amounts and periods of reversal for non-capitalized deductions at 31 December 2018 are as follows:

Years	Thousands of euros	Last year for utilization
2004-2015	2,876	2020-2033
2011-2015	138	No time limit
2017	280	2035
2017	139	No time limit
2018	193	2028
	<u>3,626</u>	

The amounts and periods of reversal of unrecorded unused tax loss carryforwards are as follows:

Year	Thousands of euros	Last year for utilization
2002-2014	20,594	2019-2034
2015	8,718	2020-2035
2016	21,159	2036
2017	1,043	2037
2002-2017	<u>18,866</u>	Losses with no time limit for utilization
	<u>70,380</u>	

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Fluidra Maroc, S.A.R.L., Fluidra Brasil Indústria e Comércio LTDA, Fluidra Industry France, S.A.S., Talleres del Agua, S.L.U., Fluidra Commerciale Italia, S.P.A., Agrisilos, S.R.L., and Zodiac Pool Deutschland GMBH are currently being inspected, although no significant liabilities are expected to arise for the Fluidra Group.

The Spanish companies are open to inspection for the following tax periods:

Tax	Open tax periods
Corporate income tax	From 2013 to 2018
Value added tax	From 2015 to 2018
Personal income tax	From 2015 to 2018
Tax on Economic Activities	From 2015 to 2018

During 2018 the Spanish tax authorities notified that verification and investigation proceeds had started for the income tax of the Parent of the tax group Fluidra, S.A.. The years being inspected for the income tax are 2013-2016. The inspections are partial, limited only to checking the distribution among the Group companies of management support service costs. The Company's Directors consider that no additional significant contingent liabilities will arise other than those already recorded, and the additional tax payable, if any, would not have a significant impact on the consolidated financial statements of the company.

The Group's Directors consider that in the event of additional tax inspections above and beyond those mentioned, the possibility that contingent liabilities arise is remote and the additional tax payable, if any, that may derive would not have a significant impact on the consolidated financial statements of the Group taken as a whole.

30. Related party balances and transactions

The breakdown of balances receivable from and payable to related parties and associates and their main characteristics is as follows:

	Thousands of euros			
	31.12.2018		31.12.2017	
	Receivable balances	Payable balances	Receivable balances	Payable balances
Customers	315	-	278	-
Debtors	44	-	232	-
Suppliers	-	746	-	651
Creditors	-	-	-	25
Total current	359	746	510	676

a) Consolidated Group transactions with related parties

Current related-party transactions correspond to the Company's normal trading activity, have been carried out on a reasonable arm's length basis and mainly include the following transactions:

- Purchases of finished products, purchases of spas and accessories from Iberspa, S.L. (with ownership interest by Boyser, S.R.L., Edrem, S.L., Dispur, S.L. And Aniol, S.L.).
- Lease agreements on buildings between the Group and Inmobiliaria Tralsa, S.A., Constralsa, S.L. And Stick Inmobiliere (with ownership interest by Boyser, S.R.L., Edrem, S.L., Dispur, S.L. and Aniol, S.L.) included in expenses from services.
- Sales of components and materials necessary produced by the Group for the manufacture of spas to Iberspa, S.L.
- Rendering of services by the Group to Iberspa, S.L.

The nature of the relationship with the above-mentioned related parties is the existence of significant shareholders in common.

The amounts of the consolidated Group transactions with related parties are as follows:

	Thousands of euros			
	31.12.2018		31.12.2017	
	Associates	Related parties	Associates	Related parties
Sales	484	897	478	1,020
Income from services	32	230	37	203
Purchases	(185)	(5,525)	(162)	(5,660)
Expenses from services and other	-	(2,929)	-	(3,015)

b) Information on the Parent Company's Directors and the Group's key management personnel

No advances or loans have been given to key management personnel or Directors.

The remuneration earned by key management personnel and Directors of the Company is as follows:

	Thousands of euros	
	2018	2017
Total key management personnel	8,404	2,222
Total Directors of the Parent Company	5,182	1,645

The members of the Parent Company's Board of Directors have earned Euros 1,009 thousand in 2018 (Euros 861 thousand in 2017) from the consolidated companies in which they act as board members. Additionally, for the performance of executive duties, they have earned Euros 4,084 thousand in 2018 (Euros 697 thousand in 2017). The executive function includes remuneration in kind corresponding to the share plan, a vehicle and life insurance. Similarly, the members of the Board of Directors have received Euros 89 thousand compensation for travel expenses (Euros 87 thousand in 2017).

In January 2019, the 2015-2018 plan consolidated on 31 December 2018 was settled. Mr Eloy Planes is a beneficiary of this plan.

The Company has life insurance policies whereby the Company has recognized an expense of Euros 67 thousand in 2018 (Euros 25 thousand in 2017). These life insurance policies consist in an income supplement in the event of total permanent invalidity.

Furthermore, the Company has made contributions to benefit plans and pension plans amounting to Euros 112 thousand in 2018 (Euros 24 thousand in 2017).

During 2018, civil liability insurance premiums for all the Group's directors to cover damages arising in the performing of duties during the year have been paid amounting to Euros 75 thousand (Euros 35 thousand in 2017). In addition, the Company has arranged run-off insurance to cover potential contingencies arising from the former shareholder amounting to Euros 128 thousand.

The Group's key management includes the executives that answer directly to the Board of Directors or senior management, as well as the internal auditor.

At the general meeting held on 5 May 2015 the shareholders approved a new long-term variable remuneration plan for executive directors and the executive team of Fluidra, S.A. and the subsidiaries comprising the consolidated group.

The new plan is implemented through the granting of a certain number of performance share units (PSUs), which will be settled in Company shares once a certain period of time has elapsed 25% of these PSUs may be directly converted into shares once certain length-of-services requirements are met. The remaining 75% may be converted subject to the following financial objectives: 50% are subject to the evolution of the quotation of Fluidra shares, and 50% to the evolution of the EBITDA of Fluidra or the EBIT of the Fluidra subsidiary for which the beneficiary is responsible.

The maximum number of PSUs to be granted under the new plan amounts to 1,672,615, without prejudice to the inclusion of new executives to this plan with a maximum limit of 2,161,920 shares.

At 31 December 2017, this number of shares is insufficient to cover the total shares resulting from applying the degree of attainment of the metrics (3,076,819 shares).

Notes to the consolidated financial statements

Therefore, based on the proposal of the Appointment and Remuneration Committee, the Board of Directors has decided to make cash payments for each share exceeding the maximum number of shares authorised by the General Shareholders' Meeting, at a value of Euros 8 per share. The beneficiaries of this cash compensation are members of management who are on the Group's payroll at the date of settlement of the plan, with the exception of the executive chairman, who will receive a distribution proportional to the shares authorised by the General Shareholders' Meeting. The total number of shares expected to be settled via equity instruments or in cash is 2,951,489 shares.

At 31 December 2018 the best estimate of the fair value of the plan's total amount comes to approximately Euros 10,755 thousand, which will be settled as Euros 3,579 in equity instruments and Euros 7,176 thousand in cash. At 31 December 2018 an equity increase was recorded for the amount of Euros 1,266 thousand (Euros 1,277 thousand at 31 December 2017), which corresponds to the portion to be settled via equity instruments. The portion of the plan to be settled in cash has been recorded in Salaries payable under the heading Trade and other payables for Euros 2,965 thousand (Euros 4,211 thousand at 31 December 2017).

The plan started on 1 January 2015 and will end on 31 December 2018, although effective settlement will occur during January 2019.

Certain members of Zodiac Group management held payment agreements based on shares in the company Piscine Luxembourg Holdings 1 S.à r.l. (LuxCo) signed between both parties during the first half of 2017 (the Original Plan). The merger agreements between Fluidra and LuxCo stipulated the replacement of this Original Plan with an alternative plan (the Replacement Plan) in the terms signed between Rhône Capital L.L.C. and beneficiary management staff, in order for the plan to be aligned with, and not to preclude, the objectives and schedule of the 2018-2022 Incentive Plan to be implemented by Fluidra.

The Replacement Plan grants management staff three different instruments:

- • Shares in LuxCo convertible to shares in Fluidra, S.A. or cash at the date of their liquidation by the management staff who are currently shareholders of LuxCo and subject to the Original Plan ("Common Equity roll-over").
- • Shares in LuxCo convertible to shares in Fluidra, S.A. or cash at the date of their liquidation by the management staff who hold the MIV in an equivalent number of shares to the value of the MIV under the Original Plan ("MIV Interest roll-over").
- • Restricted additional shares in LuxCo, convertible to shares in Fluidra, S.A. or cash at the liquidation date ("Restricted shares").

Generally speaking, the stated instruments are subject to conditions of permanency as employees of the Company, complying with Rhône Capital L.L.C.'s financial objectives, share lock-up periods and repurchase options in the event the member of management staff leaves the company. The periods of consolidation of rights and/or lock-in periods, whichever the case, depend on the total or partial departure of Rhône Capital L.L.C. from Fluidra, S.A. in line with the different tranches contained in the three aforementioned instruments of the plan. In all cases the commitments are payable entirely in Fluidra, S.A. shares or cash.

In accordance with IFRS 3, the change of plan in these circumstances should be analysed in order to determine to what extent the impact should be counted as services performed before the transaction, after it, or a combination of both. The services counted as before the transaction have been included in the price paid, whilst services counted as after the transaction date are taken to the Income Statement as salaries throughout the remaining period until the right accrues. In this case, although it impacts on the income statement by way of services rendered by management staff who are beneficiaries of the plan, Fluidra, S.A. is not required to settle the Replacement Plan since Rhône Capital L.L.C. is obliged to pay for the plan.

The best estimate of services counted after the transaction amounts to Euros 10,958 thousand. At 31 December 2018, an equity increase was recorded in this respect for the amount of Euros 1,218 thousand.

Furthermore, on 27 June 2018 the General Meeting of Shareholders approved a new long-term variable remuneration plan for executive directors and the executive team of Fluidra, S.A. and the subsidiaries comprising the consolidated group. This plan includes the delivery of Fluidra, S.A., shares, taking place following the merger.

Notes to the consolidated financial statements

The 2018-2022 plan entails the concession of a certain number of PSUs (point of sale units) which will be taken as a reference to determine the final number of shares to be delivered to the beneficiaries after a certain period of time, provided that certain strategic objectives of the Fluidra Group are met and the requirements set forth in the Regulations are fulfilled.

The specific number of shares in Fluidra, S.A. in terms of the PSUs on concession and attached to the compliance of the financial targets, will be established based on the following metrics:

- a) The evolution of Fluidra, S.A.'s Total Shareholder Return (TSR) in absolute terms.
- b) The evolution of the Fluidra Group's EBITDA.

For the purposes of measuring the evolution of the TSR, the initial value taken shall be the price per share in Fluidra, S.A. that was used to calculate the exchange equation resulting from the merger between the Fluidra and Zodiac Groups, i.e. Euros 8. The target EBITDA is the amount resulting from the approved Fluidra, S.A. strategic plan.

The 2018-2022 plan covers the years from 1 January 2018 to 31 December 2021 and there is, therefore, an additional period of one year up to 31 December 2022 during which the beneficiaries will remain on the plan.

The maximum number of shares to be distributed under the 2018-2022 plan is 5,737,979 shares.

At 31 December 2018 the best estimate of the fair value of the plan's total amount comes to approximately Euros 31,444 thousand, which will be settled in full in equity instruments. At 31 December 2018, an equity increase was recorded in this respect for the amount of Euros 2,092 thousand.

c) Transactions performed by the Directors of the Parent Company outside of its ordinary course of business or other than on an arm's length basis

During 2018 and 2017 the Directors of the Parent Company have not carried out any transactions with the Company or with group companies other than those conducted on an arm's length basis in the normal course of business.

d) Situations representing a conflict of interest for the Directors of the Parent Company.

Neither the Company's directors nor any persons related to them were party to any conflicts of interest requiring disclosure in these notes pursuant to the provisions of article 229 of the consolidated text of the Corporate Enterprises Act.

Notes to the consolidated financial statements

31. Environmental information

The significant systems, equipment or installations incorporated into property, plant, and equipment at 31 December 2018 and 2017 for the purpose of minimizing environmental impact and protecting and improving the environment are as follows:

	2018		
	Thousands of euros		
	Cost	Accumulated depreciation	Carrying amount
Waste treatment	3,168	(3,021)	147
Energy saving	2,493	(1,002)	1,491
Emissions reduction	834	(723)	111
Reduction of pollution	741	(596)	145
	<u>7,236</u>	<u>(5,342)</u>	<u>1,894</u>

	2017		
	Thousands of euros		
	Cost	Accumulated depreciation	Carrying amount
Waste treatment	3,138	(3,010)	128
Energy saving	2,125	(668)	1,457
Emissions reduction	813	(763)	50
Reduction of pollution	912	(788)	124
	<u>6,988</u>	<u>(5,229)</u>	<u>1,759</u>

Expenses incurred in 2018 and 2017 for the protection and improvement of the environment were as follows:

Description of expenses	Thousands of euros	
	2018	2017 (*)
External services	504	224
Environmental protection	205	159
	<u>709</u>	<u>383</u>

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

The Directors estimate that there are no significant contingencies related to environmental improvement and protection and, therefore, no provision for risks and expenses has been recognized in any group company at 31 December 2018 and 2017.

No grants in connection with environmental activities have been received at 31 December 2018 and 2017.

32. Other commitments and contingencies

At 31 December 2018 and 2017 the Group has not presented any mortgage guarantees.

At 31 December 2018, the Group has guarantees from financial institutions and other companies amounting to Euros 6,105 thousand (Euros 5,133 thousand in 2017), of which Euros 220 thousand correspond to technical guarantees (Euros 220 thousand in 2017).

33. Auditors' and related group companies' fees

Net fees accrued to Ernst & Young, S.L. as the auditor of the Group's consolidated financial statements for the year ended 31 December 2018 and 2017 for professional services were as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Audit services	552	451
Other assurance services	84	226
Total	636	677

The amount of "Other assurance services" for 2018 includes: the report on financial ratios (Covenants), the report on the system of internal control over financial reporting (SCIIF), the review report on the Proforma information presented within the information provided to the analysts, the ECOEMBES environmental report, and the royalties review report.

The amount of Other accounting verification services for 2017 includes fees charged by Ernst & Young, S.L. (audit firm) to the Parent and other Group companies in relation to the following review engagements:

- Report on Covenants - Euros 10 thousand.
- Report on the Financial Reporting Internal Control System (SCIIF) - Euros 15 thousand.
- Proforma report on the consolidated financial information of Fluidra, S.A. and Piscine Luxembourg Holdings 2 S.à.r.l. at 30 June 2017 – Euros 190 thousand.
- ECOEMBES Report - Euros 5.5 thousand.
- Philips royalties review - Euros 6 thousand.

The amounts presented in the tables above include all of the fees related to the services rendered in 2018 and 2017, regardless of when they were invoiced.

Additionally, the professional services invoiced to the Group by other companies associated to Ernst & Young Global Limited during the year ended 31 December 2018 were as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Audit services	651	265
Assurance services	-	6
Total	651	271

Fluidra, S.A. and Subsidiaries

Notes to the consolidated financial statements

Additionally, net fees accrued by the Group to auditors other than Ernst & Young, S.L. during the year ended 31 December 2018 for professional services were as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Audit services	139	169
Other assurance services	25	31
Tax advisory services	102	112
Other services	39	60
Total	305	372

34. Information on late payment to suppliers

According to Law 31/2014 of 3 December establishing measures on combating late payment in commercial transactions, the information on late payment to suppliers in Spain is as follows:

	2018	2017
	Days	Days
Average payment period to suppliers	64.09	63.36
Ratio of transactions paid	64.97	63.10
Ratio of transactions payable	55.46	65.35
	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	268,778	255,227
Total payments outstanding	27,505	32,695

Notes to the Consolidated Financial Statements

35. EBITDA

The consolidated income statement shows the amount corresponding to EBITDA, whose definition for the purpose of these financial statements is as follows:

Sales of goods and finished products + Income from services rendered (see note 24) + Work performed by the Group for its own non-current assets + Profit from sales of fixed assets – Change in inventories of finished products and work in progress and consumables of raw materials – Employee benefits expense – Other operating expenses + Share in profit/(loss) for the year from associates accounted for using the equity method.

Calculation of EBITDA 2018 and 2017

	Thousands of euros	
	31.12.2018	31.12.2017 (*)
Sales of goods and finished products	1,029,641	776,514
Income from services rendered	18,184	15,734
Work performed by the Group and capitalized as non-current assets	7,854	5,338
Profit from sales of fixed assets	406	2,192
Change in inventories of finished products and work in progress progress and raw materials consumables	(538,250)	(389,599)
Personnel expense	(222,952)	(164,570)
Other operating expenses	(229,585)	(150,395)
Share in profit/(loss) for the year from investments accounted for using the equity method	64	(32)
EBITDA	<u>65,362</u>	<u>95,182</u>

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

36. Events after the reporting period

In compliance with the commitments undertaken by the Fluidra Group with the European Commission relating to the merger with the Zodiac Group deemed compatible with the domestic market, on 31 January 2019 the sale of 100% of the share capital of Aquatron Robotic Technology Ltd. to BWT Aktiengesellschaft was completed with the approval of the European Commission.

Aquatron Robotic Technology Ltd. mainly engages in the development, manufacture and sale of electronic pool cleaners. Its key asset is a fully equipped manufacturing plant for the production of electronic pool cleaners located in Israel.

According to the terms of the sale and purchase agreement, BWT Aktiengesellschaft has paid Fluidra an initial amount of Euros 24 million. A deferred payment of Euros 4.3 million shall be made in the first quarter of 2022. In addition, the Fluidra Group will receive the non-operating cash surplus at the date of sale.

This sale will not have a significant impact on the shareholders' funds or the profit of the Group.

(Continued)

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

Subsidiaries accounted for using the full consolidation method

- Agrisilos, S.R.L., domiciled in Vescovato (Italy), is mainly engaged in the production, processing, assembly and marketing of plastic products and other materials for use in agricultural and industrial settings, swimming pools, swimming pool equipment and supplies, water treatment products, robotic cleaning devices and membranes for projects in the gas industry and, in general, products and accessories, spare parts, expandable structures and products relating to the wellness market, including maintenance, repair, management and other services relating to the abovementioned activities.
- AO Astral SNG, domiciled in Moscow (Russia), is mainly engaged in the purchase of pool materials for subsequent sale in the Russian market.
- Aqua Products Inc. domiciled in New Jersey (USA), is mainly engaged in the manufacture and distribution of electronic pool cleaners for public and private pools.
- Aquatron Robotic Technology, Ltd, domiciled in Afula (Israel), is mainly engaged in the manufacture and distribution of electronic pool cleaners for public and private pools.
- Astral Bazénové Prislusentsvi, S.R.O., domiciled in Praha-Vychod (Czech Republic), is mainly engaged in the marketing of pool accessories.
- Astral India Private, Limited, domiciled Mumbai (India), is mainly engaged in the marketing of pool material.
- Astralpool Cyprus, LTD, domiciled in Limassol (Cyprus), is mainly engaged in the distribution of pool-related products.
- Astralpool Hongkong, CO., Limited, domiciled in Hong Kong (HongKong), is mainly engaged in the marketing of pool-related accessories.
- Astral Pool México, S.A. de C.V., domiciled in Tlaquepaque (Mexico), is mainly engaged in the marketing of pool material.
- Fluidra Switzerland, S.A. (formerly Astral Pool Switzerland, S.A.), domiciled in Bedano (Switzerland) is mainly engaged in the marketing of pool material.
- Astralpool (Thailand) Co., Ltd, domiciled in Samuthprakarn (Thailand), is mainly engaged in the marketing of pool-related accessories.
- Astralpool UK Limited., domiciled in Hants (England), is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.
- Cepex Mexico, S.A. de CV., domiciled in Mexico City (Mexico), is mainly engaged in the marketing of fluid handling products.
- Cepex S.A.U., domiciled in Granollers (Barcelona, Spain), is mainly engaged in the manufacture, production and distribution of plastic material by injection system and, in particular, plastic parts for armature.
- Certikin International, Limited, domiciled in Witney Oxon (England), is engaged in the marketing of swimming-pool products.

(Continued)

Fluidra, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements

- Certikin International (Ireland) Limited, domiciled in Dublin (Ireland), is mainly engaged in providing financial advisory services in the acquisition of new shares.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

- Certikin Swimming Pool Products India Private Limited, domiciled in Bangalore (India), is mainly engaged in the marketing of swimming-pool products.
- Cover Pools Incorporated, domiciled in West Valley City (USA), is mainly engaged in the manufacture and distribution of automatic pool covers.
- Fluidra Adriatic D.O.O., domiciled in Zagreb (Croatia) is mainly engaged in the purchase, sale and distribution of machinery, equipment, materials, products and special equipment for pool and water system maintenance.
- Fluidra Al Urdoun Fz, domiciled in Zarqa Free Zone (Jordan) is mainly engaged in the marketing of pool material.
- Fluidra Assistance, S.A.S., domiciled in Perpignan (France), is mainly engaged in the installation, assembly and implementation of all products and materials relating to pools and water treatment and the provision of post-sales services and the maintenance and installation of these products and materials.
- Fluidra Australia PTY LTD, domiciled in Melbourne (Australia), is mainly engaged in the purchase, sale and distribution of machinery, equipment, products and special equipment for pool and water system maintenance. This company is the parent of the Australia Group, and fully owns Hurlcon Staffing Pty Ltd, Hurlcon Investments Pty Ltd, Hurlcon Research Pty Ltd, (dormant), and Rolachem Pty Ltd. (dormant), in addition to Astral Pool Australia Pty Ltd.
- Fluidra Balkans JSC, domiciled in Plovdiv (Bulgaria) is mainly engaged in the purchase, sale and distribution of machinery, equipment, materials, products and special equipment for pool and water system maintenance.
- Fluidra Belgique, S.R.L., domiciled in Carcelles (Belgium), is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.
- Fluidra Brasil Indústria e Comércio LTDA, domiciled in Itajaí (Brazil), is mainly engaged in the marketing, import, export and distribution of equipment, products and services for fluid handling, irrigation, swimming-pools and water treatment, as either partner or shareholder in other companies. Rendering of technical assistance services for machines, filters and industrial and electrical and electronic equipment. Rental of machines and industrial and/or electrical and electronic equipment.
- Fluidra Chile, S.A., domiciled in Santiago de Chile (Chile), is mainly engaged in the distribution and marketing of swimming-pool, irrigation and water treatment and purification products.
- Fluidra Colombia, S.A.S., domiciled in Funza (Colombia), is engaged in the purchase and sale, distribution, marketing, import, export of all types of machinery, equipment, components and machinery parts, tools, accessories and products for swimming-pools, irrigation and water treatment and purification in general, built with both metal materials and any type of plastic materials and plastic derivatives.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

- Fluidra Comercial España, S.A.U., domiciled in Polinyà (Barcelona, Spain), is engaged in the manufacture, purchase and sale and distribution of all types of machinery, equipment, components and machinery spare parts, tools, accessories and products for swimming-pools, irrigation and water treatment and purification. This company is the parent of the F.C.España group, and holds a 67.5% interest in the company Technical Pool Service, S.L.

Fluidra Commerciale Italia, S.P.A. (merged with Inquide Italia, S.R.L.), domiciled in Brescia (Italy), is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

- Fluidra Commerciale France, S.A.S., domiciled in Perpignan (France) is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.
- Fluidra Commercial, S.A.U., domiciled in Sabadell (Barcelona, Spain) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.
- Fluidra Danmark A/S, domiciled in Roedekro (Denmark), is engaged in the import of technical components and equipment for all types of water treatment processes.
- Fluidra Deutschland, GmbH, domiciled in Hirschberg (Germany) is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.
- Fluidra Egypt, Egyptian Limited Liability Company, domiciled in Cairo (Egypt), is mainly engaged in the marketing of swimming-pool accessories.
- Fluidra Engineering Services, S.L.U., domiciled in Sabadell (Barcelona, Spain) is engaged in the rendering of advisory services for group companies.
- Fluidra Export, S.A.U., domiciled in Polinyà (Barcelona, Spain), is engaged in both domestic and foreign marketing of all types of products and goods, mainly in the marketing of pool-related products, basically acquired from related parties.
- Fluidra Finco, S.L.U., domiciled in Sabadell (Barcelona, Spain), is engaged in the manufacture, purchase and sale and distribution of all types of products for swimming-pools, irrigation and water treatment and purification, as well as the marketing of such products both in the domestic market and abroad, and the representation of brands and commercial and industrial enterprises engaged in the manufacture of the aforementioned products.. The company is also engaged in investing in all types of business and enterprises, and advising, managing and administering the companies in which it holds an ownership interest
- Fluidra Global Distribution, S.L.U., domiciled in Polinyà (Barcelona, Spain), is engaged in the purchase and sale of all types of swimming-pool products and their distribution to group companies.
- Fluidra Hellas, domiciled in Aspropyrgos (Greece), is mainly engaged in the distribution of pool-related products.
- Fluidra Holdings South Africa Pty Ltd, domiciled in Johannesburg (South Africa) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.
- Fluidra Indonesia PT, domiciled in Jakarta (Indonesia) is engaged in the purchase and sale, import, export, storage, manufacture and, in general, marketing of all types of goods, equipment, components, machinery, accessories and chemical specialties for swimming-pools, irrigation and water treatment.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

- Fluidra Industry España, S.A.U., domiciled in Sabadell (Barcelona, Spain) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries, associates and jointly-controlled entities, owned directly or indirectly

- Fluidra Industry France, S.A.S., domiciled in Perpignan (France), is engaged in the manufacture of automatic pool covers.
- Fluidra Industry, S.A.U., domiciled in Sabadell (Barcelona, Spain) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.
- Fluidra JV Youli, S.L.U. domiciled in Sabadell (Barcelona, Spain), is engaged in the administration, management and operation of its interest in the share capital of the Chinese company Fluidra Youli Fluid Systems (Wenzhou) Co., LTD.
- Fluidra Kazakhstan Limited Liability Company, domiciled in Almaty City (Kazakhstan), is engaged in the purchase of swimming-pool material for subsequent sale in the domestic market.
- Fluidra Magyarország, Kft, domiciled in Budapest (Hungary), is mainly engaged in the marketing and assembly of machinery and accessories for swimming-pools, irrigation and water treatment and purification.
- Fluidra Malaysia SDN.BHD, domiciled in Johor (Malaysia) is mainly engaged in the marketing of swimming-pool material.
- Fluidra Maroc, S.A.R.L., domiciled in Casablanca (Morocco), is engaged in the import, export, manufacture, marketing, sale and distribution of spare parts for swimming-pools, irrigation and water treatment.
- Fluidra México, S.A. DE CV, domiciled in Mexico City (Mexico) is engaged in the purchase and sale, import, export, storage, manufacture and, in general, marketing of all types of goods, equipment, components, machinery, accessories and chemical specialties for swimming-pools, irrigation and water treatment.
- Fluidra Middle East Fze, domiciled in Jebel Ali (Dubai), is engaged in the marketing of equipment for swimming-pools and water treatment, as well as related accessories.
- Fluidra Montenegro DOO domiciled in Podgorica (Montenegro) is mainly engaged in the purchase, sale and distribution of machinery, equipment, materials, accessories, products and special equipment for pool and water system and irrigation maintenance.
- Fluidra Österreich GmbH "SSA", domiciled in Salzburg (Austria) is mainly engaged in the marketing of swimming-pool products.
- Fluidra Polska, SP. Z.O.O., domiciled in Wroclaw (Poland) is mainly engaged in the marketing of pool accessories.
- Fluidra Comercial Portugal Unipessoal, Lda., domiciled in São Domingo da Rana (Portugal), is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.
- Fluidra Projects USA Inc. domiciled in Wilmington (USA), is engaged in the management, advice and performance of sports, leisure and health centers projects and works, through its own technical, personnel and organizational means or through third-party subcontracting.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

- Fluidra Romania S.A., domiciled in Bucharest (Romania) is mainly engaged in the purchase, sale and distribution of machinery, equipment, materials, accessories, products and special equipment for pool and water system and irrigation maintenance.
- Fluidra Serbica, D.O.O. Beograd, domiciled in Belgrade (Serbia) is mainly engaged in the marketing of swimming-pool material.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries, associates and jointly-controlled entities, owned directly or indirectly

- Fluidra Services España, S.L.U., domiciled in Granollers (Barcelona, Spain), is mainly engaged in the rendering of administrative services, legal, tax and financial advisory services, staff management and training and computer services.
- Fluidra Services France, S.A.S., domiciled in Perpignan (France), is mainly engaged in the rendering of administrative services, legal, tax and financial advisory services, staff management and training and computer services.
- Fluidra Services Italia, S.R.L., domiciled in Brescia (Italy), is engaged in the rendering of services and real estate activity.
- Fluidra Singapore, PTE LTD, domiciled in Singapore (Singapore), is mainly engaged in the marketing of pool-related accessories.
- Fluidra South Africa (Pty), Ltd, domiciled in Johannesburg (South Africa), is engaged in the manufacture, purchase and sale and distribution of all types of machinery, equipment, components and machinery spare parts, tools, accessories and products for swimming-pools, water treatment and fluid handling.
- Fluidra Nordic AB, domiciled in Mölndal (Sweden) is mainly engaged in the purchase, sale, import, export of product categories and products directly or indirectly required for the marketing of materials for swimming-pools, water treatment equipment and related activities.
- Fluidra (Thailand) Co., Ltd, domiciled in Samuthprakarn (Thailand), is engaged in the holding and use of equity shares and securities.
- Fluidra Tunisie, S.A.R.L., domiciled in El Manar (Tunisia), is mainly engaged in the performance of surveys and providing marketing advisory services.
- Fluidra Tr Su Ve Havuz Ekipmanlari AS, domiciled in Kartal (Turkey), is engaged in the import of equipment, chemical products and other secondary materials necessary for swimming-pools, and their subsequent distribution.
- Fluidra USA, INC, domiciled in Jacksonville (USA), is engaged in the marketing of pool-related products and accessories.
- Fluidra Vietnam LTD, domiciled in Ho Chi Minh City (Vietnam) is engaged in advising, allocating and installing pool filtering systems and water applications, as well as the import, export and distribution of wholesale and retail products.
- Fluidra Waterlinx Pty, Ltd (formerly Waterlinx Pty, Ltd), domiciled in Johannesburg (South Africa), is mainly engaged in the manufacture and distribution of swimming-pools, equipment and spa and garden accessories. This company is the parent of the Waterlinx Group, and fully owns the companies Waterlinx International Pty Ltd, and Waterlinx Industrial and Irrigation Pty Ltd.
- Fluidra Youli Fluid Systems (Wenzhou) Co., LTD, domiciled in Luishi Town, Yueqing City (China), is mainly engaged in the development, production and sale of fluid handling products.
- I.D. Electroquímica, S.L., domiciled in Alicante (Alicante, Spain), is engaged in the sale of all types of process development machines and electrochemical reactors.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries, associates and jointly-controlled entities, owned directly or indirectly

- Industrias Mecánicas Lago, S.A.U., domiciled in Sant Julià de Ramis (Girona, Spain), is engaged in the manufacture and marketing of liquid and fluid transfer pumps, swimming-pools and their accessories.
- Innodrip, S.L.U., domiciled in Sabadell (Barcelona, Spain) is engaged in the rendering of services aimed at the sustainable use of water.
- Inquide, S.A.U., domiciled in Polinyà (Barcelona, Spain), is mainly engaged in the manufacture of chemical products and specialties in general, excluding pharmaceutical products.
- La Tienda Swimming Pool Maintenance LLC, domiciled in Dubai (Dubai), is mainly engaged in the maintenance, installation and sale of pools.
- Laghetto France, S.A.R.L., domiciled in Saint-Cannat (France), is mainly engaged in the purchase and sale of sports, leisure and pool materials and equipment and related accessories.
- Loitech (Ningbo) Heating Equipment Co, Ltd, domiciled in Zhenhai (China), is engaged in the production and installation of heat pumps for swimming-pools, as well as other accessories necessary for the assembly.
- Manufacturas Gre, S.A.U. (merged with Swimco Corp, S.L.U.), domiciled in Munguia (Vizcaya, Spain), is engaged in the manufacture and marketing of products, accessories and pool-related products.
- Me 2000, S.R.L., domiciled in Brescia (Italy), is engaged in property development and lease.
- Metalast, S.A.U., domiciled in Polinyà (Barcelona, Spain), is engaged in the manufacture of metal articles, boiler works, street furniture and wholesale sale of accessories.
- Ningbo Dongchuan Swimming Pool Equipements Co., LTD, domiciled in Ningbo (China), is engaged in the production and installation of swimming-pool equipment, brushes, plastic and aluminum products, industrial thermometer, water disinfection equipment and water testing equipment. Import and export of technology for own use or as an agent.
- Ningbo Linya Swimming Pool & Water Treatment Co., Ltd., domiciled in Ningbo (China), is engaged in the design, research, development and production of swimming-pool and water disinfection equipment, pumps, dehumidifiers, metal products, plastic products and vitreous coatings.
- Piscine Luxembourg Holdings 3, S.A.R.L., domiciled in Luxembourg (Luxembourg) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.
- Piscines Techniques 2000, S.A.S., domiciled in Perpignan (France), is engaged in the sale of spare parts for swimming-pools; the purchase and sale of swimming-pool equipment and used water systems; the sale, distribution, marketing, repair and maintenance of swimming-pool equipment, gardening, irrigation and water treatment; and technical advice to swimming-pool and water professionals.
- Poltank, S.A.U., domiciled in Sant Jaume de Llierca (Girona, Spain), is engaged in the manufacture and marketing of swimming-pools filters by injection, projection and lamination.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

- Poolweb, SAS, domiciled in Lyon (France), is engaged in the purchase and sale of equipment used in pools and other businesses related to water and relax, technical assistance to professionals in the field and creation and sale of computer programs related to the above activities.
- Price Chemicals PTY LTD, domiciled in Melbourne (Australia) is engaged in the production and distribution of chemical products for swimming-pools and spas. It imports and locally produces its own brands of renowned chemical products in both the residential and commercial markets.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

- Productes Elastomers, S.A., domiciled in Sant Joan Les Fonts (Girona, Spain), is engaged in the manufacture of rubber molded parts, as well as all types of natural and synthetic rubber; the execution and development of techniques for the maintenance of pressure rollers; their repair and trueing; and in general, the production, manufacture and processing of all types of rubber and plastic products.
- Puralia Systems, S.L.U., domiciled in Cervelló (Barcelona, Spain), is engaged in the marketing of machinery, materials, tools and accessories for water installations and treatment.
- Riio Labs NV/SA, domiciled in Seraing (Belgium), is mainly engaged in the design, development, manufacture, marketing and operation, by any means, including via the granting of patents and licences to third parties, of objects linked to the analysis and treatment of swimming-pool water quality and IT software relating to these objects and any similar, comparable or supplementary product.
- Sacopa, S.A.U., domiciled in Sant Jaume de Llierca (Girona, Spain), is mainly engaged in the processing, marketing and sale of plastic materials, as well as the manufacture, assembly, processing, purchase and sale and distribution of all types of lighting and decoration devices and tools. Foreign and domestic trading activities of all types of goods and products directly and indirectly related to the above products, their purchase and sale and distribution. Representation of domestic and foreign brands and commercial and industrial enterprises engaged in the manufacture of the aforementioned products.
- SET Energietechnik GMBH, domiciled in Hemmingen (Germany), is mainly engaged in the distribution and sale of dehumidifiers and fans.
- SIBO Fluidra Netherlands B.V., domiciled in Veghel (the Netherlands), is engaged in the manufacture and distribution of natural pools and water installations.
- Fluidra India Private Limited (formerly Splash Water Traders Pvt. Ltd.), domiciled in Chennai (India), is mainly engaged in the marketing of swimming-pool material.
- Togama, S.A.U., domiciled in Villareal (Castellón, Spain), is engaged in the manufacture of ceramic for electric installations.
- Talleres del Agua, S.L.U., domiciled in Polígono Industrial de Barros, Ayuntamiento de los Corrales de Buelna (Cantabria, Spain), is engaged in the building, sale, installation, air-conditioning and maintenance of swimming-pools, as well as the manufacture, purchase and sale, import and export of all types of swimming-pool tools.
- Trace Logistics, S.A.U., domiciled in Maçanet de la Selva (Girona, Spain), is engaged in receiving third-party goods in consignment in its warehouses or premises for their storage, control and distribution to third parties at the request of its depositors; performing storage, loading and unloading duties and other supplementary activities that are necessary for managing the distribution of these goods in accordance with the instructions of the depositors and arranging and managing transport.
- Turcat Polyester Sanayi Ve Ticaret A.S., domiciled in Istanbul (Turkey), is engaged in the production, import, export and marketing of products and accessories, purification filters and chemical products.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

- Unistral Recambios, S.A.U., domiciled in Maçanet de la Selva (Girona, Spain), is engaged in the manufacture, purchase and sale and distribution of machinery, accessories, spare parts, parts and products for water treatment and purification in general.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries, associates and jointly-controlled entities, owned directly or indirectly

- U.S. Pool Holdings, Inc, domiciled in Delaware (USA), is engaged in the holding and use of equity shares and securities.
- Veico. Com. Br Indústria e Comércio LTDA, domiciled in Ciudad de Brusque (Brazil), is engaged in the manufacture and marketing of all types of swimming-pool articles and accessories.
- W.I.T. Egypt, Egyptian Limited Liability Company, domiciled in Cairo (Egypt), is mainly engaged in the marketing of swimming-pool accessories.
- Ya Shi Tu Swimming Pool Equipment (Shanghai) Co, Ltd., domiciled in Tower E, Building 18, nº 238, Nandandong Road, Xu Hui District (Shanghai), is mainly engaged in the marketing of swimming-pool products.
- Zodiac Group (N.Z.) Limited, domiciled in North Shore City (New Zealand), is engaged in the distribution and sale of pool material.
- Zodiac Group Australia PTY LTD, domiciled in Smithfield (Australia), is mainly engaged in the manufacture, distribution and sale of pool materials by several Group brands.
- Zodiac International, S.A.S., domiciled in Bron (France) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.
- Zodiac Pool Care Europe, S.A.S., domiciled in Bron (France), is engaged in the distribution and sale of pool-related products and accessories.
- Zodiac Pool Care Portugal, Unipessoal, LDA., domiciled in Lisbon (Portugal), is engaged in the distribution and sale of pool-related products and accessories.
- Zodiac Pool Care South Africa (Propietary) Limited, domiciled in Centurion (South Africa), is engaged in the manufacture, distribution and sale of pool equipment and products and chemical specialties.
- Zodiac Pool Deutschland GMBH., domiciled in Brobstheim (Germany), is engaged in the distribution and sale of pool-related products and accessories.
- Zodiac Pool Iberica, S.L., domiciled in Polinyà (Barcelona, Spain), is mainly engaged in the assembly, manufacture and sale of pool and garden-related maintenance and cleaning products; the manufacture and distribution of all kinds of sport and leisure articles and the import and export of all kinds of pool, garden, leisure and sports-related products and articles, either directly or indirectly.
- Zodiac Pool Solutions, LLC, domiciled in Vista (USA) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.
- Zodiac Pool Solutions PTY LTD, domiciled in Smithfield (Australia) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.
- Zodiac Pool Solutions, S.A.R.L., domiciled in Luxembourg (Luxembourg) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

- Zodiac Pool Solutions, S.A.S., domiciled in Bron (France) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

Fluidra, S.A. and Subsidiaries

Details of the name and corporate purpose of subsidiaries,
associates and jointly-controlled entities, owned directly or
indirectly

- Zodiac Pool Systems Canada, INC, domiciled in Vancouver (Canada), is engaged in the distribution and sale of pool-related products and accessories.
- Zodiac Pool Systems Italia, S.R.L., domiciled in Castiglione delle Stiviere (Italy), is engaged in the distribution and sale of pool-related products.
- Zodiac Pool Systems, LLC, domiciled in Vista (USA), is mainly engaged in the manufacture and distribution of several Group brands relating to pool equipment.
- Zodiac Swimming Pool Equipment (Shenzen), Co, Ltd, domiciled in Shenzen (China), is mainly engaged in the rendering of technical services for pool and spa equipment; the distribution, sale, import and export of pool and spa products and elements and post-sales services.
- ZPES Holdings, S.A.S., domiciled in Bron (France) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.
- ZPNA Holdings, S.A.S., domiciled in Bron (France) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

Associates consolidated using the equity method

- Astral Nigeria, Ltd., domiciled in Surulere-Lagos (Nigeria), is engaged in the marketing of swimming-pool products.
- OCM Products Limited, domiciled in Wigan (England), is mainly engaged in the production and marketing of swimming-pool filtering products in both the residential and commercial markets.

FLUIDRA, S.A.
AND SUBSIDIARIES

Subsidiaries
31 December 2018

% Ownership interest	
Direct	Indirect

List of subsidiaries accounted for using the full consolidation method

FLUIDRA FINCO, S.L.	100%	(5)
FLUIDRA COMMERCIAL, S.A.U.	100%	
AO ASTRAL SNG	90%	
ASTRAL BAZENOVE PRISLUSENTSVI, S.R.O.	100%	
ASTRAL INDIA PRIVATE, LIMITED	100%	
FLUIDRA INDIA PRIVATE LIMITED	100%	Formerly Splash Water Traders Pvt. Ltd.
ASTRALPOOL CYPRUS, LTD	90%	
ASTRALPOOL HONGKONG, CO., LIMITED	100%	
ASTRAL POOL MEXICO, S.A. DE C.V.	100%	
FLUIDRA SWITZERLAND, S.A.	100%	Formerly Astral Pool Switzerland, S.A.
ASTRALPOOL UK LIMITED	100%	
CEPEX MEXICO, S.A. DE C.V.	100%	
CERTIKIN INTERNATIONAL, LIMITED	100%	
CERTIKIN INTERNATIONAL (IRELAND) LIMITED	100%	(5)
CERTIKIN SWIMMING POOL PRODUCTS INDIA PRIVATE LIMITED	100%	
FLUIDRA ADRIATIC D.O.O.	70%	
FLUIDRA BALKANS JSC	55.66%	
FLUIDRA BRASIL INDÚSTRIA E COMÉRCIO LTDA	80%	
VEICO . COM. BR INDÚSTRIA E COMÉRCIO LTDA	80%	
FLUIDRA CHILE, S.A.	100%	
FLUIDRA COLOMBIA, S.A.S	100%	
FLUIDRA COMERCIAL ESPAÑA, S.A.U.	100%	(2)
FLUIDRA DANMARK A/S	100%	
FLUIDRA DEUTSCHLAND GmbH	100%	
FLUIDRA EGYPT, Egyptian Limited Liability Company	99.96%	
W.I.T. EGYPT, Egyptian Limited Liability Company	99.95%	
FLUIDRA ENGINEERING SERVICES, S.L.U.	100%	
FLUIDRA EXPORT, S.A.U.	100%	
FLUIDRA GLOBAL DISTRIBUTION, S.L.U.	100%	
FLUIDRA HELLAS, S.A.	96.96%	
FLUIDRA HOLDINGS SOUTH AFRICA PTY LTD	90%	(3) - 100%
FLUIDRA WATERLINX PTY, LTD	90%	(3) - 100% - (2)
FLUIDRA INDONESIA PT.	100%	
FLUIDRA JV YOU LI, S.L.U.	100%	
FLUIDRA YOU LI FLUID SYSTEMS (WENZHOU) CO, LTD	70%	
FLUIDRA KAZAKHSTAN Limited Liability Company	51%	
FLUIDRA MAGYARORSZÁG Kft.	95%	
FLUIDRA MALAYSIA SDN.BHD.	100%	
FLUIDRA MAROC, S.A.R.L.	100%	
FLUIDRA MEXICO, S.A. DE C.V.	100%	
FLUIDRA MIDDLE EAST FZE	100%	
FLUIDRA AL URDOWN FZ	70%	
LA TIENDA SWIMMING POOL MAINTENANCE LLC	80%	(5)
FLUIDRA MONTENEGRO DOO	60%	
FLUIDRA ÖSTERREICH GmbH "SSA"	97%	
FLUIDRA POLSKA, SP. Z.O.O.	100%	

Fluidra, S.A. and Subsidiaries

Subsidiaries
31 December 2018

FLUIDRA COMERCIAL PORTUGAL UNIPessoal, LDA.	100%
FLUIDRA ROMANIA S.A.	66.66%
FLUIDRA SERBICA, D.O.O. BEOGRAD	60%
FLUIDRA SERVICES ITALIA, S.R.L.	91%
FLUIDRA COMMERCIALE ITALIA, S.P.A.	91% Merged with Inquide Italia, S.R.L.
AGRISILOS, S.R.L.	81.90% (3) - 91%
LAGHETTO FRANCE, S.R.L.	81.90% (3) - 91%
ZODIAC POOL SYSTEMS ITALIA, S.R.L.	91% (4)
FLUIDRA SINGAPORE, PTE LTD	100%
FLUIDRA SOUTH AFRICA (PTY) LTD	100%
FLUIDRA NORDIC AB	100%
FLUIDRA (THAILAND) CO, LTD	100%
ASTRALPOOL (THAILAND) CO., LTD	99%
FLUIDRA TUNISIE, SARL	100% (5)
FLUIDRA TR SU VE HAVUZ EKIPMANLARI AS	51%
TURCAT POLYESTER SANAYI VE TICARET A.S.	25.50%
FLUIDRA VIETNAM LTD	100%
RIIOT LABS NV/SA	80% (3) - 100%
SIBO FLUIDRA NETHERLANDS B.V.	70% (3) - 100%
YA SHI TU SWIMMING POOL EQUIPMENT (SHANGHAI) Co, Ltd	100%
ZODIAC POOL CARE PORTUGAL, UNIPessoal, LDA	100% (4)
ZODIAC POOL IBERICA, S.L.	100% (4)
ZODIAC POOL DEUTSCHLAND GMBH	100% (4)
SET ENERCIETECHNICK GMBH	100% (4)
ZODIAC POOL SOLUTIONS PTY LTD	100% (4)
FLUIDRA AUSTRALIA PTY LTD	100% (2)
PRICE CHEMICALS PTY LTD	100%
ZODIAC GROUP (N.Z.) LIMITED	100% (4)
ZODIAC GROUP AUSTRALIA PTY LTD	100% (4)
FLUIDRA INDUSTRY S.A.U.	100%
AQUATRON ROBOTIC TECHNOLOGY LTD	100%
FLUIDRA INDUSTRY ESPAÑA, S.A.U.	100%
CEPEX S.A.U.	100%
METALAST, S.A.U.	100%
NINGBO LINYA SWIMMING POOL & WATER TREATMENT CO., LTD	100%
POLTANK, S.A.U.	100%
TURCAT POLYESTER SANAYI VE TICARET A.S.	50%
SACOPA, S.A.U.	100%
I.D. ELECTROQUÍMICA, S.L.	78.82% (3) - 100%
INDUSTRIAS MECANICAS LAGO, S.A.U.	100%
INQUIDE, S.A.U.	100%
LOITECH (NINGBO) HEATING EQUIPMENT CO., Ltd	100%
NINGBO DONGCHUAN SWIMMING POOL EQUIPEMENTS CO., LTD	70%
PRODUCTES ELASTOMERS, S.A.	70%
PURALIA SYSTEMS, S.L.U.	100%
TALLERES DEL AGUA, S.L.U.	100%
TOGAMA, S.A.U.	100%

Subsidiaries
31 December 2018
Details of the name and corporate purpose of subsidiaries, associates and jointly
controlled entities, owned directly or indirectly

UNISTRAL RECAMBIOS, S.A.U.	100%
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FLUIDRA, S.A.
AND SUBSIDIARIES

Subsidiaries
31 December 2018

U.S. POOL HOLDINGS, INC	100%
AQUA PRODUCTS INC	100%
FLUIDRA USA, INC	100%
FLUIDRA PROJECTS USA INC	100%
MANUFACTURAS GRE, S.A.U.	100%
ME 2000, S.R.L.	100%
TRACE LOGISTICS, S.A.U.	100%
FLUIDRA SERVICES ESPAÑA, S.L.U.	100%
INNODRIP, S.L.U	100%
PISCINE LUXEMBOURG HOLDINGS 3, S.A.R.L.	100% (4)
ZODIAC POOL SOLUTIONS SARL	100%
ZPNA HOLDINGS SAS	100%
COVER POOLS INCORPORATED	100%
ZODIAC POOL SYSTEMS CANADA INC	100%
ZODIAC POOL SYSTEMS LLC	100%
ZODIAC POOL SOLUTIONS LLC	100%
ZPES HOLDINGS SAS	84.85%
ZODIAC POOL SOLUTIONS SAS	100%
ZODIAC POOL CARE EUROPE SAS	100%
ZODIAC POOL CARE SOUTH AFRICA (PROPRIETARY) LIMITED	100%
ZODIAC SWIMMING POOL EQUIPMENT (SHENZEN) CO, LTD	100%
ZODIAC INTERNATIONAL SAS	100%
FLUIDRA SERVICES FRANCE, S.A.S.	100%
ZPES HOLDINGS SAS	15.15%
FLUIDRA COMMERCIAL FRANCE, S.A.S.	100%
FLUIDRA ASSISTANCE, S.A.S.	100%
FLUIDRA BELGIQUE, S.R.L.	100%
POOLWEB S.A.S.	100%
FLUIDRA INDUSTRY FRANCE, S.A.R.L.	100%
PISCINES TECHNIQUES 2000, S.A.S.	100%

FLUIDRA, S.A.
AND SUBSIDIARIES

Subsidiaries
31 December 2018

List of associates consolidated using the equity method

ASTRAL NIGERIA, LTD.	25% (1)
OCM PRODUCTS LIMITED	50% (1)

List of companies consolidated at cost

DISCOVERPOOLS COM, INC.	11% (1)
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(1) Companies belonging to the Fluidra Commercial, S.A. and subsidiaries subgroup.

(2) Fluidra Australia Pty Ltd is a group of companies in which the parent fully owns the companies Astral Pool Holdings Pty Ltd, Hurlcon Staffing Pty Ltd, Hurlcon Investments Pty Ltd, Hurlcon Research Pty Ltd, Rolachem Australia Pty Ltd and Hendy Manufacturing Pty Ltd. Fluidra Comercial España, S.A.U. is a group of companies in which the parent fully owns the company Ideal Pool Innovations, S.L.U. and holds an ownership interest of 67.5% in the company Tecnical Pool Service, S.L. Fluidra Waterlinx Pty Ltd is a group of companies in which the parent fully owns the companies Waterlinx International Pty Ltd, and Waterlinx Industrial And Irrigation Pty Ltd.

(3) Companies that have been fully integrated into the consolidated financial statements and the book value of non-controlling interest has no longer been recognized.

(4) Companies acquired in 2018.

(5) Newly-incorporated companies in 2018.

(6) In 2018, Trace Logisitcs France, S.A.S. was sold.

FLUIDRA, S.A.
AND SUBSIDIARIES

Detail of segment results
for the year ended 31 December 2018
(Expressed in thousands of euros)

	ESA	NORTH AMERICA	OPERATIONS	Shared services	Adjustments & eliminations	Total consolidated figures
	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Sales to third parties	763,833	190,620	75,004	184	-	1,029,641
Sales to third parties in USA	5,931	184,026	13,158	-	-	203,115
Sales to third parties in Spain	131,321	-	27,599	-	-	158,920
Sales to third parties in France	125,071	-	4,637	-	-	129,708
Inter-segment sales	40,266	5,597	326,759	-	(372,622)	-
Segment sales of goods and finished products	804,099	196,217	401,763	184	(372,622)	1,029,641
COGS	(528,540)	(94,192)	(257,017)	-	341,499	(538,250)
Gross profit	275,559	102,025	144,746	184	(31,123)	491,391
OPEX	(209,236)	(67,652)	(93,509)	(77,606)	21,910	(426,093)
Depreciation and amortization expenses and impairment losses	(10,270)	(5,921)	(11,698)	(7,480)	(31,358)	(66,727)
Operating profit/(loss) from reporting segments	56,053	28,452	39,539	(84,902)	(40,571)	(1,429)
Share in profit/(loss) of associates	-	-	-	-	64	64
EBITDA	92,682	36,498	58,547	(59,828)	(62,537)	65,362

OPEX = Employee benefit expense + Other operating costs – Income from the rendering of services – Work performed by the Group and capitalized as non-current assets – Profit/(loss) from sales of fixed assets

COGS = Changes in inventories of finished goods and work in progress and raw materials consumables

FLUIDRA, S.A.
AND SUBSIDIARIES

Detail of segment results
for the year ended 31 December 2018
(Expressed in thousands of euros)

	ESA	NORTH AMERICA	OPERATIONS	Shared services	Adjustments & eliminations	Total consolidated figures
	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017 (*)
Sales to third parties	678,274	25,188	72,855	197	-	776,514
Sales to third parties in USA	8,996	21,293	4,098	(8)	-	34,379
Sales to third parties in Spain	126,284	-	26,087	-	-	152,371
Sales to third parties in France	97,399	-	12,366	-	-	109,765
Inter-segment sales	28,446	1,576	326,257	-	(356,279)	-
Segment sales of goods and finished products	706,720	26,764	399,112	197	(356,279)	776,514
COGS	(472,281)	(14,327)	(256,864)	(1)	353,874	(389,599)
Gross profit	234,439	12,437	142,248	196	(2,405)	386,915
OPEX	(168,211)	(12,724)	(88,750)	(17,589)	(4,427)	(291,701)
Depreciation and amortization expenses and impairment losses	(6,356)	(2,453)	(11,048)	(6,466)	(9,819)	(36,142)
Operating profit/(loss) from reporting segments	59,872	(2,740)	42,450	(23,859)	(16,651)	59,072
Share in profit/(loss) of associates	-	-	-	-	(32)	(32)
EBITDA	79,811	(288)	58,789	(36,421)	(6,709)	95,182

OPEX = Employee benefit expense + Other operating costs – Income from the rendering of services – Work performed by the Group and capitalized as non-current assets – Profit/(loss) from sales of fixed assets

COGS = Changes in inventories of finished goods and work in progress and raw materials consumables

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 12).

FLUIDRA, S.A.
AND SUBSIDIARIES

Detail of segment results
for the year ended 31 December 2018
(Expressed in thousands of euros)

	ESA	NORTH AMERICA	OPERATIONS	Shared services	Adjustments and Eliminations	Total consolidated figures
	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018
NON-CURRENT ASSETS						
Property, plant, and equipment	34,328	15,672	54,030	11,431	761	116,222
Property, plant and equipment in Spain	5,455	-	51,444	10,779	-	67,678
NWC	187,037	79,354	62,464	13,258	(24,449)	317,664
Inventories	131,282	55,094	86,554	-	(19,600)	253,330
Trade and other receivables	148,043	116,941	16,848	33,112	(2,874)	312,070
Trade and other payables	92,288	92,681	40,938	19,854	1,975	247,736

NWC = Inventories + Trade and other receivables – Trade and other payables

FLUIDRA, S.A.
AND SUBSIDIARIES

Detail of segment results
for the year ended 31 December 2018
(Expressed in thousands of euros)

	ESA	NORTH AMERICA	OPERATIONS	Shared services	Adjustments and Eliminations	Total consolidated figures
	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017
NON-CURRENT ASSETS						
Property, plant, and equipment	27,752	1,213	57,158	10,686	1,697	98,506
Property, plant and equipment in Spain	5,176	-	50,040	10,267	-	65,483
NWC	146,288	16,301	58,318	(1,612)	(21,989)	197,306
Inventories	95,016	6,932	89,957	-	(19,141)	172,764
Trade and other receivables	113,477	10,416	19,142	19,247	(2,307)	159,975
Trade and other payables	62,205	1,047	50,781	20,859	541	135,433

NWC = Inventories + Trade and other receivables – Trade and other payables

CONSOLIDATED DIRECTORS' REPORT

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Fluidra, S.A. and Subsidiaries
Consolidated Financial Statements
for the year ended 31 December 2018 and 2017
(Expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

- 1. General business evolution**
 - 1.1. Business evolution and results
 - 1.2. Related-party transactions
 - 1.3. Treasury shares
 - 1.4. Events after the reporting period
- 2. Non-financial information and Diversity**
- 3. Annual Corporate Governance Report**

Fluidra, S.A. and Subsidiaries
Consolidated Directors' Report
2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

1. General business evolution

1.1. Business evolution and results

The Fluidra Group's turnover at 2018 year end amounts to Euros 1,029.6 thousand, which means a 32.6% increase in comparison with the prior year (+35.2% at a constant exchange rate).

All figures have been affected this year by the merger with the Zodiac Group (see note 5) and all headings in the income statement include the impact of this acquisition from 2 July 2018, as well as the extraordinary impact of expenses arising from this transaction.

As for the impact on revenues, Euros 238.4 million have been included relating to the business acquired from Zodiac. Without this impact, revenues would have increased by 1.9% (4.0% at a constant exchange rate).

The effect of discontinued operations on revenues should also be taken into account, which is the result of the divestment in Aquatron (see note 10) affecting both 2018 figures and the comparative figures for 2017.

In terms of sales by geographical area, growth in the American market is noteworthy with turnover increasing from Euros 44.4 million to Euros 203.1 million in 2018 due to the effect of the Zodiac Group's integration.

The evolution of turnover per business unit highlights the strong performance of the Pool&Wellness segment (+35.6%) driven by a positive performance on almost all markets and the acquisition of Zodiac. Within the Pool&Wellness segment, there is solid growth in both Residential Pools (+50.3%) and Pool Water Treatment (+23.5%), where the presence of the Zodiac Group was smaller. The commercial pools segment shows flat growth despite increased projects in Asia during the prior year.

The Gross Margin has decreased from 49.8% last year to 47.7% this year. This evolution is driven by the impact of the inventory revaluation resulting from the allocation of Zodiac's purchase price. Without this effect, the Gross Margin would have increased to 50.8%.

Net operating expenses (sum of employee benefits expense, other operating expenses net of income from services rendered, work performed by the Group and capitalized as non-current assets, profit from the sale of fixed assets and before adjustments due to impairment of trade receivables) have increased by 45.7%.

The main effects of this increase are the rise in net operating expenses driven by the six-month integration of the Zodiac Group and the costs linked to the merger with Zodiac itself (see note 26).

The evolution in adjustments due to impairment of trade receivables, with an increase of Euros 1.7 million is driven by the integration of the Zodiac Group and certain incidents with some customers in the Middle East.

EBITDA was down Euros 29.8 million, decreasing from Euros 95.2 million in 2017 to Euros 65.4 in 2018 due to the many costs linked to the merger with the Zodiac Group,

In the Depreciation and amortization expenses and impairment losses line, the increase of Euros 30.6 million as a result mainly of the amortization of intangible assets with finite useful lives identified in the allocation of the purchase price of the business combination with Zodiac, which total Euros 24 million, shall be noted.

Finance cost has increased from Euros -13.1 million in 2017 to -27.6 million in 2018 due to the increase in debt driven by the acquisition of the Zodiac Group.

The net result attributed to the parent decreased from profit of Euros 31.1 million to a loss of Euros 33.9 million, driven chiefly by three elements of the effect of the merger: the costs linked to the merger transaction, the negative impact of the inventory revaluation and the amortization of intangible assets, explained above.

With regard to the Group's consolidated balance sheet, there has been a notable increase in net working capital due to the integration of the Zodiac Group in accordance with note 5. This increase stands at Euros 116.5 million at the date of the business combination. At year end, net working capital has increased by Euros 120.4 million.

Investment in property, plant and equipment and other intangible assets has increased by Euros 9.9 million to Euros 38.6 million in 2018. The most notable investments during the year are the adaptation of the new office building in California and the new production plant in Tijuana.

Net financial debt (taking into account the cash surplus from Aquatron - see note 12) has increased from Euros 145.7 million to Euros 719.7 million due to the increase in debt driven by the acquisition of the Zodiac Group, which added net financial debt to the Group of Euros 540.4 million at the date of the business combination.

1.2. Related-party transactions

A breakdown of information on third-party transactions is disclosed in note 30.

1.3. Treasury shares

Over 2018 the Company has carried out several purchase and sale transactions of treasury shares (682,758 shares purchased and 185,308 sold). At year end, the Company owned 2,136,688 treasury shares, which account for 1.09% of share capital and a cost of Euros 13,690 thousand.

1.4. Events after the reporting period

Refer to note 36.

FLUIDRA, S.A. AND SUBSIDIARIES
Non-Financial Information and Diversity
(Section 2 to the Consolidated Management Report)
31 December 2018
(Including the Independent Consolidated Audit Report of Non-Financial Data)

TABLE OF CONTENTS

<u>2.1</u>	<u>Independent Auditor's Report of Non-Financial Data</u>
<u>2.2</u>	<u>Overview</u>
<u>2.3</u>	<u>Brief description of the business model</u>
<u>2.4</u>	<u>Corporate Social Responsibility Policy</u>
<u>2.5</u>	<u>Materiality in Fluidra</u>
<u>2.6</u>	<u>Health, Safety and Environmental Policy</u>
<u>2.7</u>	<u>Code of Ethics and crime prevention model</u>
<u>2.8</u>	<u>Equality and Diversity Policy</u>
<u>2.9</u>	<u>Human Rights Policy</u>
<u>2.10</u>	<u>Whistle-blowing policy</u>
<u>2.11</u>	<u>Results of the Policies</u>
<u>2.12</u>	<u>Main risks and impacts of these material items</u>
<u>2.13</u>	<u>Current and foreseeable impacts of the business activities on the environment</u>
<u>2.14</u>	<u>Atmospheric pollution</u>
<u>2.15</u>	<u>Climate Change</u>
<u>2.16</u>	<u>Circular economy</u>
<u>2.17</u>	<u>Energy consumption:</u>
<u>2.18</u>	<u>Water Consumption and effluent management</u>
<u>2.19</u>	<u>Protecting biodiversity</u>
<u>2.20</u>	<u>Key social and personnel indicators</u>
<u>2.21</u>	<u>Human Rights</u>
<u>2.22</u>	<u>Combating bribery and corruption</u>
<u>2.23</u>	<u>Dialogue with the community and protective measures</u>
<u>2.24</u>	<u>Subcontracting and suppliers</u>
<u>2.25</u>	<u>Consumers</u>
<u>2.26</u>	<u>Tax information</u>
<u>2.27</u>	<u>Innovation</u>

Status of Non-financial information and diversity

Independent Auditor's Report of Non-Financial Data



TÜVRheinland®

Verification Report v.1

About Non-financial Information

Of the company

FLUIDRA

According to Spanish Law 11/2018, 28th December

Verification Report



Cliente	Periodo de verificación
FLUIDRA –Exp. N° 00/190015	2018

Índice

1	Scope.....	3
1.1	Company's description.....	3
1.2	Scope and coverage of the verification.....	3
2	Results of the verification.....	3
3	Final considerations.....	4

Verification Report



Cliente	Periodo de verificación
FLUIDRA –Exp. Nº 00/190015	2018

Chief Verifier: Eva Morales

Verifier team: -

Legal Representative of the verified company Bruce Brooks, CEO of FLUIDRA.

Verification date (in situ): March 12, 13 and 14, 2019

Date of presentation of the final company non-financial report (and its version) March 28, 2019

1 Scope

1.1 Company's description

FLUIDRA, a multinational group that is listed on the Spanish stock exchange market, is a leading global company dedicated to the pool and wellness sector. FLUIDRA operates in more than 45 countries through its own subsidiaries. We have more than 135 commercial delegations and 30 production centers around the world. The activity of the FLUIDRA production centers includes:

- The injection of plastics to produce filters, pumps, skimmers, nozzles, sumps, irrigation systems and products for fluid handling.
- Lamination and winding in polyester resin and fiberglass for the manufacture of filters.
- Filter production through the thermostatic and rotomolding blowing technique.
- The processing of metal to work stainless steel and treated steel to produce stairs, Skypool and Inoxpool panels for the construction of swimming pools or wellness centers.
- Products for water treatment in swimming pool and wellness.
- Vitreous coating.
- Assembly of heat pumps and dehumidifiers

1.2 Scope and coverage of the verification

Scope and coverage of the verification	FLUIDRA activities detailed in annex 2
Verification period	2018
Justified exclusions	n/a
Framework / s used for the presentation of indicators	GRI Standards

2 Results of the verification

It is concluded that the Report " FLUIDRA, S.A. and dependent companies, Non-Financial Information and Diversity corresponding to the Consolidated Management Report, December 31, 2018 "contains enough information to understand the evolution, results and the situation of the group and the impact of its activity on environmental, social issues, respect for human rights, fight against corruption and bribery, as well as regarding personnel including measures adopted to promote the principle of equal treatment and opportunities between women and men, non-discrimination and inclusion of persons with disabilities and universal accessibility.

Verification Report



Ciente	Periodo de verificación
FLUIDRA –Exp. Nº 00/190015	2018

We can conclude, based on the work done and on the indicators and information reviewed with a limited level of assurance, that we have not observed circumstances that indicate that the data collected in the Report have not been obtained reliably, that the information is not adequately presented, or that there are significant deviations or omissions.

It can not be concluded with a reasonable level of assurance due to the high amount of information and data to be verified that is unattainable in the dedicated time.

The financial information included in the Report " FLUIDRA, S.A. and dependt companies, Non-Financial Information and Diversity corresponding to the Consolidated Management Report, December 31, 2018 ", comes from the annual accounts of FLUIDRA, S.A. that at the date of this verification report are being audited by independent third parties (Ernst & Young). The conclusions of this report only affect the non-financial information contained therein.

The non-conformities / deviations identified during the verification have been included in a report of non-conformities (list of non-conformities) delivered at the final meeting of the verification and have been corrected as of the date of this report.

All the information obtained during the verification will be treated with the strictest confidentiality by the audit team and the certification body.

3 Final considerations

The Reasonable Assurance Level is understood as the level that can be reached by reviewing the information, documentation and evidence provided, equaling or exceeding the sampling based on ISO 2859-part 1 within a determined level of risk and which can be inferred from not having observed circumstances that indicate that the data reviewed have not been reliably obtained, that the information is not presented in an adequate manner, or that there are significant deviations or omissions.

A Limited Assurance Level means that the level of reasonable assurance is not reached, since the quantity of documentation and/or data to be reviewed are so extensive that the time allocated to reach a sufficient sampling according to ISO 2859-part 1 and its level of risk but, there are evidence that the procedures followed to obtain the information and data are adequate, known and met by the personnel involved, and periodic internal verifications can be carried out thereof.

The conclusions presented in this report are valid for the latest version of the " FLUIDRA, S.A. AND DEPENDENT COMPANIES, Non-Financial Information and Diversity corresponding to the Consolidated Management Report, December 31, 2018 ", received on March 28, 2019.

Verification by the auditors does not exempt the organization from responsibility, compliance and constant attention to the requirements of the applicable legal requirements in force.

The verification responds to a sample work, based on ISO 2859-part 1, which is why a reasonable level of certainty is guaranteed.

We have done our work in accordance with the standards of independence required by the Code of Ethics of TÜV Rheinland Iberica Inspection, Certification and Testing, S.A.

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March 28, 2019	Eva Morales	Almudena Bouza	Santiago Carrete
Date	Chief Verifier	Technical Responsible	Local Business Field Manager Systems

Verification Report



Cliente	Periodo de verificación
FLUIDRA –Exp. N° 00/190015	2018

Annex 1: Verification detail. Non-Financial Statements Report: " FLUIDRA, S.A. AND DEPENDENT COMPANIES, Non-Financial Information and Diversity corresponding to the Consolidated Management Report, December 31, 2018

Ítem	Results of the VERIFICATION (Include comments, recommendations for improvement and strengths)
Qualitative information	
Description of the business model	The non-financial report includes enough information
Description of policies including due diligence procedures applied to risks	The non-financial report collects enough information. The materiality analysis does not reflect the entire business group, nor the vision of its external stakeholders
Results of applied policies (indicators)	The non-financial report includes enough information
Main related risks linked to the activities of the group	The non-financial report includes enough information
Other information	-
Justification information not submitted	-
Quantitative information	
Environmental aspects	The non-financial statements report includes enough information. More information on atmospheric pollution could be reported
Social Aspect	The non-financial report includes enough information
Aspects related to HR	The non-financial statements report collects enough information. The company can improve the application of its equality policies, especially in the management category.
Aspects related to anti-bribery and anti-corruption policies	The non-financial report includes enough information
Aspects related to Human Rights	The non-financial report includes enough information
Information about the Company	
Other Information	

Verification Report



Ciente	Periodo de verificación
FLUIDRA –Exp. Nº 00/190015	2018

Annex 2: Scope of FLUIDRA

Sociedad	País	Actividad
AGRISILOS S.R.L.	Italy	Installation of high standing pools
AQUA PRODUCTS, INC	USA	Assembly of robots
ASTRAL BAZENOVEPRISLUSENTSVI, S.R.O.	Czech Republic	Commercial
ASTRAL POOL CYPRUS, LTD	Cyprus	Commercial
ASTRAL POOL SWITZERLAND, S.A.	Switzerland	Commercial
ASTRALPOOL UK LIMITED	UK	Commercial
CEPEX, S.A.U.	Spain	Plastic Injection
CERTIKIN INTERNATIONAL, LTD	UK	Liner manufacturing
COVER - POOLS INCORPORATED	USA	Manufactures of covers for swimming pool
FLUIDRA ADRIATIC D.O.O.	Croatia	Commercial
FLUIDRA AUSTRALIA, PTY, LTD	Australia	Plastic injection, pump assembly, filter assembly
FLUIDRA BELGIQUE, S.R.L.	Belgium	Commercial
FLUIDRA COMMERCIAL ESPAÑA, S.A.U.	Spain	Commercial
FLUIDRA COMMERCIAL FRANCE S.A.S.	France	Commercial
FLUIDRA COMMERCIALE ITALY S.P.A.	Italy	Commercial
FLUIDRA DANMARK, A/S	Denmark	Commercial
FLUIDRA DEUTSCHLAND, GMBH	Germany	Manufacture of liners and covers
FLUIDRA ENGINEERING SERVICES, S.L.U.	Spain	Design and project management
FLUIDRA EXPORT, S.A.U.	Spain	Management (office)
FLUIDRA GLOBAL DISTRIBUTION, S.L.U.	Spain	Management (office)
FLUIDRA HELLAS SA	Greece	Commercial
FLUIDRA HOLDINGS SOUTH AFRICA PTY LTD	South Africa	Plastic injection, assembly of pumps, chemical manipulation
FLUIDRA INDUSTRY FRANCE S.A.R.L.	France	Manufactures of covers for swimming pool
FLUIDRA MAGYARORSZAG KFT.	Hungary	Commercial
FLUIDRA MIDDLE EAST FZE	Dubái	Commercial
FLUIDRA MONTENEGRO D.O.O.	Montenegro	Commercial
FLUIDRA NORDIC AB (Fluidra Sverige AB)	Sweden	Commercial
FLUIDRA POLSKA SP.Z O.O.	Poland	Commercial
FLUIDRA PORTUGAL, LDA	Portugal	Commercial
FLUIDRA SA	Spain	Management (office)
FLUIDRA SERBICA D.O.O. BEOGRAD	Serbia	Commercial
FLUIDRA SERVICES ESPAÑA, S.L.U.	Spain	Management (office)
FLUIDRA SERVICES FRANCE, S.A.S.	France	Management (office)
FLUIDRA USA LLC	USA	Production of polyester tanks
I.D. ELECTROQUÍMICA, S.L.	Spain	Assembly of electrolysis elements
INDUSTRIAS MECANICAS LAGO, S.A.U.	Spain	Assembly of pumps for swimming pool
INNODRIP, S.L.U.	Spain	Management (office)
INQUIDE, S.A.U.	Spain	Manufacture and packaging of tablets and liquid chlorine

Verification Report



Cliente	Periodo de verificación
FLUIDRA –Exp. Nº 00/190015	2018

MANUFACTURAS GRE, S.A.U.	Spain	Pool manufacturing for mass market
METALAST, S.A.U.	Spain	Metallic manufacturing and assembly of pumps for swimming pool
PISCINES THECNIQUES 2000, S.A.S.	France	Commercial
POLTANK, S.A.U.	Spain	Production of polyester tanks
POOLWEB	France	Commercial
PRICE CHEMICALS PTY LTD	Australia	Packaging of chlorine tablets
PRODUCTES ELASTOMERS, S.A.	Spain	Producción de juntas elastómeros
PURALIA SYSTEMS, S.L.	Spain	Commercial
RIIOT LABS NV/SA	Belgium	Connectivity technology
SACOPA, S.A.U.	Spain	Plastic Injection
SET ENERGIETECHNICK GMBH	Germany	Assembly of heat pumps
SIBO FLUIDRA NETHERLANDS B.V.	Holland	Commercial
SSA FLUIDRA OSTERREICH GMBH	Austria	Commercial
TALLERES DEL AGUA, S.L.	Spain	Assembly of heat pumps
TECHNICAL POOL SERVICE, S.L.	Spain	Management (office)
TOGAMA, S.A.	Spain	Glass ceramic production
TRACE LOGISTIC, S.A.U.	Spain	Logistic storage
UNISTRAL RECAMBIOS, S.A.U.	Spain	Packaging of spare parts
ZODIAC GROUP (N.Z.) LIMITED	New Zealand	Commercial
ZODIAC GROUP AUSTRALIA PTY LTD	Australia	Commercial
ZODIAC POOL CARE EUROPE SAS	France	Commercial
ZODIAC POOL CARE PORTUGAL	Portugal	Commercial
ZODIAC POOL CARE SOUTH AFRICA	South Africa	Commercial
ZODIAC POOL DEUTSCHLAND GMBH	Germany	Commercial
ZODIAC POOL IBERICA	Spain	Commercial
ZODIAC POOL SYSTEMS ITALY SRL	Italy	Commercial
ZODIAC POOL SYSTEMS LLC	USA	Installation of gas boilers

Overview

This document concerning the non-financial information and diversity of Fluidra, SA and its subsidiaries is part of the Consolidated Management Report for the year 2018, in accordance with Law 11/2018, of 28 December, through which the Commercial Code is amended, as well as the consolidated text of the Corporate Governance Code (*Ley de Sociedades de Capital*) approved by the Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing of Financial Statements, in the area of non-financial information and diversity.

The information regarding non-financial indicators presented in this document follows the guidelines stipulated by the Global Reporting Initiative (GRI) in terms of its version of Sustainability Reporting Standards for the data that is mandatory, pursuant to the Law.

The coverage of non-financial data in the year 2018, in regard to environmental indicators, represents **90%** of the consolidated sales revenue, which is forecast to reach 100% in the year 2020. This is due to not all of the subsidiaries currently having a system for the systematic collection and reporting of non-financial information. From the perspective of comparing the data from key non-financial indicators with previous years, we must note that the information is not comparable being that, as a result of the merger, the Zodiac group companies are incorporated into the consolidated statements this year. [Ref. GRI 102-10]

The subsidiaries with non-financial environmental information stated in 2018 are:

Company	Country
AGRISILOS S.R.L	Italy
AQUA PRODUCTS, INC	USA
ASTRAL BAZENOVE PRISLUSENTSVI, S.R.O.	Czech Republic
ASTRAL POOL CYPRUS, LTD	Cyprus
ASTRAL POOL SWITZERLAND, S.A.	Switzerland
ASTRALPOOL UK LIMITED	United Kingdom
CEPEX, S.A.U.	Spain
CERTIKIN INTERNATIONAL, LTD	United Kingdom
COVER - POOLS INCORPORATED	USA
FLUIDRA ADRIATIC D.O.O.	Croatia
FLUIDRA AUSTRALIA, PTY, LTD	Australia
FLUIDRA BELGIQUE, S.R.L.	Belgium
FLUIDRA COMERCIAL ESPAÑA, S.A.U.	Spain
FLUIDRA COMMERCIAL FRANCE S.A.S.	France
FLUIDRA COMMERCIALE ITALIA S.P.A.	Italy
FLUIDRA DANMARK A/S	Denmark
FLUIDRA DEUTSCHLAND, GMBH	Germany
FLUIDRA ENGINEERING SERVICES, S.L.U.	Spain
FLUIDRA EXPORT, S.A.U.	Spain
FLUIDRA GLOBAL DISTRIBUTION, S.L.U.	Spain
FLUIDRA HELLAS SA	Greece
FLUIDRA HOLDINGS SOUTH AFRICA PTY LTD	South Africa
FLUIDRA INDUSTRY FRANCE S.A.R.L.	France
FLUIDRA MAGYARORSZAG KFT.	Hungary
FLUIDRA MIDDLE EAST FZE	Dubai
FLUIDRA MONTENEGRO D.O.O.	Montenegro
FLUIDRA NORDIC AB (Fluidra Sverige AB)	Sweden
FLUIDRA POLSKA SP.Z O.O.	Poland

FLUIDRA PORTUGAL, LDA	Portugal
FLUIDRA SA	Spain
FLUIDRA SERBICA D.O.O. BEOGRAD	Serbia
FLUIDRA SERVICES ESPAÑA, S.L.U.	Spain
FLUIDRA SERVICES FRANCE, S.A.S.	France
FLUIDRA USA LLC	USA
I.D. ELECTROQUÍMICA, S.L.	Spain
INDUSTRIAS MECANICAS LAGO, S.A.U.	Spain
INNODRIP, S.L.U.	Spain
INQUIDE, S.A.U.	Spain
MANUFACTURAS GRE, S.A.U.	Spain
METALAST, S.A.U.	Spain
PISCINES THECNQUES 2000, S.A.S.	France
POLTANK, S.A.U.	Spain
POOLWEB	France
PRICE CHEMICALS PTY LTD	Australia
PRODUCTES ELASTOMERS, S.A.	Spain
PURALIA SYSTEMS, S.L.	Spain
RIIOT LABS NV/SA	Belgium
SACOPA, S.A.U.	Spain
SET ENERGIETECHNICK GMBH	Germany
SIBO FLUIDRA NETHERLANDS B.V.	Holland
SSA FLUIDRA OSTERREICH GMBH	Austria
TALLERES DEL AGUA, S.L.	Spain
TECHNICAL POOL SERVICE, S.L.	Spain
TOGAMA, S.A.	Spain
TRACE LOGISTIC, S.A.U.	Spain
UNISTRAL RECAMBIOS, S.A.U.	Spain
ZODIAC GROUP (N.Z.) LIMITED	New Zealand
ZODIAC GROUP AUSTRALIA PTY LTD	Australia
ZODIAC POOL CARE EUROPE SAS	France
ZODIAC POOL CARE PORTUGAL	Portugal
ZODIAC POOL CARE SOUTH AFRICA	South Africa
ZODIAC POOL DEUTSCHLAND GMBH	Germany
ZODIAC POOL IBERICA	Spain
ZODIAC POOL SYSTEMS ITALIA SRL	Italy
ZODIAC POOL SYSTEMS LLC	USA

Brief description of the business model

[Ref. GRI 102-2]

Fluidra is the leading company in the global pool and wellness industry. Focused on the development of innovative products and solutions, it operates in 45 countries through branches and production centres located in every continent. As a result of its merger with Zodiac, Fluidra currently has more than 5,300 employees. Its wide range of products contains six of the ten most important brands in the sector: Jandy®, AstralPool®, Polaris®, Cepex®, Zodiac®, CTX Professional® and Gre®. Fluidra is listed on the Spanish Stock Exchange with a market capitalization of more than € 1,900 million as of the end of 2018.

With an estimated market volume of € 7,100 million, the global pool and wellness industry reflects a vast growth potential, as a result of the trends in its two main growth drivers: new construction and, above all, the recurring business from the quantity of existing pools (around 16 million worldwide). Fluidra, with a market share of 18%, is the undisputed leader in the global swimming pool market, while being on path to expand this share in the future thanks to the development of its businesses and innovation of new products.

In North America, Fluidra is one of the first three equipment manufacturers to work closely with strategic suppliers. In the developed markets of Europe, the Southern Hemisphere and Asia (ESA), Fluidra has a unique and vertically integrated business model.

With its own I+D [sic] department, production centres, logistics operators and wholesalers, Fluidra is unique within the sector. Both in North America and in the developed markets of ESA (Europe, Southern Hemisphere and Asia), the main market segment is that of residential pools, while in the emerging markets of ESA the driver is the commercial pools business.

Within the framework of the Strategic Plan, Fluidra is committed to the following four vectors for the continued generation of value for its stakeholders:

1. Accelerate growth in North America.
2. Enhance the platform in Europe and the southern hemisphere.
3. Expand the penetration of the commercial pools segment in emerging markets.
4. Improve the margin through operational excellence and integration synergies.

With these goals, the company has set a target of annual sales growth of between 5% and 8%, which translates into an approximate sales revenue of € 1,700 million and an EBITDA¹ of more than € 350 million in 2022.

Looking to the future, the sector is structurally attractive, with a growth rate that can reach twice that of GDP. Fluidra is the leader in the smart pools sector, which use remote control systems over the internet, with exceptionally strong year-on-year increases. With more than 185,000 smart pools, Fluidra offers the most complete and robust platform of products for smart pools. In addition, the anticipated trends seen in the sectors of health, wellness and tourism in the world is a good indicator for Fluidra in terms of sales volume.

¹ Estimated data according to the definition in the company's results presentations (not include stock based compensation and losses or benefits due to divestment in subsidiary companies)

Corporate Social Responsibility Policy

[Ref. GRI 102-16, 102-40, 102-42]

The merger with Zodiac in the 2018 year has led to the implementation of the project to redefine the Corporate Social Responsibility policies based on the Mission and Values of the new Fluidra.

MISSION: TO CREATE THE PERFECT POOL AND WELLNESS EXPERIENCE

This Mission is further defined as follows by our stakeholders, which is essential for the development of the company's mission and the Corporate Social Responsibility of the organization.

- a) *End-User:* Fluidra creates the perfect pool and wellness experience to enhance comfort, enjoyment and peace of mind.
- b) *Employee:* Fluidra provides a great place to work where the employees can realise their full potential and be recognised.
- c) *Customers:* Fluidra helps grow their business by providing innovative, quality products and services.
- d) *Suppliers:* Fluidra develops strong partnerships through innovation, quality, service level and cost.
- e) *Shareholders:* Fluidra generates sustainable value within an ethical business and financial environment.
- f) *Planet and Society:* Fluidra is committed to using sustainable products and practices to protect future generations.

Materiality in Fluidra

[Ref. GRI 102-47, 102-43, 103-1]

Materiality in the new Fluidra is based on the mission itself, as defined to its stakeholders. The relationship with them and their expectations, together with the internal needs of economic growth, defines the guidelines for the management and measurement of results.

Health and safety, and the quality of the product are the basis of the perfect experience for the end user.

The quality of employment, the permanent relationship between the worker and the company, diversity, equality and non-discrimination, health and safety at work, and the formation and development of a professional career are the pillars of the dialogue with employees.

Competitive and innovative products, with truthful and useful information, while attending to the privacy and protection of customer data.

Relationship based on trust and competitive competition, the observance of Human Rights and respect for the environment, in the suppliers of products and services.

Ensure good governance and business ethics that are compatible with the financial profitability of the shareholders' investments.

The efficient use of resources, the control of emissions and the proper management of waste and effluent as a basis for respect for the planet and society in general.

During 2019, the definition of Fluidra's new materiality matrix is planned based on joint work with stakeholders.

Health, Safety and Environmental Policy

[Ref. GRI 102-11]

The culture of our company considers that safeguarding the health and safety of the employees, neighbours and others who are affected by our business activities, as well as the protection of the environment, are fundamental values which are just as important as the other key objectives of our company.

In Fluidra we take into account the implications of HSE (Health, Safety and Environment) in terms of the entire spectrum of activities that we carry out worldwide with the intention being to protect our employees, neighbours, customers, business assets, natural resources and the environment.

Our goal is to be a leader in HSE and we strive to act responsibly, while building a long-term sustainable business:

1. We work to achieve sustainability:
2. We are concerned with health and we protect our employees' safety:
3. We take care of environment:
 - Efficient use of energy
 - Reducing emissions of greenhouse gases
 - Recycling or reduction of waste to a minimum
 - Efficient water usage
4. We consider the implications of HSE in the development of products and technologies.
5. We build a network of responsible business partners

Code of Ethics and crime prevention model

[Ref. GRI 102-16]

Fluidra's ethical management is based on its codes of ethics for employees and suppliers, and on the regulatory compliance monitoring processes where crime prevention procedures are articulated.

The Employee Code of Ethics or also called "People Values", inspires and defines the daily conduct of all Fluidra employees, wherever they are. The "People Values" were approved in December 2008 and revised in June 2015 by the Fluidra Board of Directors, and apply to all employees and in all the countries in which we operate.

Fluidra is fully committed to the following Core Values: Honesty and trust, Respect for the Law and Human Rights, Integrity of the people and Sustainability of the resources. It establishes the specific principles of conduct aimed at earning and maintaining the trust of our stakeholders.

Another basic pillar of ethical management focuses on the supply chain through the Supplier Code of Ethics, as the trust-based relationship with our customers and suppliers, provides the foundation of our business development. That is why it is important for Fluidra that its stakeholders be aligned and share its values and principles. In 2011, Fluidra approved the Supplier Code of Ethics, which was updated in 2016. The document is incorporated into the new suppliers' approval policy and establishes a commitment, accepted by both parties, to comply with the principles stated in the UN Global Compact, which is considered to be an essential requirement for the maintenance of future and present commercial relations.

Both the "People Values" and the Supplier Code of Ethics are public and accessible on Fluidra's corporate website (www.fluidra.com)

Within the framework of its commitment to good corporate governance and continuous improvement of the regulatory compliance management system, Fluidra is enhancing the Compliance function.

The purpose of the Compliance function is to promote the culture of business ethics and to develop internal mechanisms for the prevention, management and control of the risks associated with regulatory violations.

The crime prevention model will be subject to major revision and update in the coming months due to the significant changes the organization has undergone as a result of the merger with Zodiac. It will involve a profound revision given the volume of business in the US. Likewise, the Code of Ethics will be revised, which among others will reflect the Mission and the Values defined for the new Fluidra. The new Code of Ethics will be disseminated and applied to the entire organization with the aim being to raise awareness throughout the company about the importance of regulatory compliance and business ethics.

Equality and Diversity Policy

[Ref. GRI 102-16]

Equal opportunities between different groups and people is a basic pillar in Fluidra's management of human resources, which represents a common denominator that is intended to be present throughout our organization.

The main objective of the Equality and Diversity Policy is to ensure that all people have the same opportunities to access our organization and to participate and be promoted professionally within it, following the principles and values established within the Group.

Gender equality

The principle of equal treatment between women and men assumes the absence of any direct or indirect discrimination, based on gender and, especially, those derived from maternity, the assumption of family obligations and marital status.

Based on this principle, in terms of gender equality Fluidra has the following objectives:

- a) To promote a business culture based on equal treatment and opportunities for men and women in terms of access to employment, training, promotion and professional development, salary remuneration, as well as working conditions in general, as our human resources management policies are focused on achieving this objective.
- b) To adopt specific measures in favour of the women personnel when there are obvious situations of de facto inequality in relation to men.
- c) To promote the participation of women in the positions of the Board of Directors and Management of the Company, as well as in other areas of the organization in which they may be underrepresented. In the selection processes for Directors and Managers, as well as other professionals of the organization, Fluidra will take into consideration gender diversity in order to ensure equal opportunities without going against the main objective sought in all selection process, as it is intended to hire the most appropriate people for the position that is intended to be filled, for which the objective criteria of education, career and training shall prevail, as gender diversity nor any other factor of diversity should constitute an obstacle to ensuring the effective functioning of the Board of Directors and / or management, commercial, production or functional personnel where the selected person is hired.
- d) To respect and act in accordance with the principles established in the Fluidra Code of

Ethics regarding equal opportunities and non-discrimination, correcting any possible action that fails to comply with said guidelines, through the intervention of the Committee for the Promotion of the Code of Ethics or any other entity of the organization with the capacity to exercise said intervention.

- e) To use the principle of gender equality as a common denominator in all areas and levels of the organization, while identifying and establishing a non-sexist language in all corporate documentation.
- f) To establish measures to reconcile personal and professional life, which make it possible for one to return from maternity / paternity leave and continue to progress down the respective professional career path, according to the interests of each person, taking into account the organizational opportunities existing at each moment.
- g) To design equality plans adapted to each of the Group's companies, while setting specific objectives and actions that make progress towards equality in all the centres.
- h) To collaborate with programs and/or external projects to support equality of conditions between men and women, thus promoting awareness and participation of the entire organization.

Inclusion of people with disabilities

All companies must facilitate the inclusion of people with disabilities in the companies of the Group, while complying at all times with the applicable legislation regarding the hiring of people with disabilities and encouraging the hiring of people belonging to that group, provided that they can correctly perform the respective job description for which they are hired.

The objectives of Fluidra in terms of social integration of people with disabilities are as follows:

- a) Facilitate in all group companies' accessibility to work centres, by eliminating existing physical barriers for all people.
- b) To promote a business culture based on equal treatment and opportunities for groups with disabilities in terms of access to employment, training, career advancement and salary remuneration, as well as working conditions in general, as our human resources management policies are focused on achieving this objective.
- c) To collaborate with programs and/or external projects to support equality of conditions for groups with disabilities, thus promoting awareness and participation of the entire organization.
- d) Establish collaboration agreements with centres and associations that serve to promote the inclusion of groups with disabilities in the labour market.
- e) Ensure that all companies and work centres of FLUIDRA comply with the applicable legislation regarding the hiring of personnel with disabilities in the companies.

Cultural Integration

The socio-economic changes and the internationalization of Fluidra means that with the passage of each work day, we are working in environments and with teams that are more and more multicultural. This reality leads us to the need to formulate a series of corporate objectives that help us facilitate the social, cultural and professional integration of professionals from other countries.

- a) To promote a business culture based on equal treatment and opportunities for immigrant groups in terms of access to employment, training, career advancement and salary remuneration, as well as working conditions in general, as our human resources

management policies are focused on achieving this objective.

- b) To provide all the necessary information and training to foreign professionals to achieve satisfactory social, cultural and labour integration, while preparing specific orientation plans when necessary.
- c) To collaborate with programs and/or external projects to support equality of conditions for immigrant groups, thus promoting awareness and participation of the entire organization.

Human Rights Policy

[Ref. GRI 102-16]

In regard to Human Rights, Fluidra adhered to the United Nations Global Compact in 2007 and has been a contributing partner since 2016. All its codes are based on its 10 basic principles.

1. Support and respect the protection of internationally recognised human rights.
2. Ensure that it does not become an accomplice in the violation of human rights.
3. Respect the freedom of affiliation and the effective recognition of the right to collective bargaining.
4. Support the abolition of discriminatory practices in employment and occupation.
5. Support the eradication of child labour.
6. Eliminate discrimination in employment and occupation.
7. Application of a preventive approach that favours the environment.
8. Promote initiatives that promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.
10. Work against corruption in all its forms, including extortion and bribery.

Whistle-blowing policy

[Ref. GRI 102-16]

There are two pillars which support ethical management in the organisation of Fluidra group: the Code of Ethics for Employees and the Code of Ethics for Suppliers.

So that the Code of Ethics is not just a mere declaration of intent, there are several mechanisms that disseminate, promote and ensure its implementation and enforcement, namely: the Ethics Committee, the Confidential Whistle-blowing Channel, a regulatory compliance program and a disciplinary system when failing to comply with the law and ethical principles.

The Ethics Committee consists of the Human Resources, Internal Audit and Legal divisions. The Ethics Committee receives, examines and responds to inquiries, complaints or allegations raised by employees, customers, suppliers or others. All requests or communications regarding incidents are handled with confidentiality and respect for all parties involved. The Ethics Committee reports to the Audit Committee, the governing body reporting directly to the Board of Directors.

The Whistle-blowing Channel is available on the corporate website, which can be accessed by all employees, customers, suppliers or other stakeholders. Through an online form or via email they can make inquiries, ask for advice or report an incident.

Results of the Policies

The monitoring of all these policies is carried out based on the indicators of the Global Reporting Initiative (GRI), by preparing an Integrated Report every year where the performance in terms of these and other material items are presented. The results of the GRI indicators related to each material item are detailed in the following sections of the document.

Main risks and impacts of these material items

[Ref. GRI 102-11, 102-15]

Corporate risk management falls to the Audit Committee as an advisory body and as representative of the Board of Directors, for these matters.

The Risk Management System works in a comprehensive and continuous manner, consolidating such management through subsidiaries, geographical areas and supplementing it with corporate support areas. It includes the identification, analysis, assessment – both by activity and by the current environment, controls and associated mitigation plans.

The duties of the Audit Committee regarding Risk Management include:

- Identifying the different types of risk (strategic, operational, financial, legal, reputational and accidental), including – among financial and economic risks – contingent liabilities and other off-balance risks.
- Identifying the measures in place to mitigate the impact of identified risks, should they materialise.
- Verifying and monitoring the Corporate Risk Map as a tool to identify, manage and follow up on risks with significant impact on the Group's objectives.

The different risks are identified and assessed based on an analysis of the events that may trigger them. The assessment is performed using metrics that calculate likelihood and impact. Existing controls are put in place in order to mitigate such risks and any additional necessary action plans are implemented if the above controls are deemed insufficient. Through this

process, which is conducted annually and coordinated by Internal Audit, the Company's Risk Map may be outlined. The map provides the most significant risks, along with the main variations from the previous year, which are then presented to the Audit Committee for discussion and approval.

The definition of the scale of severity and the scale of likelihood is performed according to qualitative and quantitative criteria. Once critical risks are identified and reassessed, the Company's senior management officers devise specific measures, appointing those in charge of their implementation as well as the time frames allocated, so as to mitigate the risks' impact and likelihood, while reviewing the current controls in place on such risks.

The analysis of risks, controls and actions to mitigate their impact and probability is presented annually to the Audit Committee for supervision and approval. Subsequently, the Audit Committee reports the above to the Board of Directors.

Risks that materialised in 2018

Cyber-attacks and fraud

During the 2018 year, the Fluidra Group suffered various attacks and fraud attempts articulated in the impersonation of the identity of the Group's executives. In one of those attacks, the identity scammer managed to contact a Fluidra employee so that he could carry out an online banking transaction that involved the transfer of hard-to-track money. Although the action was not stopped initially, it was detected in time and all the control and action mechanisms defined were put in place, which managed to prevent the fraud from materializing in its entirety. This action reflects the growing need to reinforce the preventive measures and action plans that serve to protect the Company against possible fraudulent acts derived from cyber-risk and crime.

Increase in credit risk

As a result of the merger with the Zodiac group in July 2018, credit risk has increased in the Americas region given that there is a high concentration of billing in two main customers. Fluidra is aware of this situation and has put in place the necessary actions to mitigate the effects of this risk. The Fluidra Group is a multinational company that continues to have a broad and diversified customer portfolio as can be verified in the annual financial results.

Table of main risks

Fluidra has defined the main risks and the procedures used to detect and assess them.

Development of new products.

Continuous analysis of sales of new strategic products and its comparison with that of competitors based on monitoring tools for market research, analysis of statistical databases by market and by product type. Conducting comparative studies to set themselves apart from the competition and updating the assessment dossiers of products with the information obtained. Specific action plans aimed at ensuring the adaptation of production capabilities to anticipate levels of demand for these new products.

Financial risks.

Financial risks are subject to continuous monitoring for exposure to exchange rate risk or interest rate risk, among others, and policies and measures are suggested in this respect.

Credit risks.

The credit risk is subject to continuous monitoring, which involves the analysis of both the financial health and the profit obtained from those customers with the highest risk concentration, in relation to the fixed costs assumed by the company.

Technological risks.

Given the activities carried out by the various business units of Fluidra, protecting technology and development is key to maintaining its competitive edge. To this end, the company has criteria and development policies in place together with legal protocols that ensure protection. In the same manner, the Company is aware of the constant changes that occur in the markets linked to new technologies, which is why it allocates resources to the development and evolution of technologies.

Subsidiary management risk.

Fluidra is certain that bolstering and standardising the procedures and internal controls in the Group's subsidiaries is the way forward for early detection and eradication of irregularities in the management of subsidiaries. In this sense, the Fluidra group has a Corporate Controlling department with professionals who provide support and analyse the procedures of the subsidiaries in different countries of the world to ensure the correct standardisation of the financial statements and daily practices. Additionally, Fluidra is aware of the importance of maintaining an action plan in the event of an irregularity in any of its production or logistical subsidiaries in order to guarantee the service to customers, in any event.

Risk in the integration process

Fluidra seeks to expand through the territory and businesses related to its activity through the acquisition of companies in the sector with the merger with Zodiac carried out during 2018 being a clear example of this. Fluidra is aware of the importance of carrying out a proper integration process that encompasses the technological, regulatory and process aspects, as well as the information and employee management systems, in order to ensure that the new companies acquired are integrated with the Group in an efficient manner. For this purpose, the "Integration Office" was created, made up of professionals and led by the President and the CEO, to which, in turn, the twenty departmental and / or regional integration work teams report.

Implementation of new business activities.

Fluidra continuously analyses new businesses and organizations that contribute added value to the group. As the company knows that any new activity involves an intrinsic risk, it contracts the services of specialised external consultants who have advised on the development process.

Human capital risks.

Fluidra group companies have a variable remuneration policy linked to professional development and the achievement of personal goals so as to be able to identify and reward its best employees, with the intention being to attract and retain the talent.

The parent company has a reporting channel created by the Audit Committee under the collegial management of the corporate management of Human Resources, Internal Audit and the Legal department, so that any employee of the group can file a complaint about any matter he/she deems fit.

Risks relating to processes.

These risks are managed and monitored centrally by the Management and Control Department and verified by the Internal Audit Department. The processes of obtaining the consolidated economic and financial information are developed centrally and under corporate criteria, with the Financial Statement, both consolidated and individual, from the corresponding subsidiary, verified by external auditors.

Climatic risks

The company's risk map includes what is called climatological or meteorological risk, i.e. the possible economic losses derived from adverse changes in certain climatic variables at both a global and local level in any of the regions or countries where Fluidra operates. The methodology followed to mitigate the risk currently consists of the geographical diversification

of the business, increasing the portfolio of products adapted to the different climates and needs, the research and development of products with low consumption of water, energy and chemicals, as well as, that of products and services that provide efficient management of swimming pool facilities at any time of the year and under any weather situation.

Current and foreseeable impacts of the business activities on the environment

[Ref. GRI 102-11, 413-2]

Health and safety

The health and safety of Fluidra's employees is a priority for the company.

In terms of health, workers are offered a voluntary medical examination on an annual basis. The Fluidra Health program is also being developed, which initiated its activity with a pilot program in some of the Group's companies, which will gradually extend its coverage.

In regard to safety, the Group companies are expected to perform risk assessments to determine the respective risks and establish measures to eliminate them and, if this is not possible, to minimise them through the corresponding mitigating measures.

During this year, progress was made in the preparation of HSE (Health, Safety & Environment) standards for the Fluidra group, in order to unify the criteria and priorities among all Group companies, whereby operational procedures for the Group have been prepared and published. Joint work with other inter-departmental functions allows the company to take advantage of commonalities and synergies and, in this way, promote the awareness of the HSE, not only internally but also with our stakeholders.

The annual HSE meeting has been held with the internal specialists in this area. During this meeting Fluidra's Values and the HSE Objectives were presented.

At the documentary level, an end-of-year report system has been established for all locations, through a form specific to HSE matters.

In 2019, a Corporate Communication Plan for HSE will be developed with advice, best practices and information to help raise awareness about Health, Safety and Environment (HSE).

Procedures for environmental assessment or certification

The companies of the group that certify their environmental management system do so through the ISO 14001 certification, with the assistance of an independent entity that audits them and verifies the veracity, traceability, coherence and sustainability of the environmental management system.

The certified companies renew their certification at the corresponding time and those that have not been certified yet, but expect to be certified within the next few years

Resources dedicated to the prevention of environmental risks

Environmental risks are included in the management of the Group's risks and as such do not receive separate treatment. The company considers its risks as something global and treats them in a joint and integrated manner in the actions it carries out to improve its processes, its products and the management of the people who work at Fluidra. The environment poses a

risk for our company and we act responsibly to avoid damaging it in all of our actions and business activities.

Application of the precautionary principle

Before carrying out any activity, an assessment of the respective risks is conducted, both for the safety and health of the people, as well as for the environment. The precautionary principle is always valid and present in everything we do.

The amount of provisions and guarantees for environmental risks

Fluidra, in compliance with the current legislation, has contracted an environmental insurance policy, as required by law. However, Fluidra considers that the best guarantee is to work in a manner that respects the environment and is in accordance with the best practices available. A good example of this is the ISO 14001 certification policy for production centres and the best practices that are applied in the management of the Group companies.

No operations have been detected with negative, real or potential impacts on the communities where we operate.

Atmospheric pollution

[Ref. GRI 305-7]

The data collected from specific atmospheric emissions of the components described in the table below correspond to the aggregate of the measurements by the companies Metalast, S.A.U, Inquide, S.A.U., Poltank, S.A.U. and Fluidra USA, LLC., as the most significant detected points of atmospheric emissions. The study to extend the scope of the reporting of this information to other companies susceptible to this type of emissions remains pending.

Name	Type	Unit of Measure	2016	2017	2018
Nitrogen oxides (NOx)	Emission	Tm	1.20	1.20	0.05
Sulphur oxide (SOx)	Emission	Tm	1.09	1.10	0.05
Carbon Monoxide (CO)	Emission	Tm	0.20	0.19	0.00
Other Volatile Components (COVx)	Emission	Tm	46.00	110.97	115.43
Chlorine (Cl)	Emission	Tm	0.37	0.34	0.50
PTS Particles	Emission	Tm	0.00	0.00	0.13
Hydrochloric Acid	Emission	Tm	0.00	0.00	0.11
Hydrochlorofluorocarbons (HCFCx)	Emission	Tm	0.00	0.00	0.00
Treatment of Emissions	Expenditure	Euros €	725	8,184	4,500

Measurements are made by mass balance and atmospheric sensors.

In 2018, Inquide, S.A.U., one of the most important NOx, SOx and CO emission plants has been inactive for market reasons, which resulted in a significant reduction in these gases. Similarly, in the 2018 year, other particles such as (PTS) and Hydrochloric Acid have begun to be measured.

Climate Change

[Ref. GRI 305-1, 305-2, 305-3, 305-4, 305-5]

As already mentioned, the increase in coverage in 2018 causes the values to grow significantly, and are therefore not comparable. All the data presented are expressed in equivalent tons of CO₂.

Direct emissions of Greenhouse Gases (scope 1)

The direct GHG emissions produced by Fluidra are determined based on the use of fossil fuels for production, heating and transit of its own or rental vehicles.

Scope 1					
Name	Type	Unit of Measure	2016	2017	2018
Natural Gas	Emission	t/CO _{2eq}	3,470	3,115	3,404
Diesel fuel (production / heating)	Emission	t/CO _{2eq}	1,079	1,549	1,404
Diesel fuel for vehicles	Emission	t/CO _{2eq}	2,158	2,300	4,625
			6,707	6,964	9,433

For the calculation of emissions, the coefficients published by the IPCC have been used (*Intergovernmental Panel on Climate Change*), with the coefficients being 0.252 for the conversion of Natural Gas and 2.620 for the conversion of tons of diesel.

Indirect Emissions of Greenhouse Gases associated with the generation of energy acquired or consumed (Scope 2)

The indirect GHG emissions produced by Fluidra are based on the electricity consumption contracted from third parties.

Scope 2					
Name	Type	Unit of Measure	2016	2017	2018
Grid Electricity	Emission	t/CO _{2eq}	8,418	11,387	11,791
Electricity from cogeneration	Emission	t/CO _{2eq}	679	0	0
Electricity from renewable sources	Emission	t/CO _{2eq}	-6,947	-8,920	-7,687
			2,151	2,467	4,104

For the calculation of Scope 2 emissions, the coefficients of the electricity mixes by countries have been used based on the data published by the regulators, or calculated from the data published by the International Energy Agency. In the case of cogeneration, the coefficient used was 0.420, as indicated by the IPCC.

Indirect emissions of greenhouse gases (Scope 3)

The indirect emissions GHG of Scope 3 based on the nine categories of the Green House Gas Protocol, according to the document 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard', 2011 of Greenhouse Gas Protocol produced by Fluidra have the limitation of the systems in operation at the time of the respective capture and presentation of data.

The presentation of data of Scope 3 presented by Fluidra, are based on kilometres of transport, by subcontracted lorry, of products produced to their final destination with an estimated coefficient of 26 litres of fuel per 100 km.

In terms of travel by train or plane, the data provided by the corporate travel agencies in Spain and the United States are presented.

The furtive emissions correspond to the gas losses calculated in the annual reviews of the production facilities.

Scope 3					
Name	Type	Unit of Measure	2016	2017	2018
Heavy-duty vehicles	Emission	t/CO _{2eq}	14,190	11,343	13,538
Travel by Plane and Train	Emission	t/CO _{2eq}	1,860	2,326	3,643
Furtive Emissions	Emission	t/CO _{2eq}	0	59	75
			16,050	13,728	17,256

In total, Fluidra's emissions for the three scopes are estimated at 30,793 tonnes of equivalent CO₂, 33% higher than last year taking into account the inclusion in the scope of the calculation, of the Zodiac companies merged, along with the others that have provided data, for the first time, in this year of 2018.

Fluidra is working to reduce its carbon footprint, while conducting energy audits so as to identify points of improvement. It has also implemented a real time system of energy measurement in the factories and is contracting certified green energy type "A", where available.

Circular economy

[Ref. GRI 301-1, 301-2, 301-3, 306-2]

Fluidra has an ISO14001 environmental management system at the most intensive production centres. Independently of this, the corporate environmental policy is the one that must prevail throughout the organization, ensuring efficiency in the use of resources and the proper disposal of waste. Fluidra is a manufacturing group and tries, as far as possible, to recycle and reuse those materials that are capable of doing so.

In 2018, the total volume of waste treated was 16,068 tonnes, 20% less than the previous year. This has been due to a better use of materials and the shutting down of production at the Monzón plant, where the surplus water from the processing was categorised as waste. In the same manner, the by-product generated in the chemical process, is no longer manufactured.

Internal Management					
Name	Type	Unit of Measure	2016	2017	2018
Non-hazardous waste	Volume	Tm	9,964	8,041	3,320
Hazardous waste	Volume	Tm	4,829	4,777	6,428
			14,793	12,818	9,747

External management					
Name	Type	Unit of Measure	2016	2017	2018
Non-hazardous waste	Volume	Tm	2,948	3,745	5,553
Hazardous waste	Volume	Tm	469	378	444
			3,418	4,123	5,997

By-products					
Name	Type	Unit of Measure	2016	2017	2018
Non-hazardous by-product	Volume	Tm	328	294	334
Hazardous by-product	Volume	Tm	2,682	2,905	0
			3,010	3,199	334

Fluidra has a diversified and horizontal production structure, manufacturing a variety of pool components that cover different manufacturing sectors (plastic sector, chemical sector, metal

sector, ceramic sector, logistics sector and commercial sector). All this confers a certain degree of complexity in the treatment of raw materials and packaging.

Raw Materials					
Name	Type	Unit of Measure	2016	2017	2018
Plastic Raw Materials	Volume	Tm	15,035	17,225	18,287
Chemical Raw Materials	Volume	Tm	26,260	25,417	19,616
Metal Raw Materials	Volume	Tm	3,888	4,361	4,489
			45,182	47,003	42,391

Packaging					
Name	Type	Unit of Measure	2016	2017	2018
Cardboard boxes	Volume	Tm	2,594	3,156	3,150
Wooden pallets	Volume	Tm	2,963	3,911	8,470
Drums	Volume	Tm	141	81	34
Film and plastics	Volume	Tm	1,314	2,268	1,432
Other packaging	Volume	Tm	175	272	397
			7,187	9,687	13,483

Recycled materials					
Name	Type	Unit of Measure	2016	2017	2018
External plastic materials	Volume	Tm	133	111	103
Internal plastic materials	Volume	Tm	59	91	88
Recycled glass	Volume	Tm	4,236	4,455	5,907
			4,428	4,657	6,098

In 2018, the percentage recycled and reused materials used was 11% compared to the materials and packaging used. Due to its characteristics, all the packaging used in Fluidra products are for single use, however all meet the Ecoembes standards for the suitable disposal at a green dot location.

Energy consumption:

[Ref. GRI 302-1, 302-2, 302-3, 302-4]

The total energy consumed in 2018 by Fluidra based on the current scope, has been 308,290 Giga joules. Of this total, 112,957 come from renewable sources of indirect energy, representing 37% of the total energy and 64% of the total electricity consumed. The 27% increase over the previous year is a consequence of the merger with Zodiac and the new coverage.

Direct Energy

Name	Type	Unit of Measure	2016	2017	2018
Natural Gas	Water	Giga Joules	49,578	44,503	48,631
Diesel fuel (production / heating)	Water	Giga Joules	15,078	21,650	22,242
Diesel fuel for vehicles	Water	Giga Joules	30,155	32,138	62,008
			94,811	98,291	132,881

Indirect Energy					
Name	Type	Unit of Measure	2016	2017	2018
Grid Electricity	Water	Giga Joules	121,710	144,849	175,409
Electricity from cogeneration	Water	Giga Joules	5,822	0	0
			127,532	144,849	175,409

Electricity from Renewable Energy Grid	Water	Giga Joules	103,768	113,064	112,957
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Energy intensity					
Name	Type	Unit of Measure	2016	2017	2018
By raw materials used	Ratio	Gj/tn	5,594	5,149	5,004
By square meters of surface	Ratio	Gj/m ²	0.6	0.6	0.6
Per employee	Ratio	Gj/per	52.0	54.9	57.8

In terms of energy intensity, the ratio per raw material consumed in 2018 is significantly lower than last year, which indicates greater efficiency together with the entry of commercial companies, which can be seen in the ratio per employee.

Consumption attributable to outside the organization is limited to the consumption of fuels in the heavy-duty transport of goods subcontracted by the organization. The kilometres contracted in 2018 were 19,873,882, with an estimate of just over 5,000,000 litres of fuel, based on 26 litres per 100 km.

Water Consumption and effluent management

[Ref. GRI 303-1, 303-2, 303-3, 306-1, 306-3, 306-5]

Fluidra is a business group with a relatively low demand for water consumption. Most companies only use grey water, only in the chemical production of disinfectants, which for pool water has a significant impact. With the advent of maintaining the production at the chemical plant of Monzón shut-down during 2018 and part of 2017, there was a significant decrease in the collection of surface water and reused water.

Likewise, shut-down of the production at the Monzón plant causes the process water spills to experience a significant decrease. During 2018, there have been no spills that could affect the environment nor discharges of runoff water that have affected habitats.

Name	Type	Unit of Measure	2016	2017	2018
Water from public network	Water	m ³	44,453	45,092	65,164
Ground Water	Water	m ³	4,367	5,238	3,793
Surface water	Water	m ³	57,902	61,830	32,671
			106,722	112,160	101,628
Water reused	Water	m ³	8,666	577	57

Name	Type	Unit of Measure	2016	2017	2018
Grey water	Discharges	m ³	38,104	38,894	58,325
Process water	Discharges	m ³	65,196	69,321	6,446
Rejection by osmosis	Discharges	m ³	2,928	3,000	1,812
Leaks	Discharges	m ³	494	945	1,000
			106,722	112,160	67,583

Name	Type	Unit of Measure	2016	2017	2018
Built-in product	Product	m ³	--	--	34,045

Protecting biodiversity

[Ref. GRI 304-1, 304-2, 304-3, 304-4]

All our production centres are located in industrial parks outside protected and special interest areas with no or little impact on biodiversity. In this sense, following a Materiality analysis, it was determined that it was not a material item for Fluidra, although we do give special attention to the parameters of air pollution and control of discharges in order to avoid environmental impacts.

Key social and personnel indicators

[Ref. GRI 102-8, 102-35, 102-38, 401-1, 401-3, 403-1, 403-2, 403-3, 405-1, 405-2]

Employment

Below we present the figures for 2018 regarding the number of Fluidra workers. It is noted that 77% of Fluidra's workforce is concentrated in the first 6 countries, with Spain being the most significant country.

	Men	%	Women	%	Total	
Fluidra Total 2018	3,588	67%	1,743	33%	5,331	100.0%
Spain	1,144	65%	629	35%	1,773	33.3%
USA	528	75%	175	25%	703	13.2%
South Africa	373	74%	132	26%	505	9.5%

France	275	64%	155	36%	430	8.1%
Australia	267	72%	103	28%	370	6.9%
China	142	47%	162	53%	304	5.7%
United Kingdom	87	60%	57	40%	144	2.7%
Italy	93	76%	30	24%	123	2.3%
Germany	70	66%	36	34%	106	2.0%
Brazil	70	67%	34	33%	104	2.0%
Bulgaria	51	74%	18	26%	69	1.3%
Holland	46	72%	18	28%	64	1.2%
Portugal	41	66%	21	34%	62	1.2%
Austria	35	69%	16	31%	51	1.0%
India	41	82%	9	18%	50	0.9%
Russia	32	67%	16	33%	48	0.9%
Indonesia	29	69%	13	31%	42	0.8%
Dubai	31	86%	5	14%	36	0.7%
Mexico	14	47%	16	53%	30	0.6%
Thailand	16	55%	13	45%	29	0.5%
Turkey	20	83%	4	17%	24	0.5%
Morocco	12	55%	10	45%	22	0.4%
Hungary	17	85%	3	15%	20	0.4%
Canada	12	71%	5	29%	17	0.3%
Poland	8	47%	9	53%	17	0.3%
Belgium	13	87%	2	13%	15	0.3%
Chile	13	87%	2	13%	15	0.3%
Greece	11	73%	4	27%	15	0.3%
Egypt	12	92%	1	8%	13	0.2%
Singapore	9	75%	3	25%	12	0.2%
Sweden	8	67%	4	33%	12	0.2%
Cyprus	8	73%	3	27%	11	0.2%
Kazakhstan	6	55%	5	45%	11	0.2%
Malaysia	6	55%	5	45%	11	0.2%
Colombia	6	60%	4	40%	10	0.2%
New Zealand	5	50%	5	50%	10	0.2%
Serbia	7	70%	3	30%	10	0.2%
Vietnam	4	40%	6	60%	10	0.2%
Czech Republic	7	78%	2	22%	9	0.2%
Croatia	6	75%	2	25%	8	0.2%
Romania	5	83%	1	17%	6	0.1%
Switzerland	5	100%	0	0%	5	0.1%
Denmark	1	33%	2	67%	3	0.1%
Montenegro	2	100%	0	0%	2	0.0%

	Men	%	Women	%	Total	
Fluidra Total 2018	3,588	67%	1,743	33%	5,331	100.0%
General Management / Senior Management	99	92%	9	8%	108	2.0%
Production and Logistics	2,071	74%	711	26%	2,782	52.2%
Sales and Marketing	800	65%	432	35%	1,232	23.1%

Bus. Administration and Finance	153	30%	349	70%	502	9.4%
Other Services (IT, HR...)	465	66%	242	34%	707	13.3%

The current data on gender diversity as per Fluidra's equality policy demonstrates that progress is still to be made in the improvement of the objectives.

	Men	%	Women	%	Total	
Fluidra Total 2018	3,101	69%	1,421	31%	4,522	100.0%
under the age of 30	383	69%	172	31%	555	12.3%
between 30 and 45 years	1,475	67%	712	33%	2,187	48.4%
between 46 and 55 years	836	68%	400	32%	1,236	27.3%
Over 55 years of age	407	75%	137	25%	544	12.0%

Only companies with coverage, 90% of the sales revenue

	Men	%	Women	%	Total
With a certain disability	36	72%	14	28%	50

Only companies with coverage, 90% of the sales revenue

Regarding the modalities of the contracts, and following the policy of safe and quality work, 95% correspond to indefinite employment contracts.

	Men	%	Women	%	Total	
Fluidra Total 2018	3,588	67%	1,743	33%	5,331	100.0%
Indefinite (full time)	3,408	69%	1,530	31%	4,938	92.6%
Indefinite (part time)	17	13%	109	87%	126	2.4%
Temporary contracts	163	61%	104	39%	267	5.0%

	Men	%	Women	%	Total
Temp. Agency Contracts	223	72%	87	28%	310
Private Contractors	3	75%	1	25%	4

In 2018, the structural rotation of indefinite contracts in Fluidra stood at 12% for men and 9% for women, resulting in a total of 11%.

	Men	%	Women	%	Total	
Fluidra Total 2018	649	73%	242	27%	891	100.0%
Decrease in indefinite contracts	426	74%	150	26%	576	64.6%
Decrease in temporary contracts	223	71%	92	29%	315	35.4%

	% Men	% Women	% Total
Structural rotation	12%	9%	11%

	Men	%	Women	%	Total
Non-voluntary decrease in indefinite contracts	145	76%	45	24%	190

	Men	%	Women	%	Total	
Fluidra Total 2018	597	72%	233	28%	830	100.0%
Increase in indefinite contracts	314	71%	130	29%	444	53.5%
New temporary contracts	283	73%	103	27%	386	46.5%

Remuneration

Fluidra's remuneration policy is getting closer every day to equality and eliminate the gap between the salary of men and women based on the respective categories and functions. At present, the corporate system related to salaries can only offer some disaggregated data in Spain, as the most significant country.

Average salary 2018	Men	Women	Gap
Management	€ 141,367	--	--
Managers	€ 55,495	€ 49,075	12%
Experts	€ 36,049	€ 32,280	10%
Technical staff	€ 34,046	€ 28,491	16%
Administration and support	€ 22,286	€ 22,625	-2%
Workers	€ 24,242	€ 20,416	16%

The remuneration of the members of the Board of Directors in their capacity as such consists of a fixed annual remuneration and an allowance for attending Board of Directors meetings. There is also an additional remuneration for those Directors who are part of any of the Board Committees, namely the Executive Committee, the Audit Committee and the Appointments and Compensation Committee, as well as the Executive Committee. The increase in remuneration in 2018 is a consequence of the expansion of the Board of Directors, from 9 to 12 members, following the merger.

Remuneration of directors in their respective capacity (thousands of €)

	2015	2016	2017	2018	Average
Fixed	841.00	872.00	861.33	1,009.00	895.83
Per diem allowance	83.00	90.50	87.17	90.00	87.67
	924.00	962.50	948.50	1,099.00	983.50

The fixed remuneration includes the supplements for participation in Commissions.

Wage gap

In 2018, the wage gap between the highest paid member in the group (CEO) and the average of the workforce in Spain, as the most significant country, was a ratio of 16.5x. Salary increases in the group are established annually on the basis of the performance evaluation of the people, the average salary increase of the staff being 1.6 times higher than the salary increase of the person who receives the highest salary.

In terms of remuneration, a new salary management policy has been implemented using the Mercer methodology, which helps us analyse, improve and align internal equity between both companies and external salary competitiveness. For yet another year, the minimum wage of newly recruited staff stood at around 43% above the minimum wage set for Spain in 2018, using as reference the lowest salary at Fluidra's Spanish companies that represent most companies included in report.

Organisation of the work

The related organizations of the group are free to establish criteria for flexibility of labour market according to the specific circumstances of each location and the labour needs of the job positions. For example, in the parent company Fluidra, SA, there is flexibility in regard to time taken to address family matters with time bands of entry and exit, and it is possible to accumulate a balance of additional hours to use on Fridays. In the years 2017 and 2018 a pilot program of teleworking one day a week was implemented in the IT department with great success in terms of acceptance and work efficiency. This program has been made official throughout the parent company in 2019. Another example is found in the USA where it is possible to accumulate hours to have one Friday off in three.

The maternity leave and paternity leave are fulfilled with all normality and freedom, that the parents see fit. All persons involved in maternity time-off and leave are re-hired at the end of the leave or time-off.

Maternity	2016	2017	2018
Paternity leave	47	36	45
Maternity leaves	30	31	40

Returns to work	2016	2017	2018
Paternity reinstatements	47	33	41
Maternity reinstatements	25	20	27

Social dialogue and union relations

All Fluidra workers have the right to collective bargaining and association, organised in each work centre according to the collective bargaining agreements and will of the workers. In 2018, 13 company committees were established with 88 people and 29 personnel delegates. In the times established by law for the elections to be held and renewal of the committees and personnel delegates

From company committees and personnel delegates have the authority to communicate directly with corporate representatives to make inquiries, suggestions and start conversations regarding collective bargaining.

Each country has its specific regulations regarding the collective bargaining agreements of the respective economic sectors. Based on the coverage specified at the beginning of this report, the personnel covered by specific collective agreements in the respective countries is 58.4%.

Health and safety of the employees

In 2018, with the new extended coverage, the total hours of work absenteeism amounted to 279,957, which represents 1.1% of the total theoretical work hours.

In Fluidra, there is a total of 20 health and safety committees are currently with the participation of 107 people and 66 prevention delegates. All decisions and agreements are channelled through the Department of Health, Safety and Environment (HSE) which ensures the well-being of all and the compliance with the current regulations. The corporate agreements with the mutual workplace accident insurance companies, provide us with the assurance of the correct management and monitoring of workplace accidents and occupational illnesses that may occur.

Labour incidents (num.)	2016	2017	2018
With Medical Leave	191	159	246
Without Medical Leave	203	244	287
Fatalities	0	0	0
High Risk Personnel	--	--	62

Hours Lost	2018	%
Due to injuries / incidents	5,457	0.02%
Due to illness	1,428	0.01%

Percentage of the total annual theoretical hours.

Accidents and work incidents in Fluidra are determined based on the respective business activities of the companies. In this sense we distinguish between blows and entrapments in objects or equipment, injuries by sharp elements, falls and slips, damage by movement of loads, intoxications and chemical burns, infections, traffic accidents and injuries from fire and explosion.

Similarly, monitoring is established for possible occupational illnesses arising from the job or activity such as respiratory and skin diseases, limb disorders, problems in the neck and back, poisoning, infectious diseases, cancer and malignancies.

The accident rate in 2018, considering the accidents that occurred in relation to the workforce, was 4.6%.

The accident frequency index, considering the accidents that occurred in relation to the total hours of work per 1,000,000 was 9.42 points.

The severity index, considering the days lost in relation to the total hours of work per 1,000 was 0.42 points.

Training

The Training at Fluidra does not distinguish between men and women since every employee of the organization has the same right to training, regardless of sex and / or ideology. The training in Fluidra is basically technical, based on the skills required for the job and language training.

Training by Category in 2018	Courses	Hours	People	Cost
Directors	25	1,072	39	€ 9,338
Middle Management	106	4,588	625	€ 87,352
Technical staff	186	10,818	893	€ 244,610
Administrative staff	57	2,411	193	€ 24,843
Workers	152	3,946	505	€ 48,231

Total Training	526	22,835	2,255	€ 414,374
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Training by functional areas in 2018	Courses	Hours	People	Cost
Management, Management / Senior management teams, Strategy	44	1,556	233	€ 36,539
Bus. Administration and Finance	39	2,089	207	€ 32,177
Sales, Marketing	45	1,256	265	€ 23,480
Languages	117	9,891	280	€ 205,716
Human Resources, RSC	34	1,205	313	€ 13,494
Production / Maintenance	166	3,538	506	€ 43,372
Logistics / Purchases	14	440	40	€ 9,029
Technical / R&D / Quality	67	2,860	411	€ 50,567
Total Training	526	22,835	2,255	€ 414,374

Equality

The year 2018 has been a complex year due to the merger with Zodiac and the change in shareholder composition that has led to a reconfiguration of the Board of Directors based on the negotiation of the merger. This circumstance has provoked a setback in the search for equality in the Board, causing the disappearance of the only female board member that there was.

In its commitment to a Board of Directors' composition with gender diversity, Fluidra's selection policy is actively promoting filling the vacant posts on the council with greater representation, valuing in particular, under the same conditions among potential candidates, women who meet the required profile.

In relation to Fluidra employees, although there is no specific equality plan, the equality policy described above governs equality of treatment and opportunities between men and women.

The protocols against sexual harassment and for the gender ratio, is limited to the Code of Ethics and the general public complaint procedure made through the Confidential Whistle-blower Channel.

Human Rights

[Ref. GRI 406-1, 412-1, 412-2]

Human Rights are present in all our codes and values. All employees have the obligation to know and accept the rules and conduct in regard to Human Rights. Fluidra is respectful and accepts as an organization all the fundamental conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining.

Although there is no specific procedure, Fluidra performs a permanent surveillance of the conduct and operations carried out in the different companies of the Group via internal audits through regular visits and management controls, with special focus on those geographical areas most sensitive to fraud, corruption, bribery and undignified working conditions. During 2018, no violations or negative consequences of human rights activities were detected.

The Whistle blower Channel, already described in the policy section of this document and which is open to the public through the corporate website, is the common procedure for communicating possible incidents in relation to Human Rights. All complaints are studied confidentially and resolved by reporting the relevant decisions directly to those involved.

In 2018, six queries were recorded through Fluidra's confidential channel. Once examined and evaluated, they did not lead to complaints on human rights violations, corruption or discrimination.

Training on Human Rights is implicit through the process of welcoming new employees who must pass compulsory training on the codes, values and procedures for daily work reports. The training folders of the codes and values are always available to all Fluidra employees, while 100% of employees have the obligation to carry out training on these matters.

Combating bribery and corruption

[Ref. GRI 102-13, 205-3]

The main measure taken by Fluidra in the prevention of corruption and bribery and against money laundering is the anti-corruption procedure approved by the Board of Directors in 2016 within the framework of the crime prevention model.

The anti-corruption policy, approved by the Council, is published on the Fluidra Intranet, which is accessible to the entire organization. During the monitoring and assessment of risks, in 2018, no actions related to corruption and bribery were identified.

The knowledge and the formation of these policies is an important element of the business ethics in Fluidra. The merger with Zodiac forces us to adapt all of them to the new situation, whereby in 2018 no specific training has been carried out on this matter.

During 2018, the monetary contributions of Fluidra to foundations and non-profit associations was € 501,690, of which € 411,080 were for the Fluidra Foundation in the framework of collaboration and development of social projects.

The monetary contributions have been assigned to: Spanish Red Cross, Fundació IESE, Fundació ESADE, Fundació ADECCO, Fundació Privada Empresa and Clima, Fundació Privada per a la Creativació, Fundació La Marató TV3, Fundació Privada Joan Agustí, Associació Discapacitats Intel·lectuals Integra, and Fundació Fluidra.

Dialogue with the community and protective measures

[Ref. GRI 102-13]

All economic activities of companies have direct and indirect impacts on society and the communities that interact with them. Fluidra's business is extremely international and very diverse, generating positive economic impacts in local communities through the purchase of products and services, generation of employment and satisfaction of the needs of people who are directly or indirectly related to the companies of Fluidra. Although we are aware of the positive impact of our business activity on the local community, at present, we do not have key indicators, by which we can measure this positive impact.

Although all of Fluidra's activities are carried out in industrial parks and commercial offices, there may be a risk of causing some type of negative impact, either directly or indirectly, which is why the most important companies have environmental management and impact measurement processes based on the precautionary principle. In the environmental part of this document, the indicators managed in this regard are provided.

Regardless of the positive impacts of the economic activities, Fluidra participates in certain social initiatives to enhance the values and development of the community, either through its own direct initiative, or through the projects of the Fluidra Foundation.

The most significant direct action would be the sponsorship of the water polo teams of CN Sabadell "AstralPool Sabadell". The women's AstralPool Sabadell won the fifteenth title of the Waterpolo Queen's Cup. This action aims to favour minority sports and boost women's access to the sporting elite.

Through the Fluidra Foundation, social action is articulated around two axes: water and music. In this way, the actions carried out by the foundation are aligned with two basic commitments: social commitment, with projects aimed at accessibility, awareness and education on the use of water; and cultural commitment, especially dedicated to promoting music as an educating and dignifying element of the people. Apart from this focus, it is also particularly sensitive to the human and professional training of groups of young people at risk of social exclusion, and to the economic development opportunities of nearby geographical areas.

The Fluidra Foundation is the promoter of the KAG-25 project developed in Senegal together with an Agricultural School located in the Karang area, managed by Escuelas Pías. This initiative aims to convert a farm of 25 hectares in the south of the country into a profitable horticultural farm and distribution, where the benefits can be invested in the task of training and preparing their young students. In these agricultural schools, children and young people receive professional training in agriculture for 4 years. All this, while seeking food autonomy and the entrepreneurial and economic capacity of the students.

The foundation is also a supporting member of the Palau de la Música Catalana and the Gran Teatre del Liceu, which serve to promote the artistic culture of Barcelona. It also collaborates with the Orquestra Simfònica del Vallès, the Abadia de Montserrat Foundation, the GIO Orquestra and the Catalunya Cultura Foundation, for the promotion of different cultural initiatives. Likewise, the Fluidra Foundation is concerned with the well-being of people or the protection of animal species and, for this reason, it cooperates with the Sanitària Mollet Foundation, the CRAM Foundation and the Banc d'Acció Social.

Subcontracting and suppliers

[Ref. GRI 102-9 102-10, 204-1, 308-1, 308-2, 407-1, 408-1, 409-1]

Fluidra, as a global group, makes extensive use of the network of suppliers of local products and services in all cases where efficiency and product availability are possible. At Fluidra, it is defined as a local purchase when the country of origin is equal to the country of destination, thus, in 2018, the local purchasing in Fluidra represented 65% of the total purchases.

Our purchasing policy was updated and re-formulated in 2016, on which occasion the opportunity was taken to incorporate environmental and social criteria into the requirements of the supply chain. All critical suppliers (more than € 500,000 in purchases) must sign the explicit acceptance of the Fluidra Suppliers Code of Ethics, which is based on the 10 principles of the United Nations Global Compact. Likewise, all corporate contracts incorporate mandatory clauses of respect and obedience to the Supplier Code of Ethics, while it is also implicitly reflected in the terms in all the orders that Fluidra generates to its suppliers. In the case of new companies coming from Zodiac, the said terms will be added gradually as they are incorporated into the corporate systems.

Fluidra conducts periodic evaluations of its suppliers through specific questionnaires and analyses their adaptation to the social and environmental principles of the Code of Ethics. In the case of the environment, all companies with ISO 14001 certification, as a requirement of the standard, evaluate 100% of the suppliers in a cycle of three years. From the suppliers evaluated in 2018 no significant potential or real environmental impacts have been found.

However, we must note that in 2018, as a result of the merger with Zodiac, a new more ambitious procedure for approval and evaluation of suppliers is being redefined, which will replace the current one, which caused the social assessments planned in 2018 to be delayed. However, we have no record of violations produced in reference to child or forced labour, or concerning the right to freedom of association and collective bargaining.

Consumers

[Ref. GRI 416-1]

Quality is one of the fundamental pillars for Fluidra.

We are not only talking about quality in the product, but rather from a more global perspective. Quality is a culture based on an attitude, along with common methodologies and tools. The goal is to achieve customer satisfaction, within sustainable and profitable growth.

The results presented correspond to the companies in the Fluidra corporate system before the merger.

The quality results in 2018 in the Fluidra companies have improved with respect to 2017 by 3% in terms of the quality complaints of the products supplied, concerning the respective product lines. The complaints as a percentage of sales in 2018 were 1%.

During the development of a product, it is verified that it complies with all the standards, guidelines and regulations that apply to each family and its pertinent certification is performed when appropriate.

In 2018, we have no record of cases of non-compliance with significant regulations or with an impact on the safety and health of products that have resulted in a fine, sanction or warning.

There is a system for collecting customer complaints in general. These complaints are addressed with the production centres and / or third party providers, which then proceed with its analysis, resolution and response.

Tax information

[Ref. GRI 201-1, 201-4]

In order to comply with the parameters of responsibility and transparency for which the Fluidra group is governed through its tax policy, the following details the profits obtained in the different jurisdictions where the group operates and the tax actually paid in terms of corporate income taxes.

The amount of the Corporate Income Taxes paid (cash basis) corresponds to the amount of taxes actually paid or paid during the fiscal year of presentation of information, that is, from the year 2018, which includes the advance payments made to satisfy the tax obligations of the company in reference to the tax period, in addition to those related to the previous tax period or periods.

In addition, any refund or refund of Corporate Income Taxes (cash basis) received during the year 2018 is also taken into account.

Finally, the group has received amounts corresponding to subsidies from public organizations, as detailed below:

Country	Profit Country-by-Country	Corporate income taxes paid	Subsidies
France	€ 55,032,424	€ 6,807,803	€ 25,529
Austria	€ 3,987,823	€ 1,036,680	€ 575
United Kingdom	€ 3,706,270	€ 337,548	--
Netherlands	€ 3,454,973	€ 595,226	--
Australia	€ 3,054,347	€ 816,891	--
United States	€ 1,936,930	€ -7,043,524	--
South Africa	€ 1,416,842	€ 941,979	--
Italy	€ 1,047,088	€ 726,807	--

United Arab Emirates	€ -378,004	--	--
Germany	€ -1,568,146	€ 223,001	--
Spain	€ -11,186,221	€ 440,805	€ 136,483
Remaining Countries (*)	€ 6,252,121	€ 1,636,997	--
TOTAL	€ 66,756,447	€ 6,520,213	€ 162,587

** The remaining jurisdictions are Portugal, Denmark, Czech Republic, Hungary, Poland, Switzerland, Greece, Bulgaria, Belgium, Cyprus, Sweden, Croatia, New Zealand, Canada, Luxembourg, Serbia and Montenegro.*

Innovation

[Ref. (GRI 103-1, 103-2, 103-3)]

Fluidra's innovation model includes those company activities that promote a continuous and progressive innovation that allows to bring new products to the market which are more efficient, better quality and adapted to the changing needs of the same. Testament to this are the 82 new products that have been released in the last three years.

Thanks to the merger between Fluidra and Zodiac, the company has significantly strengthened its global R & D organization in 2018, representing a strong strategic facilitator for the creation of value. The Fluidra organization has 220 engineers, designers and technicians; it is a leader in its industry in terms of intellectual property, with a portfolio of 1,112 active patents and 221 pending applications; it has a strong portfolio of new projects, with a total of 123 active projects; and it leads the sector of connected products or devices, with more than 185,000 connected pools.

3. Annual Corporate Governance Report



ISSUER IDENTIFICATION PARTICULARS

Year-end date:

[31/12/2018]

Tax Identification Code:

[A-17728593]

Registered name:

[**FLUIDRA, S.A.**]

Registered office:

[AVENIDA FRANCESC MACIA, 60 PLANTA 20, SABADELL, BARCELONA]

A. OWNERSHIP STRUCTURE

A.1. Complete the following table regarding the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
02/07/2018	195,629,070.00	195,629,070	195,629,070

Indicate whether there are different classes of shares with different rights attaching thereto:

[] Yes
[v] No

A.2. List the direct and indirect holders of significant shareholdings in the company at the end of the year, excluding members of the board of directors:

Name of shareholder	% voting rights attached to shares		% voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
RHÔNE CAPITAL LLC	0.00	42.43	0.00	0.00	42.43
PISCINE LUXEMBOURG HOLDINGS 1, S.A.R.L.	42.43	0.00	0.00	0.00	42.43
MANUEL PUIG ROCHA	0.00	3.73	0.00	0.00	3.73
JUAN PLANES VILA	0.03	7.07	0.00	0.00	7.10
ANIOL, S.L.	0.78	5.07	0.00	0.00	5.85
EDREM, S.L.	0.03	6.74	0.00	0.00	6.77
DISPUR, S.L.	0.94	6.13	0.00	0.00	7.07
BOYSER, S.L.	0.17	7.96	0.00	0.00	8.13

Breakdown of the indirect shareholdings:

Name of indirect shareholder	Name of direct shareholder	% voting rights attached to shares	% voting rights through financial instruments	% of total voting rights
MANUEL PUIG ROCHA	BANELANA, S.L.	3.73	0.00	3.73

Name of indirect shareholder	Name of direct shareholder	% voting rights attached to shares	% voting rights through financial instruments	% of total voting rights
JUAN PLANES VILA	DISPUR, S.L.	0.94	0.00	0.94
JUAN PLANES VILA	DISPUR POOL, S.L.	6.13	0.00	6.13
ANIOL, S.L.	ROBERT GARRIGOS RUIZ	5.84	0.00	5.84
ANIOL, S.L.	PIUMOC INVERSIONS, S.A.U.	5.07	0.00	5.07
EDREM, S.L.	EDREM CARTERA, S.L.U.	6.74	0.00	6.74
DISPUR, S.L.	DISPUR POOL, S.L.	6.13	0.00	6.13
BOYSER, S.L.	BOYSER CORPORATE PORTFOLIO, S.L.	3.07	0.00	3.07
BOYSER, S.L.	BOYSER POOL, S.L.U.	4.89	0.00	4.89

State the most significant movements in the shareholding structure that have occurred during the year:

Most significant movements
On 2 July 2018 a capital increase of Fluidra, S.A. by 83,000,000 euros was carried out, through the issue of 83,000,000 new shares which were wholly subscribed and paid up by Piscine Luxembourg Holdings 1, S.à. r.l. This capital increase took place in the context of the cross-border merger by absorption by Fluidra, S.A. (transferee) of Piscine Luxembourg Holdings 2, S.à. r.l. (transferor) which was completed on 2 July 2018.
-

A.3. Complete the following tables regarding members of the board of directors who have voting rights attached to shares in the company:

Name of director	% voting rights attached to shares		% voting rights through financial instruments		% of total voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr GABRIEL LÓPEZ ESCOBAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr RICHARD J. CATHCART	0.03	0.00	0.00	0.00	0.03	0.00	0.00
Mr BERNARDO CORBERA SERRA	0.10	0.14	0.00	0.00	0.24	0.00	0.00

Name of director	% voting rights attached to shares		% voting rights through financial instruments		% of total voting rights	% voting rights that <u>can be transferred</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr OSCAR SERRA DUFFO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr JORGE VALENTÍN CONSTANS FERNÁNDEZ	0.00	0.04	0.00	0.00	0.04	0.00	0.00
Mr ELOY PLANES CORTS	0.07	0.00	0.00	0.00	0.07	0.00	0.00
Mr JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PIUMOC INVERSIONS, S.A.U.	5.07	0.00	0.00	0.00	5.07	0.00	0.00
Mr SEBASTIEN SIMON MAZELLA DI BOSCO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr BRUCE WALKER BROOKS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr MICHAEL STEVEN LANGMAN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr JOSÉ MANUEL VARGAS GÓMEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
% of total voting rights held by members of the board of directors						5.45	

Breakdown of indirect shareholdings:

Name of director	Name of direct shareholder	% voting rights attached to shares	% voting rights through financial instruments	% of total voting rights	% voting rights that <u>can be transferred</u> through financial instruments
Mr BERNARDO CORBERA SERRA	BERAN CARTERA, S.L.U.	0.14	0.00	0.14	0.00
Mr JORGE VALENTÍN	EOLO CAPITAL SICAV	0.04	0.00	0.04	0.00

Name of director	Name of direct shareholder	% voting rights attached to shares	% voting rights through financial instruments	% of total voting rights	% voting rights that can be transferred through financial instruments
CONSTANS FERNÁNDEZ					

There are no observations.

A.4. State any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as they are known to the company, except where they are immaterial or derive from ordinary commercial transactions, except those reported in section A.6:

Name of related parties	Type of relationship	Brief description
No data		

A.5. State any commercial, contractual or corporate relationships between owners of significant shareholdings and the company and/or the group, except where they are immaterial or derive from ordinary commercial transactions of the company:

Name of related parties	Type of relationship	Brief description
No data		

- A.6.** Describe any relationships, unless insignificant for both parties, between significant shareholders or shareholders represented on the board and directors, or their representatives in the case of board members that are legal persons.

Explain, as the case may be, how significant shareholders are represented. Specifically, state those directors who have been appointed to represent significant shareholders, those whose appointments were proposed by significant shareholders, or are related to significant shareholders and/or companies in their group, specifying the nature of such ties. In particular, mention the existence, identity and post of members of the board, or representatives of directors, of the listed company who are in turn members of the board or their representatives in companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name of related director or representative	Name of related significant shareholder	Name of the group company of the significant shareholder	Description of relationship/post
BERNAT GARRIGÓS CASTRO	PIUMOC INVERSIONS, S.A.U.	ANIOL, S.L.	Bernat Garrigós Castro is a board member of Aniol, S.L.
BERNARDO CORBERA SERRA	EDREM, S.L.	EDREM, S.L.	Bernardo Corbera Serra is a board member of Edrem, S.L.
OSCAR SERRA DUFFO	BOYSER, S.L.	BOYSER, S.L.	Óscar Serra Duffo is the Chairman of the Board of Directors of Boyser, S.L.
MICHAEL STEVEN LANGMAN	PISCINE LUXEMBOURG HOLDINGS 1, S.A.R.L.	RHÔNE CAPITAL LLC	Michael Steven Langman is Managing Director of Rhône Group.
SEBASTIEN SIMON MAZELLA DI BOSCO	PISCINE LUXEMBOURG HOLDINGS 1, S.A.R.L.	RHÔNE CAPITAL LLC	Sebastien Simon Mazella di Bosco is Managing Director of Rhône Group.
JOSÉ MANUEL VARGAS GÓMEZ	PISCINE LUXEMBOURG HOLDINGS 1, S.A.R.L.	RHÔNE CAPITAL LLC	José Manuel Vargas Gómez is Managing Director of Rhône Group.
ELOY PLANES CORTS	DISPUR, S.L.	DISPUR, S.L.	Eloy Planes Corts is a board member of Dispur, S.L.
BRUCE WALKER BROOKS	PISCINE LUXEMBOURG HOLDINGS 1, S.A.R.L.	RHÔNE CAPITAL LLC	The appointment of Bruce Walker Brooks as a board member was proposed by Rhône.

A.7. State whether the company has been notified of any shareholders' agreements affecting the company pursuant to the provisions of articles 530 and 531 of the Companies Act (*Ley de Sociedades de Capital*). If so, briefly describe these agreements and list the shareholders bound by them:

[v] Yes

[] No

Parties to the shareholders' agreement	% share capital affected	Brief description of the agreement	Date of expiration of the agreement, if any
PISCINE LUXEMBOURG HOLDINGS 1, S.A.R.L., PIUMOC INVERSIONS, S.A.U., ANIOL, S.L., EDREM, S.L., DISPUR, S.L., BOYSER, S.L., EDREM CARTERA, S.L.U., DISPUR POOL, S.L., BOYSER CORPORATE PORTFOLIO, S.L.	71.25	On 03/11/2017 a shareholders' agreement was formalized by the same shareholders of Fluidra who are parties to the shareholders' agreement initially formalized on 05/09/2007 and Piscine Luxembourg Holdings 1, S.a.r.l. (controlled by Rhône Capital LLC), reported through Relevant Event no. 258222. The section of this shareholders' agreement considered as " <i>pacto parasocial</i> " came into effect on 02/07/2018, the date of effects of the cross-border merger by absorption by Fluidra, S.A. (transferee) of Piscine Luxembourg Holdings 2 S.à r.l. (transferor) reported by the Company	Indefinite
PIUMOC INVERSIONS, S.A.U., ANIOL, S.L., EDREM, S.L., DISPUR, S.L., BOYSER, S.L., EDREM CARTERA, S.L.U., DISPUR POOL, S.L., BOYSER CORPORATE PORTFOLIO, S.L.	28.82	On 05/09/2007 a shareholders' agreement was formalized by certain shareholders in Fluidra, S.A. which was reported as a Relevant Event to the CNMV on 02/01/2008 with no. 87808. The agreement has been modified on 5 occasions (First novation: 10/10/2007; Second novation: 01/12/2010, Relevant Event no. 134239; Third novation: 30/07/2015, Relevant Event no. 227028; including supplementary agreement of 30/09/2015, Relevant Event no. 229114; Fourth novation: 27/07/2017 Relevant Event no. 255114; Fifth novation 03/11/2017, Relevant Event no. 258223, modified on 25/04/2018, Relevant Event no. 264650, subrogations on 23/05/2018 Relevant Event no. 266060, and supplementary agreement to the Fifth Novation on 27/07/2018, Relevant Event no. 268610).	Indefinite

State whether the company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

☒ Yes
☐ No

Parties to the concerted action	% share capital affected	Brief description of the concerted action	Date of expiration, if any
PIUMOC INVERSIONS, S.A.U., EDREM CARTERA, S.L.U., DISPUR POOL, S.L., BOYSER CORPORATE PORTFOLIO, S.L., BOYSER	25.00	In the shareholders' agreement it is foreseen the parties indicated therein, who with respect to the shares as referred thereto, undertake to exercise their voting rights in the General Shareholders' Meetings of Fluidra in the manner as indicated in the shareholders' agreement itself.	--

Expressly state whether any of such agreements, arrangements or concerted actions have been modified or terminated during the financial year:

During 2018 the following modifications have taken place:

- 1) The fifth novation of the syndication agreement was modified on 25/04/2018. There have also been subrogations (23/05/2018 and 20/12/2018) in respect of the syndication agreement by new shareholders who have acquired shares from other shareholders who are parties to the syndication agreement (and belong to the same group as the corresponding transferring shareholder). Finally, a supplementary agreement to the fifth novation was formalized on 27/07/2018.
- 2) The Shareholders' Agreement came into effect partially on 02/07/2018, once the cross-border merger by absorption by Fluidra, S.A. (transferee) of Piscine Luxembourg Holdings 2, S.à. r.l. (transferor) had been completed. Furthermore, there have been subrogations (23/05/2018 and 20/12/2018) in respect of the Shareholders' Agreement by new shareholders who have acquired shares from other shareholders who are parties to the syndication agreement (and belong to the same group as the corresponding transferring shareholder).

A.8. State whether there is any individual or company that exercises or could exercise control over the company in accordance with article 5 of the Securities Market Act (*Ley del Mercado de Valores*). If so, identify the party in question:

☐ Yes
☒ No

A.9. Complete the following tables regarding the company's own shares:

At year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
2,136,688		1.09

(*) Through:

Name of direct shareholder	Number of direct shares
No data	

A.10. Describe the terms and conditions and the duration of the powers currently in force given by the shareholders to the board of directors in order to issue, repurchase or transfer own shares of the company:

At the Ordinary General Shareholders' Meeting held on 3 May 2017, it was resolved to (i) authorize the Company to proceed with the derivative acquisition of own shares, directly or through group companies, and with the express power to reduce the share capital to redeem own shares, delegating to the Board of Directors the necessary powers to execute the resolutions passed by the General Meeting in this regard, rendering the previous authorization without effect, and (ii) authorize it to apply the portfolio of own shares, as the case may be, to the execution or coverage of remuneration systems. The authorization granted is valid for a term of five (5) years as of the date the resolution is passed, i.e. until 3rd May 2022.

At the Board meeting of 21 May 2018, it was resolved, in the context of this authorization granted to the Board of Directors, to authorize the CEO to proceed with the derivative acquisition and disposal of own shares up to a maximum number of shares not exceeding four (4%) per cent of the Company's share capital. This authorization will be valid until 31/12/2019.

A.11. Estimated free float:

	%
Estimated free float	23.56

A.12. State whether there are any restrictions (under the Articles of Association, legislative or of any other nature) on the transfer of securities and/or any restrictions on voting rights. In particular, disclose the existence of any restrictions that might hinder a takeover of the company through the acquisition of its shares on the market, and any prior authorization or communication arrangements in respect of acquisitions or transfers of the company's financial instruments that are applicable to it by virtue of sector-specific regulation.

[☒] Yes
[☐] No

Description of the restrictions

See section H1.

A.13. State whether the general shareholders' meeting has approved the adoption of anti-takeover measures pursuant to the provisions of Act 6/2007.

☐ Yes
☒ No

If so, describe the measures approved and the terms on which the restrictions will become ineffective:

A.14. State whether the company has issued securities that are not traded on a regulated market in the European Union.

☐ Yes
☒ No

If applicable, specify the different classes of shares and the rights and obligations attaching to each class of shares:

B. GENERAL SHAREHOLDERS' MEETING

B.1. State and, if applicable, describe whether there are differences with respect to the minimum requirements set out in the Companies Act in connection with the quorum needed to hold a valid general shareholders' meeting:

☐ Yes
☒ No

B.2. State and, if applicable, describe any differences from the rules set out in the Companies Act for the adoption of corporate resolutions:

☒ Yes
☐ No

	Qualified majority other than that established in article 201.2 LSC for cases described in article 194.1 LSC	Other situations of qualified majority
% established by the company for the adoption of resolutions	0.00	0.00

The Shareholders' Agreement formalized on 03/11/2017, Relevant Event notice no. 258222, provides for certain qualified majorities in order to pass certain resolutions of the General Shareholders' Meeting. The requirement for these qualified majorities is also established in article 33 of the company's Articles of Association and in article 25 of the General Meeting Regulations. See section B.3 below for further details.

B.3. State the rules applicable to the amendment of the company's Articles of Association. In particular, disclose the majorities provided for amending the Articles of Association, and any rules provided for the protection of shareholders' rights in the amendment of the Articles of Association.

The procedure for amending the Articles of Association must conform to the provisions of article 285 and following of the Companies Act, which require approval by the General Shareholders' Meeting, with the quorum and majorities established in articles 194 and 201 of the aforesaid Act, as well as the requirement to draw up and make available to the shareholders a mandatory report by the directors justifying the amendment. Article 27 of the Articles of Associations and article 15 of the General Meeting Regulations set out the principle contained in article 194 of the Companies Act and establish that in order for an ordinary or extraordinary General Meeting to resolve validly on any amendment of the Articles of Association, the attendance, in person or through a representative, of shareholders holding at least fifty per cent of the share capital with voting rights is required on the first call. On the second call, twenty-five per cent of the aforesaid capital will be sufficient. Article 24 of the General Meeting Regulations regulates the procedure for voting on proposed resolutions of the General Shareholders' Meeting, establishing, in the case of amendments to the Articles of Association, that each article or group of articles of sufficient entity is to be voted on separately.

Furthermore, in accordance with the provisions of article 33 of the Articles of Association and article 35 of the General Meeting Regulations, in order to pass resolutions on the matters indicated below (the "Reserved Matters"), a vote in favour by sixty-nine per cent (69%) of the Company's share capital is required on first call and a vote in favour by sixty-six per cent (66%) of the Company's share capital on second call:

- (i) increase in share capital, the issue of debentures or securities convertible into shares, with or without preferential acquisition rights, as well as the delegation of the power to pass resolutions on these matters to the Board of Directors;
- (ii) reduction in share capital, except in cases where a reduction is mandatory by law;
- (iii) the approval of any structure modification operations, such as transformation, merger, de-merger, global transfer of assets and liabilities and moving the Company's registered office abroad;
- (iv) the approval of operations for the acquisition or disposal of essential assets in accordance with article 160.f) and article 511 bis of the Companies Act;
- (v) the voluntary dissolution of the Company;
- (vi) the modification of the number of members of the Board of Directors;
- (vii) the exclusion of the Company's shares from trading on any securities market; and
- (viii) the amendment of the Company's Articles of Association in relation to any of the Reserved Matters referred to above.

B.4. State data on attendance at general shareholders' meetings held during the year this report refers to and for the two previous years:

Date of general meeting	Attendance data				
	% shareholders present in person	% represented	% remote voting		Total
			Electronic voting	Other	
03/05/2016	59.46	20.32	0.00	0.00	79.78
Of which floating capital	0.00	0.00	0.00	0.00	0.00
03/05/2017	60.30	7.70	0.00	0.00	68.00
Of which floating capital	0.00	0.00	0.00	0.00	0.00
20/02/2018	8.54	75.53	0.00	0.00	84.07
Of which floating capital	0.02	22.25	0.00	0.00	22.27
27/06/2018	2.80	76.51	0.00	0.00	79.31
Of which floating capital	0.01	22.26	0.00	0.00	22.27

B.5. State whether any item on the agenda of the general shareholders' meetings held during the year has not been approved by the shareholders for any reason:

☐ Yes
☒ No

B.6. State whether there are any restrictions in the Articles of Association requiring a minimum number of shares in order to attend the general meeting, or to vote remotely:

☐ Yes
☒ No

B.7. State whether it has been established that certain decisions, other than those established by law, involving an acquisition, disposal, or contribution to another company of essential assets or similar corporate operations must be submitted for approval to the general shareholders' meeting:

☐ Yes
☒ No

B.8. State the address and method for accessing the company's website to access information on corporate governance and other information on general shareholders' meeting that must be made available to shareholders through the company's website:

www.fluidra.com

Following the route to SHAREHOLDERS AND INVESTORS, among other options the following will appear:

CORPORATE GOVERNANCE

FINANCIAL AND ECONOMIC INFORMATION

BOARD OF DIRECTORS

GENERAL SHAREHOLDERS' MEETING

C. COMPANY MANAGEMENT STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general shareholders' meeting:

Maximum number of directors	12
Minimum number of directors	12
Number of directors established by the General Meeting	12

There are no observations in this regard.

C.1.2 Complete the following table on members of the board:

Name of director	Representative	Type of director	Position on the board	Date of first appointment	Date of last appointment	Selection procedure
Mr ELOY PLANES CORTS		Executive	CHAIRMAN-CEO	31/10/2006	03/05/2017	GENERAL MEETING RESOLUTION
Mr OSCAR SERRA DUFFO		Proprietary	VICE-CHAIRMAN	05/09/2007	03/05/2017	GENERAL MEETING RESOLUTION
Mr GABRIEL LÓPEZ ESCOBAR		Independent	LEAD INDEPENDENT DIRECTOR	30/10/2014	05/05/2015	CO-OPTATION
Mr BERNARDO CORBERA SERRA		Proprietary	DIRECTOR	05/09/2007	03/05/2017	GENERAL MEETING RESOLUTION
Mr JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA		Independent	DIRECTOR	05/09/2007	03/05/2017	GENERAL MEETING RESOLUTION
Mr JORGE VALENTÍN CONSTANS FERNÁNDEZ		Independent	DIRECTOR	05/05/2015	05/05/2015	GENERAL MEETING RESOLUTION

Name of director	Representative	Type of director	Position on the board	Date of first appointment	Date of last appointment	Selection procedure
Mr RICHARD J. CATHCART		Independent	DIRECTOR	05/09/2007	03/05/2017	GENERAL MEETING RESOLUTION
Mr BRUCE WALKER BROOKS		Executive	CO-CEO	02/07/2018	02/07/2018	GENERAL MEETING RESOLUTION
Mr JOSÉ MANUEL VARGAS GÓMEZ		Proprietary	DIRECTOR	02/07/2018	02/07/2018	GENERAL MEETING RESOLUTION
Mr SEBASTIEN SIMON MAZELLA DI BOSCO		Proprietary	DIRECTOR	02/07/2018	02/07/2018	GENERAL MEETING RESOLUTION
Mr MICHAEL STEVEN LANGMAN		Proprietary	DIRECTOR	02/07/2018	02/07/2018	GENERAL MEETING RESOLUTION
PIUMOC INVERSIONS, S.A.U.	Mr BERNAT GARRIGOS CASTRO	Proprietary	DIRECTOR	27/06/2018	27/06/2018	GENERAL MEETING RESOLUTION

Total number of directors	12
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State any directors that have left the board, either through resignation, removal or any other reason, during the reporting period:

Name of director	Type of director at time of leaving	Date of last appointment	Date director left	Specialized committees on which director served	State whether director left before end of term
DISPUR, S.L.	Proprietary	03/05/2016	02/07/2018	N/A	YES
ANIOL, S.L.	Proprietary	06/06/2012	27/06/2018	Appointments and Remuneration Committee Executive Committee	NO

Reason for leaving and other observations

There are no observations.

C.1.3 Complete the following tables concerning board members and their categories:

EXECUTIVE DIRECTORS		
Name of director	Position within the company's structure	Profile
Mr ELOY PLANES CORTS	Chairman - CEO	<p>Eloy Planes Corts was born in Barcelona in 1969. Holder of a Degree in Industrial Engineering from the Polytechnic University of Catalonia (UPC) and a Master's Degree in Business Management from EADA. A member of the second generation of one of the founding families, Eloi Planes joined Fluidra (then "Astral") as R&D Manager in 1994 and in 1998 was appointed as Logistics Manager and then as General Manager of AstralPool España, leading the mergers of different commercial companies in Spain and gaining in-depth knowledge of the business. In 2000, Eloi took on the General Management of AstralPool, continuing with the expansion of the business in international markets. In 2002, the family group took a decisive step: under the leadership of Eloi Planes as General Manager, the Fluidra group was created (under the name of "Aquaria"), bringing together the pool production and distribution companies. Banco Sabadell acquired 20% of the share capital and joined the four owner families. Eloi led the change in logistical model. In 2006, Fluidra reached its current size with the incorporation of four previously independent partners. In the same year, Eloi Planes was appointed CEO of the Fluidra group, leading the company to significant milestones: its flotation in 2007, its restructuring in 2008/09, accompanied by an acceleration of the internationalization process in the commercial aspect and the application of lean management in the industrial part of the group. In 2014, Eloy Planes incorporated a start-up accelerator company. In 2015, Fluidra presented a new 2018 Strategic Plan. In January 2016, Eloi took on the role of Executive Chairman of Fluidra. In the same year, the Fluidra Foundation is incorporated. In 2017 an important corporate transformational transaction is announced, led by Eloy Planes: the merger with the American group Zodiac, which is completed in July 2018. Eloy Planes is currently the Executive Chairman of the Board of Directors of Fluidra, worldwide leader in Pool & Wellness. He is also the President of the International Trade Show Piscina & Wellness Barcelona.</p>
Mr BRUCE WALKER BROOKS	Co-CEO	<p>Bruce W. Brooks holds a Degree in Marketing from the University of Virginia. Bruce brings significant experience in international management to Fluidra, after more than 20 years at Black & Decker Corporation. In 1986, shortly after obtaining his degree, he started his career at that company, where he held a number of different posts over the years, including group vice-president, president of the consumer product group, president of construction tools and vice-president of mechanical tools. In 2011, he joined Zodiac Pool Solutions where he held the post of CEO. During his time at Zodiac, Bruce brought the company to an approach focused on the residential pool market, thus leading the company's financial resurgence after 2011. In 2016, Bruce oversaw the successful transition of ownership from the Carlyle Group to the Rhône Group and in 2018 he played a decisive role in the plan to integrate with Fluidra.</p>

EXECUTIVE DIRECTORS		
Name of director	Position within the company's structure	Profile
		Throughout his career, Bruce has shown great skill in the management and development of existing companies as well as in their expansion into new markets, at both domestic and international level and is highly valued for his strategic reasoning and his capacity to develop and execute systems and processes with the successful attainment of short and long-term goals. Bruce holds the post of co-CEO and is also a member of the Board of Directors of Fluidra.

Total number of executive directors	2
% of total board	16.67

There are no observations.

EXTERNAL PROPRIETARY DIRECTORS		
Name of director	Name of significant shareholder represented by the director or that proposed the director's appointment	Profile
Mr BERNARDO CORBERA SERRA	EDREM, S.L.	Born in Barcelona in 1965. He holds a Degree in Business Science from E.S.E.I. and has completed the IESE Senior Executive Programme. He started his career at Astral Export, S.A. as Export Manager in 1989, handling expansion in the Middle East and Africa. In 1993 he held the post of Managing Director at Astral Products, Inc., where his main responsibility was the implementation of the business in the North American market. In 1997 he took over management of Poltank, Inc., and rejoined Astral Grup, S.A. in 1999 as Director for North America and member of the executive committee. At present, he no longer provides services to the Fluidra Group and focuses his professional activity on managing several companies. He is CEO on the Board of Directors of Edrem, S.L.
Mr OSCAR SERRA DUFFO	BOYSER, S.L.	Born in Barcelona in 1962. He obtained a Degree in Business Administration from Management School in 1981. He started his career in the marketing area of a number of family businesses, notably La Casera and Schweppes. In 1989 he joined the Commercial department of Plasteral, taking responsibility for the Spas division. Throughout his career he has worked in the areas of marketing and communication. At present, he does not provide services for the Fluidra Group, focusing his professional activity on the management

EXTERNAL PROPRIETARY DIRECTORS		
Name of director	Name of significant shareholder represented by the director or that proposed the director's appointment	Profile
		of a number of real estate, communication and family companies. He is the chairman of the Board of Directors of Boyser, S.L.
Mr MICHAEL STEVEN LANGMAN	RHÔNE CAPITAL LLC	<p>Mr. Langman co-founded Rhône in 1996 and has led the day to day management of the firm since inception. Rhône is an alternative asset manager in private equity, real estate and venture capital. He serves as a member, manager and Managing Director of Rhône. Prior to Rhône, Mr. Langman was a Managing Director of Lazard Frères, where he specialized in mergers and acquisitions. Before joining Lazard Frères, Mr. Langman worked in the mergers and acquisitions department of Goldman Sachs. He has more than three decades of experience financing, analyzing and investing in public and private companies.</p> <p>In addition to Fluidra S.A., Mr. Langman currently serves on the Board of Directors of CSM Bakery Solutions, Hudson's Bay Company, Vista Global Holding and WeWork. He also serves as a director and advisor to a number of philanthropic and educational institutions. Mr. Langman received a B.A. with highest honors from the University of North Carolina at Chapel Hill and a M.Sc. from the London School of Economics.</p>
Mr SEBASTIEN SIMON MAZELLA DI BOSCO	RHÔNE CAPITAL LLC	<p>Sébastien Mazella di Bosco is managing director of Rhône, where he has worked for the last 14 years. Previously, he worked at the investment banking department of Lazard Frères in New York, especially on mergers, acquisition and North American and transatlantic capital markets in the consumer, food and retail sectors. At Rhône he continues to concentrate on these sectors, as well as business services, packaging and industry in general, and also covers the French and Benelux markets. He currently serves on the Board of Ranpak, Fluidra and monitors Rhône's investment in Vista Global Holding. Previously he had held positions on the Board of Arizona Chemical and Eden Springs. He graduated from the HEC School of Management and obtained a Degree in Philosophy from the Sorbonne in Paris. He speaks French.</p>
Mr JOSÉ MANUEL VARGAS GÓMEZ	RHÔNE CAPITAL LLC	<p>José Manuel Vargas has been a senior advisor at Rhône since 2006 and became a partner in November 2017. Previously he had been Chairman and CEO of Aena SME, SA, and led the restructuring process and partial privatization of the company and its IPO in 2015. He has also served as managing director, financial director of Vocento and Board member of ABC.</p>

EXTERNAL PROPRIETARY DIRECTORS		
Name of director	Name of significant shareholder represented by the director or that proposed the director's appointment	Profile
		Prior to working in the communication sector, he had been financial director and general secretary of JOTSA (of the Philipp Holzmann group). José Manuel has served on a number of boards, such as those of the COPE radio station, Net TV and the newspaper Correo. In 2015 he won the prize for Best Executive of the Year awarded by the Spanish Executives Association (Asociación Española de Directivos -AED) and was named Person of the Year in the economic and financial field by Spanish economic newspaper El Economista. He graduated from the Complutense University of Madrid and holds a Law Degree from UNED. He is also a chartered accountant.
PIUMOC INVERSIONS, S.A.U.	ANIOL, S.L.	The legal representative of Piumoc Inversions, S.A.U. in its position as Board member is Mr. Bernat Garrigós Castro, whose profile is as follows: Born in Barcelona in 1967. He obtained a Degree in Biology from the University of Barcelona in 1991, and later, in 1994, studied for a Master's Degree in Environmental Management at Duke University and an Executive Development Programme organized by IESE Business School. Since 2004, Bernat has managed Aniol, S.L. He is currently involved in a number of projects involving new technologies. His career in the Fluidra Group has included posts in several companies. From 1995 to 1998 he was Product Manager at Astral Grup and subsequently held the post of Production Manager at Servaqua, SA, until 2002. Bernat Garrigós Castro is CEO of Aniol, SL.

Total number de proprietary directors	6
% of total board	50.00

There are no observations.

EXTERNAL INDEPENDENT DIRECTORS	
Name of director	Profile
Mr GABRIEL LÓPEZ ESCOBAR	Born in Madrid in 1956, Gabriel holds a licentiate in business, a master's in economics and a postgraduate degree in economics and European studies from Nancy-University (France). He is registered on the Official Accountants Charter (ROAC) and the roster of the PCAOB (USA). He joined PwC in 1984 and was a partner in the company until 2014. He has extensive experience in all types of auditing, financial advisory and financial research services. He has been in charge of auditing major Spanish groups as well as subsidiaries of international groups, providing services to companies such as Abengoa (IBEX 35, Nasdaq), Deutsche Bahn, Kraft Foods, Marsans, Nacex, Randstad, RIU, Quirón, Securitas, Telvent (Nasdaq), ThyssenKrupp, TUI, and Volkswagen / Seat.

EXTERNAL INDEPENDENT DIRECTORS	
Name of director	Profile
	During his last years at the firm he was also chairman of PWC España's supervisory committee. In 2015 he was the counsel to the Family Board of Grupo Empresarial Fuertes, S.L. Since May 2018 he has served as an adviser to the Audit Committee of Corporación Químico-Farmacéutico Esteve, S.A. He joined Fluidra's board in October 2014, serving as the chair of its Audit Committee until September 2018. He has been Lead Director of Fluidra since 2016.
Mr RICHARD J. CATHCART	Born in Washington (USA) on 28 September 1944. Graduated as a pilot from the United States Air Force Academy. Between 1975 and 1995 he held several management positions at Honeywell Inc. In 1996 he was appointed manager of Pentair Water Businesses (Minneapolis, USA). From 2005 to 2007 he held the position of Vice-Chairman of the Board of Directors Pentair (Minneapolis, USA), where he was responsible for international operations and business development. From September 2007 to 2017, Mr Cathcart was a member of the Board of Directors of Watts Water Technology Co.
Mr JORGE VALENTÍN CONSTANS FERNÁNDEZ	Jorge Constans holds a degree in Economics from the University of Barcelona, the General Management Programme of IESE and Business Management from ESADE. In a career spanning 22 years at Danone he held several positions in sales, marketing, general management in Spain and was later Chairman and CEO of Danone France. He was then responsible for the Europe region, and responsibility for the USA was later added. During the last two years in the company he was chairman of the dairy product division, with turnover of 12 B€ and present in more than 50 countries. At Louis Vuitton he held the position of Chairman and CEO. He currently serves on the Boards of THOM Europe (leader in the jewellery sector in France), Royal Van Lent (Dutch shipyard belonging to the LVMH group), Exea, GB Foods, Puig and Fluidra.
Mr JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA	Born in San Sebastián on 1st July 1956. Holder of a degree in Economic Sciences from the Complutense University of Madrid and a Master's degree in Business Management from IESE Business School. From 1982 to 1986 he held the post of Director at Chemical Bank, in Madrid and New York. From 1986 to 1989 he held the post of Variable Income and Investment Funds Director of Bankinter. In 1989 he became CEO and Chairman of BBVA Bolsa, S.V. holding this post until 2003. From 2003 to 2006 he was a member of the Board of Directors of the listed company TPI Páginas Amarillas as an independent director. Since 2007 he has been a member of the Board of Directors and member of the Audit Committee of Fluidra. Since 2012 he has been a member of the Board of Directors of AENA. In 2003 he was appointed as chairman of the company Equity Contraste Uno, a post which he still holds.

Total number of independent directors	4
% of total board	33.33

State whether any director classified as independent receives from the company or its group any amount or benefit for items other than director remuneration, or maintains or has maintained during the last year a business relationship with the company or with any company of its group, whether in the director's own name or as a significant shareholder, director, or senior manager of an entity that maintains or has maintained such a relationship.

If applicable, include a reasoned statement from the board regarding the reasons why it considers that the director in question can carry out his duties as an independent director.

Name of director	Description of relationship	Reasoned statement
No data		

There are no observations.

OTHER EXTERNAL DIRECTORS

Identify the other external directors and describe the reasons why they cannot be considered proprietary or independent directors, as well as their ties whether with the company, its management or its shareholders:

Name of director	Reasons	Company, director or shareholder with which the director has ties	Profile
No data			

Total number of other directors	N.A.
% of total board	N.A.

State the changes, in any, in the category of each director during the period:

Name of director	Date of change	Former category	Current category
No data			

C.1.4 Complete the following table with information regarding the number of female directors for the last 4 years, as well as the category of such directors:

	Number of female directors				% of total directors of each category			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive					0.00	0.00	0.00	0.00
Proprietary		1	1		0.00	25.00	20.00	0.00

	Number of female directors				% of total directors of each category			
	2018	2017	2016	2015	2018	2017	2016	2015
Independent					0.00	0.00	0.00	0.00
Other External					0.00	0.00	0.00	0.00
Total		1	1		0.00	0.00	0.00	0.00

C.1.5 State whether the company has diversity policies in relation to the board of directors of the company on such matters as age, gender, disability, or professional training and experience. Small and medium-sized enterprises, as defined in the Auditing Act, must disclose at least the policy they have implemented in relation to gender diversity.

- ☒ Yes
☐ No
☐ Partial policies

If such diversity policies exist, describe them, their goals, the measures and the way in which they have been applied and the results obtained during the year. Also state the specific measures adopted by the board of directors and the appointments and remuneration committee to achieve a balanced and diverse presence of female directors.

If the company does not apply a diversity policy, explain the reasons why it does not do so.

Description of policies, goals, measures and how they have been applied, as well as the results obtained

The Fluidra Board of Directors Regulations establish that the Board of Directors, in exercising its powers of proposal to the General Shareholders' Meeting and co-optation to fill vacancies, shall strive to ensure that external or non-executive directors represent an ample majority over executive directors, in the composition of the board. Furthermore, the number of independent directors should represent at least one third of the total number of directors.

The Board of Directors Regulations also establish that the Appointments and Remuneration Committee is responsible for evaluating the necessary skills, knowledge and experience on the Board, defining as a result the functions and aptitudes required in the candidates to fill vacancies, evaluating the time and dedication required for them to fulfil their duties. It should also establish representation targets for the least-represented sex on the board, drawing up guidelines on how to reach this target. The candidates selected should be individuals of renowned solvency, skill and experience.

The Appointments and Remuneration Committee ensures that selection procedures do not suffer from implicit bias that could lead to some kind of discrimination on account of age, gender or training.

Candidates must be persons whose appointment favours diversity in profession, knowledge, nationality and gender on the Board of Directors. Thus, diversity includes not just gender but also the combination of other factors, such as skills, knowledge and experience in order to give value to the Company.

By 5 September 2019, two of the independent directors of Fluidra will have held that position for an uninterrupted period of 12 years, and therefore in accordance with the provisions of the Board of Directors Regulations they must offer their resignation to the Board. In 2018, the Appointments and Remuneration Committee has initiated the process for the selection of candidates to cover the two vacancies that will arise in 2019, and has resolved to engage an external advisor specializing in selection, valuing especially, in the same conditions among potential candidates, women who meet the required profile, with the aim that at least one of the vacancies be covered by a woman. A board evaluation process commenced prior to this, with the help of an external advisor, for the purpose of identifying the profiles that have to be reinforced

on the Board. The Appointments and Remuneration Committee oversees this process to ensure that diversity of gender, knowledge, skill and experience is encouraged.

- C.1.6** Explain any measures approved by the Appointments Committee in order for selection procedures to be free of any implicit bias that hinders the selection of female directors, and in order for the company to search deliberately for women who meet the professional profile that is sought and include them among potential candidates and reach a balanced presence of men and women:

Explanation of measures

In its criteria for the selection and appointment of Directors approved by the Board of Directors, Fluidra establishes that the company will take gender diversity into consideration in choosing directors, with the object of ensuring equality of opportunity as indicated in the Equality Act (22nd March 2007), Royal Decree-Act 18/2017, of 24th November, amending the Code of Commerce, the Companies Act (Consolidating Act) approved by Royal Legislative Decree 1/2010, of 2nd July, and Act 22/2015, of 20th July, on Accounts Auditing with regard to non-financial information and diversity. Similarly, Fluidra will strive to achieve in its Board of Directors, not only gender diversity, but also geographical diversity and diversity of age and professional experience.

In the selection process mentioned in section C.1.5 above carried out by the Appointments and Remuneration Committee, the external advisor has been expressly asked to include women with the suitable profile among the candidates to cover the vacancies, in order to value especially, under the same conditions among potential candidates, women who meet the required profile, with the aim that at least one of the vacancies be covered by a woman.

If there are few or no female directors despite any measures adopted, describe the reasons for this:
:

Explanation of reasons

Work is being done with the aim of implementing in full a director selection policy that will promote the target of having a number of female directors representing at least 30% of the total board members by the year 2020.

- C.1.7** Explain the conclusions of the appointments committee regarding verification of compliance with the director selection policy. In particular, explain how said policy is promoting the goal that the number of female directors should represent at least 30% of the total number of members of the board of directors by 2020.

The Appointments and Remuneration Committee oversees compliance with the director selection policy for the purpose of ensuring that selection processes take into consideration gender diversity balanced with other criteria of the profile being sought such as knowledge, experience and solvency. As discussed in sections C.1.5 and C.1.6, the Appointments and Remuneration Committee is working with the aim of promoting the objective established in the selection policy to increase the number of female directors as board members.

- C.1.8** Explain, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding is less than 3% of share capital:

Name of shareholder	Justification
No data	

State whether there has been no answer to formal petitions for presence on the board received from shareholders whose shareholding is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If applicable, describe the reasons why such petitions have not been answered:

[] Yes
[✓] No

C.1.9 State any powers and faculties delegated by the board of directors to CEOs or committees of the board:

Name of director or committee	Brief description
ELOY PLANES CORTS	The Board of Directors has delegated on a permanent basis all the faculties permitted by law to Mr Eloy Planes, who has been legally appointed as CEO of the Company.
BRUCE WALKER BROOKS	The Board of Directors has delegated on a permanent basis all the faculties permitted by law to Mr Bruce Walker Brooks, who has been legally appointed as CEO of the Company.

C.1.10 Identify any members of the board who are directors, representatives of directors or officers of other companies that form part of the listed company's group:

Name of director	Name of group company	Position	Does he/she have executive duties?
Mr ELOY PLANES CORTS	FLUIDRA COMMERCIAL, S.A.U.	Joint CEO	NO
Mr ELOY PLANES CORTS	FLUIDRA INDUSTRY, S.A.U.	Joint CEO	NO
Mr ELOY PLANES CORTS	INNODRIP, S.L.	Director	NO
Mr ELOY PLANES CORTS	FLUIDRA SWITZERLAND S.A.	ATTORNEY-IN-FACT	NO
Mr ELOY PLANES CORTS	ASTRAL NIGERIA, LTD	DIRECTOR	NO
Mr ELOY PLANES CORTS	FLUIDRA MONTENEGRO DOO	DIRECTOR	NO
M ELOY PLANES CORTS	FLUIDRA ROMANIA , S.A.	CHAIRMAN	NO
Mr ELOY PLANES CORTS	FLUIDRA BALKANS JSC	DIRECTOR	NO
Mr ELOY PLANES CORTS	FLUIDRA YOULI FLUID SYSTEMS (WEZHOU) CO. LTD	DIRECTOR	NO

[-----]

C.1.11 Identify the directors of your company or representatives of directors that are legal entities, if any, who are members of the board of directors of other companies listed on official securities markets other than group companies that have been reported to your company:

Name of directors	Name of listed company	Position
Mr JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA	AENA S.M.E., S.A.	DIRECTOR
Mr MICHAEL STEVEN LANGMAN	HUDSON'S BAY COMPANY	DIRECTOR

Not applicable

C.1.12 State and, if applicable, explain whether the company has established rules on the maximum number of boards on which directors may serve, identifying, where appropriate, where this is regulated:

☐ Yes
☒ No

C.1.13 State the following items relating to the total remuneration of the board of directors:

Remuneration of the board of directors (thousand euros)	5,176
Amount of vested pension rights for present directors (thousand euros)	380
Amount of vested pension right for former directors (thousand euros)	

The remuneration indicated under the heading "Remuneration of the board of directors" includes the remuneration deriving from the 2015-2018 Plan, totalling 2,773 thousand euros, approved by the General Shareholders' Meeting of 2015 and vesting in 2018, although settlement took place in January 2019.
Of the amount shown above in respect of vested pension rights for present directors, 29 thousand euros accrued in 2018.

C.1.14 Identify the members of the company's senior management who are not executive directors and state the total remuneration accruing to them during the year:

Name	Position	
Mr CARLOS FRANQUESA CASTRILLO	CORPORATE BUSINESS GENERAL MANAGER	
Mr JAVIER TINTORÉ SEGURA	CORPORATE FINANCE GENERAL MANAGER	
Mr NICOLÁS MARTÍNEZ FERNÁNDEZ	CORPORATE AUDIT MANAGER	
Mr JOE LINGUADOCA	OPERATIONS GENERAL MANAGER	
Mr TROY FRANZEN	BUSINESS GENERAL MANAGER	
Mr KEITH MCQUEEN	DEVELOPMENT AND INNOVATION GENERAL MANAGER	
Mr JUAN JOSÉ MASOLIVER MORENO DE LA VEGA	HUMAN RESOURCES GLOBAL MANAGER	
Total senior management remuneration (in thousand euros)		8,404

The remuneration stated under the heading “Total senior management remuneration” includes the remuneration deriving from the 2015-2018 Plan, totalling 5,182 thousand euros, approved by the General Shareholders’ Meeting of 2015 and vesting in 2018, although settlement took place in January 2019.

C.1.15 State whether the board regulations have been amended during the year:

[v] Yes
[] No

Description of amendments

The text of the Company’s Board of Directors Regulations was amended on 30th October 2018 in order to adapt them to the agreements reached in the framework of the merger of Fluidra, S.A. with the Zodiac Group. A list of reserved matters (Art. 16.4) has been introduced, which require a favourable vote by a qualified majority of Directors. In addition, it has been established that at least nine Directors must vote in favour of the appointment or removal of the Executive Chairman and CEO.

Finally, another series of amendments have been made in order to bring the text of the Board Regulations into line with the amendment made to the Company’s Articles of Association in 2018.

C.1.16 State the procedures for the selection, appointment, re-election and removal of directors. Describe the competent bodies, the procedures to be followed and the criteria applied in each procedure.

The Board of Directors will be made up of twelve (12) members.

The General Meeting shall strive to ensure, to the extent possible, that in the composition of the Board of Directors the number of external or non-executive directors constitutes an ample majority compared to executive directors. Furthermore, the number of executive directors must be the minimum necessary, taking into account the complexity of the corporate group and the percentage shareholding of the executive directors in the Company’s capital. Finally, the number of independent directors should represent at least one third (1/3) of the total directors.

The definitions of the different categories of directors will be as established in the Companies Act from time to time. In the event that there is an external director who cannot be considered to be either a proprietary or an independent director, the Company will explain this circumstance and the director’s ties either with the Company or its officers, or with its shareholders.

The category of each director must be explained by the Board to the General Shareholders’ Meeting that is to make or ratify each director’s appointment.

Appointment of Directors:

Article 17.1 of the Board Regulations establishes that directors will be appointed (i) at the proposal of the Appointments and Remuneration Committee, in the case of independent directors, and (ii) following a prior report by the Appointments and Remuneration Committee in the case of all other directors; by the General Shareholders’ Meeting or by the Board of Directors in accordance with the provisions contained in the Companies Act. The proposal for appointment or re-election must be accompanied by a justificatory report from the Board assessing the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Shareholders’ Meeting or Board meeting. This will also apply to the natural persons that are designated as the representatives of a director. The proposal of the natural person must be the object of a report by the Appointments and Remuneration Committee. In relation to external directors, article 18 of the Board Regulations establishes that the Board of Directors will strive to ensure that the elected candidates are persons of acknowledged solvency, competence and experience, and must exercise particular rigour in relation to those persons who are called upon to fill the positions of independent director established in article 6 of the Board Regulations.

Re-election of Directors:

Article 19 establishes that before proposing directors to the General Meeting, the Board of Directors will evaluate the quality of the work and dedication to the position of the proposed director during the preceding term of office.

Evaluation of Directors:

In accordance with the provisions of article 14 of the Board of Directors Regulations, the Appointments and Remuneration Committee will evaluate the necessary skills, knowledge and experience in the Board and will define, consequently, the functions and aptitudes necessary in the candidates who are to fill each vacancy and will evaluate the time and dedication required for them to carry out their duties properly.

Removal of Directors:

Article 21.1 of the Board Regulations establishes that directors will be removed from their post when the period for which they were appointed has ended and when the General Meeting so decides making use of the faculties conferred on it by law or the Articles of Association. Reference should therefore be made to the situations established in the Companies Act, specifically in article 223 and following.

The Board of Directors may only propose the removal of an independent director before the end of the term established in the Articles of Association when there is due cause, observed by the Board following a report by the Appointments and Remuneration Committee. In particular, due cause will be deemed to exist when the director has failed to comply with the inherent duties of the position or has incurred in the course of the term of office in any of the circumstances of impediment described in the definition of independent director established in the Companies Act.

C.1.17 Explain the extent to which the annual evaluation of the board has given rise to significant changes in its internal organization and to the procedures applicable to its activities:

Description of changes

The evaluation of the Board of Directors carried out in 2018 involved the participation of an external consultant, Seeligery Conde, with the aim of analysing and evaluating the new composition and operation of the Board and its committees following the merger of Fluidra with the Zodiac group. The report setting out the conclusions was submitted to the Appointments and Remuneration Committee and to the Board of Directors at meetings on 11th and 12th December, respectively.

The external consultant concluded that the performance of the Board of Directors was positive, indicating certain areas of improvement in the way the Board works which will be implemented during 2019 for the purpose of continuing with the integration of new directors, although they do not involve important changes in internal organization or in the procedures applicable to its activities.

The evaluation of the Board of Directors has made it possible to identify the professional profiles of the candidates to cover the two independent director vacancies that will arise in 2019.

Describe the evaluation process and the areas evaluated by the board of directors, assisted, as the case may be, by an external consultant, regarding the operation and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of evaluation process and areas evaluated

The evaluation of the Board of Directors was carried out by the external consultant Seeligery Conde using Balanced Board Methodology, taking into account not only the recommendations of the Good Governance Code for Listed Company but also international good government best practice. The aim of this evaluation was to analyse the operation and composition of the new Board of Directors. The evaluation process and the areas evaluated were as follows:

- Evaluation of each profile
- Evaluation of the combination of profiles
- Individual and collective evaluation of the Board's performance

The aspects evaluated were the operation of the Board of Directors and its committees, the quality of the Board and its composition, evaluating the professional and functional experience and soft skills of members, in order to offer individual feedback to maximize the contribution of the evaluation.

C.1.18 In years when the evaluation has involved the assistance of an external advisor, detail any business relationship that the consultant or any company of its group have with the company or any of the group companies.

In 2018 the evaluation was carried out by the external consultant Seeligery Conde.

C.1.19 State the circumstances in which the resignation of directors is mandatory.

In accordance with article 21.2 of the Board Regulations, directors must offer their resignation to the Board of Directors, formalizing their resignation if the Board so decides, in the following cases:

- a) When they cease to hold the executive position to which their appointment as director was associated.
- b) When they incur in any of the situations of incompatibility or prohibition established by law.
- c) When they are severely reprimanded by the Board of Directors because of breaching their obligations as directors.
- d) When their continued presence on the Board could endanger or damage the Company's interests, credit or reputation or when the reasons for which they were appointed no longer exist (for example, when a proprietary director disposes of its shareholding in the Company).
- e) In the case of independent directors, they may not remain in their position as such for a continued period of more than 12 years, and therefore at the end of that term they must offer their resignation to the Board of Directors.
- f) In the case of proprietary directors (i) when the shareholder they represent sells the shareholding in full and; furthermore (ii) in respect of the corresponding number, when the aforesaid shareholder reduces its shareholding to a level that requires a reduction in the number of proprietary directors.

- Article 21.3 also establishes that, in the event that a director ceases to hold his position before the end of the term of office, due to resignation or any other reason, the aforesaid director must explain the reasons in a letter which will be sent to all the members of the Board.

C.1.20 Are qualified majorities, different from the statutory majorities, required to adopt any type of decision?

☒ Yes
☐ No

If so, describe the differences.

Description of differences

The Shareholders Agreement formalized on 03/11/2017, reported in Relevant Event notice no. 258222, establishes certain qualified majorities in order to pass certain resolutions by the Board. These qualified majorities are also established in article 42 of the Articles of Association and article 16 of the Board Regulations.

In this regard, in accordance with the provisions of article 16.4 of the Board Regulation, the majorities indicated below will be required in order to pass resolutions on the following matters ("Reserved Matters"):

- (i) The removal of the Secretary to the Board of Directors will require that at least seven (7) members of the Board vote in favour;
- (ii) The removal of any member of Senior Management will require that at least seven (7) members of the Board vote in favour provided that at least one of the proprietary and/or executive directors of each of the two groups of shareholders existing at the date of these Regulations votes in favour;
- (iii) The admission of the Company's shares for trading on the New York Stock Exchange or any comparable market that grants efficient access to capital markets will require that the resolution be passed (i) with the vote in favour of at least seven (7) members of the Board provided that at least one of the proprietary and/or executive directors of each of the two groups of shareholders existing at the date of these Regulations votes in favour or (ii) with the unanimous vote of all the members of the Board of Directors other than the proprietary and executive directors proposed by either of the two groups of majority shareholders in the Company existing on the date of these Regulations (i.e. eight (8) of the twelve (12) directors);
- (iv) The following reserved matters will require that at least nine (9) members of the Board vote in favour:
 - a. the appointment and removal of the Chairman of the Board of Directors;
 - b. the appointment and removal of the CEO;
 - c. the delegation of faculties by the Board to the Executive Committee, and the appointment of any of its members;
 - d. the appointment of the Secretary of the Board of Directors;
 - e. the appointment of any member of Senior Management;
 - f. any change in the list of positions that make up Senior Management;
 - g. additional long-term borrowing by the Company or any group company to the extent that such long-term borrowing means that the ratio of long-term net debt to consolidated adjusted EBITDA is more than 3:1 and
 - h. the modification of the number of members of Board committees.

For the purposes of this section, "Senior Management" will be understood to refer to persons who hold the post of Financial General Manager, General Manager for Europe, Asia, Latam and the Southern Hemisphere, Operations General Manager or General Manager for the Americas. The Board of Directors may modify the definition of "Senior Management" at any time.

C.1.21 Explain whether there are specific requirements, other than the requirements relating to directors, in order to be appointed chairman of the board of directors:

☒ Yes
☐ No

Description of requirements

In accordance with the provisions of article 8 of the Board Regulations, the Chairman of the Board of directors will be elected out of the Board members with the favourable vote of at least nine (9) Board members, as established in the Company's Articles of Association, following a report from the Appointments and Remuneration Committee. The removal of the Chairman of the Board will require that the corresponding resolution be passed with the favourable vote of at least nine (9) members of the Board.

C.1.22 State whether the Articles of Association or the Board regulations establish any age limit for directors:

☐ Yes
☒ No

C.1.23 State whether the Articles of Association or the Board regulations establish any limit on the term of office or other stricter requisites in addition to those established by law for independent directors, that is different from the term established by regulatory provisions:

[] Yes
[v] No

C.1.24 State whether the Articles of Association or the Board regulations establish specific rules for proxy voting at Board meetings through other directors, the manner of doing so and, in particular, the maximum number of delegations that a director may hold, as well as whether any restriction has been established regarding the categories of directors who may be delegated, beyond the restrictions imposed by legislation. If so, briefly describe such rules.

As established in article 16 of the Board Regulations, Directors shall make every effort to attend Board meetings and when it is impossible for them to attend in person, they will grant representation in writing, on a special basis for each meeting, appointing another member of the Board as proxy with the pertinent instructions and notifying the Chairman of the Board of Directors of this. Non-executive directors may only delegate another non-executive director to represent them.

C.1.25 State the number of meetings that the board of directors has held during the year. In addition, specify the number of times the board has met, if any, at which the chairman was not in attendance. Proxies granted with specific instructions shall be counted as attendance.

Number of meetings of the board	13
Number of board meetings at which the Chairman was not in attendance	0

State the number of meeting held by the lead independent director with the other directors, at which no executive director was present or represented:

Number of meetings	0
--------------------	---

State the number of meetings held by the different committees of the board during the year:

Number of meetings of the Audit Committee	6
Number of meetings of the Appointments and Remuneration Committee	7
Number of meetings of the Executive Committee	3

C.1.26 State the number of meetings that the board of directors has held during the year and data on attendance of its members:

Number of meetings at which at least 80% of the directors were present in person	13
% of personal attendance with respect to total votes during the year	100.00

Number of meetings at which all directors were present in person or represented by proxies with specific instructions	13
% of votes cast by directors present in person or represented by proxies with specific instructions compared to total votes during the year	100.00

C.1.27 State whether the individual and consolidated annual accounts that are submitted to the board are previously certified:

☐ Yes
☒ No

Identify, if applicable, the person/persons that has/have certified the individual and consolidated annual accounts of the company for preparation by the board:

C.1.28 Explain the mechanisms, if any, established by the board of directors to avoid any qualifications in the audit report on the annual individual and consolidated accounts prepared by the board of directors and submitted to the shareholders at the general shareholders' meeting.

As established in article 38.3 of the Board Regulations, the Board of Directors will strive to draw up the accounts definitively in such a way that they do not give rise to qualifications by the auditor. In exceptional cases in which there are qualifications, both the Chairman of the Audit Committee and the external auditors will explain clearly to the shareholders the content of such reservations and exceptions. However, when the Board considers that it should uphold its criteria, it will explain publicly the content and scope of the discrepancy.

C.1.29 Is the secretary of the board a director?

☐ Yes
☒ No

If the secretary is not a director, complete the following table:

Name of secretary	Representative
Mr ALBERT COLLADO ARMENGOL	

C.1.30 State the specific mechanisms established by the company to preserve the independence of the external auditors and the mechanisms, if any, to preserve the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

To preserve the independence of the external auditors:

Article 13 of the Board Regulations establishes that the Audit Committee has the following functions in relation to the external auditor or audit firm:

- To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of external auditors or audit firms as referred to in article 264 of the Companies Act, and their contract conditions, the scope of their professional engagement and, as the case may be, their revocation or non-renewal;

- To handle and supervise relations with the auditors or audit firms to receive information on any matters that could jeopardize their independence, to be examined by the Committee, and any other matters related to the auditing process, as well as any other communications established in auditing legislation and auditing standards.

- It must in any case receive each year from the auditors or audit firms written confirmation of their independence from the company or entities related to it directly or indirectly, and information on any additional services of any kind provided to such entities and the professional fees received from them by such auditors or audit firm, or by persons or entities related to them in accordance with the provisions of legislation on Auditing.

- To issue annually, prior to the issue of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report must contain the valuation of the provision of additional services as referred to above, other than statutory audit, individually considered and in aggregate, and in relation to the regime of independence or with legislation regulating auditing.

- To receive information on a regular basis from the auditor or audit firm on the audit plan and the results of the audit and verify that senior management takes into account their recommendations;

- To ensure the independence of the auditor or audit firm and, for that purpose, (i) that the Company report the change in auditor to the CNMV as a relevant event, together with a statement on the existence of any disagreements with the outgoing auditor and, if any, the content thereof; (ii) that the Company and the auditor respect the legal rules in force on the provision of non-audit services and, in general, the other legal provisions established to ensure the auditors' independence; and (iii) that in the event of the resignation of the auditor or audit firm the circumstances causing it be examined.

- In the case of groups, favour that the auditor of the group undertake responsibility for the audits of the companies that make up the group.

In turn, article 54 of the Company's Articles of Association establishes that the auditors are to be appointed by the General Meeting before the end of the financial year that is to be audited, for an initial term, which may not be less than three years nor more than nine years, as of the date on which the first financial year to be audited commences, notwithstanding the provisions established in the legislation regulating the audit activity with regard to the possibility of an extension.

The General Meeting may appoint one or several natural or legal persons who will act jointly.

When the persons appointed are natural persons, the General Meeting must appoint as many alternates as principal auditors.

The General Meeting may not revoke the auditors' appointment before the end of the term for which they were appointed, unless there is due cause.

The Audit Committee will refrain from proposing to the Board of Directors, and the latter in turn will refrain from submitting to the General Meeting, the appointment as auditor of the Company's accounts of any firm that incurs in a cause of incompatibility under legislation on auditing as well as any firms in which the fees to be paid to them by the Company, for all services, are more than five per cent of its total revenues during the last financial year.

To preserve the independence of financial analysts, investment banks and rating agencies:

The Company maintains relations with financial analysts and investment banks in which it ensures the transparency, non-discrimination, veracity and reliability of the information provided. Corporate Financial General Management, through Investor Relations Management, is responsible for co-ordinating relations with and handling requests for information from institutional or private investors. The mandates to investment banks are granted by Corporate Financial General Management while Analysis and Planning Management handles the work with such banks.

In 2018 the Company obtained credit ratings from Moody's and Standard & Poor's, which are published on the company's website and were duly reported to the market through Relevant Event notices number 261590 and number 268995.

The independence of financial analysts is protected by the existence of Investment Relations Management which is specifically dedicated to dealing with them, guaranteeing objective, equitable and non-discriminatory treatment among investors. To guarantee the principles of transparency and non-discrimination, and complying at all times with the regulations on the Securities Market, the Company has several communication channels:

- . Personalized attention to analysts and investors
- . Publication of information on quarterly results, relevant events and other communications. Publication of press releases.
- . E-mail on the website (investor_relations@fluidra.com, accionistas@fluidra.com) . Shareholder information telephone service (34 937243900)
- . Presentations, both face-to-face and by telephone. Visits to the Company's premises

All this information is accessible through the Company's website (www.fluidra.com).

C.1.31 State whether the Company has changed the external auditor. If so, identify the incoming and outgoing auditor:

☐ Yes
☒ No

If there has been any disagreement with the outgoing auditor, explain the content of such disagreements:

☐ Yes
☒ No

C.1.32 State whether the audit firm performs other non-audit work for the company and/or its group. If so, state the amount of the fees received for such work and the percentage this represents of the fees billed to the company and/or its group:

☒ Yes
☐ No

	Company	Group companies	Total
Amount of other non-audit work (thousand euros)	72	12	84
Amount of non-audit work / Amount of audit work (%)	42,35	1,11	6,94

C.1.33 State whether the audit report on the annual accounts for the previous year has observations or qualifications. If so, state the reasons given to the shareholders at the General Meeting by the chairman of the audit committee to explain the content and scope of such reservations or qualifications.

☐ Yes
☒ No

C.1.34 State the number of years for which the current audit firm has been auditing the company's individual and/or consolidated annual accounts without interruption. Also state the percentage that the number of years audited by the current audit firm represents with respect to the total number of years in which the annual accounts have been audited:

	Individual	Consolidated
Number of years without a break	3	3

	Individual	Consolidated
No. of years audited by current audit firm / No. of years the company or its group has been audited (%)	20.00	17.60

C.1.35 State whether there is a procedure to ensure directors have the necessary information to prepare meetings of management bodies sufficiently in advance and, if so, describe it:

☒ Yes
☐ No

Description of the procedure

Fluidra adopts the necessary measures so that directors receive, whenever possible, sufficiently in advance the necessary information, specifically drawn up and oriented in order to prepare the meetings of the Board and its Committees.

In this regard, in accordance with article 15 of the Board Regulations, notice of the meetings of the Board of Directors is to be issued at least five days in advance and will always include the agenda for the meeting and the information necessary to deliberate on and pass resolutions on the matters to be discussed included in the agenda, unless the meeting Board of Directors has been held or convened exceptionally for reasons of urgency. The Chairman, as the persons responsible for the efficient operation of the Board, with the Secretary's collaboration will ensure that directors receive such information adequately. The Chairman of the Board of Directors may convene extraordinary meetings of the Board when in his opinion the circumstances so require, and in such cases the term of advance notice and other requisites indicated above do not apply. However, every effort will be made to ensure that any documentation that is to be provided to the Directors is delivered sufficiently in advance. Furthermore, Board meetings will be deemed valid without the need to have been previously convened if all the members are present or represented and agree unanimously to hold a meeting.

Furthermore, the Board and its Committees have an action plan that details and schedules the activities to be carried out each year, according to the competences and tasks assigned to them.

To provide all the information and clarifications necessary in relation to the matters discussed, the principal senior managers of the Group regularly attend the meetings of the Board and its Committees, to provide information on matters within their area of competence.

Furthermore, article 22 of the Board Regulations establishes as follows:

1. Any director may request information on any matter that falls under the competence of the Board and, in this regard, examine its books, records, documents and other documentation. The right to information extend to companies in which a stake is held, whenever possible.
2. The request for information should be addressed to the Secretary of the Board of Directors, who will convey it to the Chairman of the Board of Directors and the appropriate person in the Company.
3. The Secretary will inform the director of the confidential nature of the information he or she requests and receives and of the duty of confidentiality in accordance with the Board Regulations.

C.1.36 State whether the company has established any rules requiring directors to inform the company and, as the case may be resign, in cases in which the credit and reputation of the company may be damaged, and, if so, provide a detailed description:

☒ Yes
☐ No

Explain the rules

Article 32.2 of the Board Regulations establishes the obligation for directors to inform the Company in any cases that might damage the company's credit or reputation and, in particular, to inform the board of any criminal investigations in which they are involved as investigated persons, as well as the subsequent procedural phases, any disqualification procedures initiated against them, any near-insolvency economic situations of any trading companies in which they hold stakes or which they represent or, as the case may be, the commencement of insolvency proceedings against such companies.

This same article also establishes that in the event that a director is prosecuted or an order is issued against a director for the commencement of a trial for any of the criminal offences listed in article 213 of the Companies Act, the Board will examine the case as soon as possible and, in light of its specific circumstances, will decide whether or not the director is to remain in office.

C.1.37 State whether any member of the board of directors has informed the company that he/she has been prosecuted or that an order for the commencement of a trial has been issued against that member for any of the criminal offences listed in article 213 of the Companies Act

☐ Yes
☒ No

C.1.38 Describe the significant agreements entered into by the company that come into effect, are amended, or terminate in the event of a change in control at the company as a result of a takeover bid, and the effects thereof.

Not applicable

C.1.39 Identify individually, when directors are involved, and on an aggregate basis in all other cases, and provide a detailed description of the agreements between the company and its management level and decision-making positions or employees that provide for indemnities, guarantee or “golden parachute” clauses upon resignation or unfair dismissal, or if the contractual relationship is terminated as a result of a takeover bid or other type of transaction.

Number of beneficiaries	7
Type of beneficiary	Description of the agreement
Executive Chairman /CEO / Senior Managers	<p>The Executive Chairman’s contract establishes: • compensation in the event of termination of this contract by Fluidra for any reason, except in the event of serious and culpable or negligent breach of his obligations as an executive director, for an amount equal to two years’ salary, based on the gross fixed annual salary received in the year termination occurs and the gross variable annual salary for the preceding year. He will also be entitled to receive this compensation if he decides to end the contract by choice, provided that this is for any of the following causes: serious breach by the Company of the obligations acquired relating to his post. Reduction and substantial limitation of his duties or powers. Substantial modification of the conditions agreed in the contract. Change of ownership of the share capital of Fluidra, whether or not there is any variation in the Company’s governing bodies. • a post-contractual non-compete clause for a term of two years after the end of provision of services. The economic compensation established for the obligation undertaken by virtue of the non-compete clause is two years’ fixed gross annual salary at the time of termination of the contract. The CEO’s contract establishes: • compensation in the event of termination of this contract by Fluidra for any reason, except in the event of serious and culpable or negligent breach of his obligations as an executive director, for an amount equal to one year’s salary, based on the gross fixed annual salary received in the year termination occurs and the gross target annual salary. He will also be entitled to receive this compensation if he decides to end the contract by choice, provided that this is for any of the following causes: serious breach by the Company of the obligations acquired relating to his post. Reduction and substantial limitation of his duties or powers.</p>

Type of beneficiary	Description of the agreement
	<p>Substantial modification of the conditions agreed in the contract. Change of ownership of the share capital of Fluidra, whether or not there is any variation in the Company's governing bodies. • a post-contractual non-compete clause for a term of two years after the end of provision of services. The economic compensation deriving from the non-compete clause is included in the amount of the remuneration established for the director. Senior Managers: Two Senior Managers have a post contractual non-compete clause, one for a term of 18 months and the other for a term of 12 months after the end of provision of services. 15% of their fixed remuneration remunerates the obligation undertaken by virtue of the post-contractual non-compete clause. One Senior Manager is entitled to receive compensation in the event of termination of his contract by Fluidra for any reason, except in the event of fair dismissal, the amount of which is equal to one year's fixed gross annual salary at the time of termination. Three Senior Managers are entitled to receive compensation in the event of termination of their contract by the Group within 12 months following the date on which a change in control takes place, or at the manager's choice if such a change in control occurs, the amount of which is equal to one year's fixed gross annual salary as well as payment of medical insurance for a term of not more than 12 months payment of an outplacement service. One of the Senior Managers is also entitled to receive such compensation in the event that he decides to terminate this contract, provided that this is due to certain causes. One Senior Manager has a post-contractual non-solicitation clause for a term of one year after the end of provision of services, with no additional compensation to the established remuneration.</p>

State whether, beyond the cases established by law, such contracts have to be reported to and/or approved by the decision-making bodies of the company or its group. If so, specify the procedures, cases envisaged and the nature of the bodies responsible for approval or reporting:

	Board of Directors	General Meeting
Body that authorizes the clauses	✓	
	Yes	No
Is the General Meeting informed of the clauses?	✓	

C.2. Committees of the board of directors

C.2.1 Describe all the committees of the board of directors, their members and the proportion of executive, proprietary, independent and other external directors of which they are comprised:

Audit Committee		
Name	Position	Category
Mr GABRIEL LÓPEZ ESCOBAR	MEMBER	Independent
Mr JOSÉ MANUEL VARGAS GÓMEZ	MEMBER	Proprietary
Mr BERNARDO CORBERA SERRA	MEMBER	Proprietary
Mr JORGE VALENTÍN CONSTANS FERNÁNDEZ	MEMBER	Independent
Mr JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA	CHAIRMAN	Independent

% executive directors	0.00
% proprietary directors	40.00
% independent directors	60.00
% other external directors	0.00

Explain the duties assigned to this committee, including, if appropriate, those that are in addition to the duties established by law, and describe the procedures and rules of organization and operation thereof. For each of these duties, state the most important actions carried out during the year and how each of the duties assigned to it, either by law or the Articles of Association or other corporate resolutions, has been exercised in practice.

See section H.1.

Identify the directors who are members of the audit committee and who have been appointed taking into account their knowledge and experience in the areas of accounting, auditing, or both, and report the data of appointment of the chairman of this committee.

Name of directors with experience	Mr GABRIEL LÓPEZ ESCOBAR / Mr JOSÉ MANUEL VARGAS GÓMEZ / Mr BERNARDO CORBERA SERRA / Mr JORGE VALENTÍN CONSTANS FERNÁNDEZ / Mr JUAN IGNACIO ACHA-ORBEA ECHEVERRÍA
Date of appointment of chairman to that post	06/06/2018

Appointments and Remuneration Committee		
Name	Position	Category
Mr RICHARD J. CATHCART	MEMBER	Independent
Mr JORGE VALENTÍN CONSTANS FERNÁNDEZ	CHAIRMAN	Independent

Appointments and Remuneration Committee		
Name	Position	Category
Mr SEBASTIEN SIMON MAZELLA DI BOSCO	MEMBER	Proprietary
PIUMOC INVERSIONS, S.A.U.	MEMBER	Proprietary

% executive directors	0.00
% proprietary directors	50.00
% independent directors	50.00
% other external directors	0.00

Explain the duties assigned to this committee, including, if appropriate, those that are in addition to the duties established by law, and describe the procedures and rules of organization and operation thereof. For each of these duties, state the most important actions carried out during the year and how each of the duties assigned to it, either by law or the Articles of Association or other corporate resolutions, has been exercised in practice.

See section H1. In addition:

Duties:

- Direct the definition of profiles of Board members and review them annually as part of the Board Evaluation.
- Direct the selection process for new members of the Board.
- Direct the evaluation of the Board, at least once a year, ensuring that suitable feedback is provided to the Board and its members individually.
- Lead the annual review of the Board Charter and of the Committees, in order to guarantee that both the Board and the Committees have clear objectives that stay aligned with those of the Company as they evolve.
- Ensure that there are succession plans (or, at least, contingency plans) to guarantee leadership of the Board and senior management.
- Review compliance by the Board and the Committees in relation to their internal rules of operation at least twice a year and make sure the Board takes responsibility for such compliance.
- Carry out a prior review of the Human Resources Policies and Procedures that will be submitted to the Board. Specifically, in collaboration with senior managers of HR and the Executive Chairman / CEO, develop, evaluate and modify (when necessary) incentive and remuneration policies for executives, and benefits, both in annual plans and in long-term incentive plans. Encourage the company to implement, maintain and communicate these policies and procedures so that they fulfil the purpose of aligning people with the company's strategy and so that they can act as elements of motivation and retention. Ensure that the above is done in a suitable timeframe.
- Review the evaluations of the performance and remuneration policies of the management team.

The most important actions during the year were as follows:

- Approval of Executive Chairman / CEO and Board Compensation
- Remuneration Report 2018
- Corporate Governance Report 2017
- Follow-up of LTI 2015.2018
- Follow-up of Executive Chairman / CEO Succession Plan
- Follow-up of Executive Chairman / CEO's annual objectives
- Definition of new share-based LTI for managers 2018-2022
- Evaluation of the performance of the Board and its committees.

Executive Committee		
Name	Position	Category
Mr OSCAR SERRA DUFFO	MEMBER	Proprietary
Mr JORGE VALENTÍN CONSTANS FERNÁNDEZ	MEMBER	Independent
Mr ELOY PLANES CORTS	CHAIRMAN	Executive
Mr SEBASTIEN SIMON MAZELLA DI BOSCO	MEMBER	Proprietary

Executive Committee		
Name	Position	Category
Mr BRUCE WALKER BROOKS	MEMBER	Executive

% executive directors	40.00
% proprietary directors	40.00
% independent directors	20.00
% other external directors	0.00

Explain the duties assigned to this committee, and describe the procedures and rules of organization and operation thereof. For each of these duties, state the most important actions carried out during the year and how each of the duties assigned to it, either by law or the Articles of Association or other corporate resolutions, has been exercised in practice.

Notwithstanding the delegation of faculties to an executive officer and the powers of attorney that may be granted to any person, the Board of Directors may designate an Executive Committee. The Executive Chairman and the CEO will in any case be part of the Executive Committee. The Executive Chairman will act as Chairman of the Executive Committee. The Secretary of the Executive Committee will be appointed by the Executive Committee and may be a Director or someone who is not. The Executive Committee will meet as often as it is convened by the Chairman of this Committee or by the CEO. Resolution of the Executive Committee meeting by video conference, multiple telephone conference call or other remote communication techniques will be valid, provided that none of the Committee members objects to this procedure, they have the necessary means for this purpose and can recognize each other, which point must be stated in the meetings of the Committee meeting. In that case, a single meeting will be deemed to have been held at the registered office. The meetings of the Executive Committee will be quorate when a majority of its members are present in person or represented. Resolutions will be adopted by majority of the members in attendance (present in person or represented) at the meeting. In the event of a tie, the Chairman does not have a casting vote. In the event that the Executive Committee were not to approve any of the decisions submitted to it for consideration, the Chairman of this Committee may submit any resolutions not passed to the consideration of the Board of Directors, whenever he considers it appropriate in light of the relevance of the matter. The Secretary will draw up minutes of each of the meetings of the Executive Committee, both in English and in Spanish, and will report punctually to the Board on the matters discussed and the decisions adopted at its meetings. The Secretary shall also deliver a copy of the minutes to each one of the members of the Board of Directors. Meetings will be held in English with simultaneous translation into Spanish, unless all the directors present at the meeting speak fluent Spanish, in which case the meeting will be held in Spanish.

C.2.2 Complete the following table with information regarding the number of female directors on the committees of the board of directors at the end of the last four years:

	Number of female directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	0	0.00	0	0.00	0	0.00	0	0.00
Appointments and Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00
Executive Committee	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 State, if applicable, the existence of regulations of the board committees, where such regulations may be consulted, and any amendment made during the year. Also state whether any annual report on the activities of each committee has been prepared voluntarily.

Name of committee:

APPOINTMENTS AND REMUNERATIONS COMMITTEE

The Committee is regulated in the Board of Directors Regulations (article 14), which are published both at the CNMV and on the Company's website.

Name of committee:

EXECUTIVE COMMITTEE

Brief description

The Committee is regulated in the Board of Directors Regulations (article 12), which are published both at the CNMV and on the Company's website.

Name of committee:

AUDIT COMMITTEE

Brief description

The Committee is regulated in the Board of Directors Regulations (article 13) and in the Internal Conduct Regulation, which are published both at the CNMV and on the Company's website. The Company has drawn up an annual report on the activity of the Audit Committee.

D. RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1. Explain any procedure and the competent bodies for the approval of related-party and intragroup transactions.

Transactions with related parties that take place in the context of the sale or purchase of materials and products in the normal course of operations or rental of premises owned by related parties are verified at the end of the year, following instructions of the Audit Committee, by the group's Internal Audit Management with the aim of verifying that the consideration is based on market prices. The results are submitted to the Audit Committee which certifies whether these transactions have been carried out on an arm's length basis. Furthermore, in the middle of the year Internal Audit Management carries out a quantitative analysis of fluctuations in related-party transactions and reports the results to the Audit Committee.

Any related-party transactions that do not correspond to normal business operations are analysed and approved by the Audit Committee and/or the Board of Directors.

D.2. Describe transactions that are significant due to their amount or subject-matter carried out between the company or group companies and the company's significant shareholders:

Name of significant shareholder	Name of company or group company	Nature of the relationship	Type of transaction	Amount (thousand euros)
No data				

D.3. Describe transactions that are significant due to their amount or subject-matter carried out between the company or group companies and the company's directors or senior managers:

Name of directors or senior managers	Name of the related party	Relationship	Nature of the transaction	Amount (thousand euros)
No data				N.A.

- D.4.** Report significant transactions carried out by the company with other companies belonging to the same group, provided that they are not eliminated in the process of drawing up the consolidated financial statements are not part of the company's normal business activity with regard to their object and conditions.

In any case, report any intragroup transaction with entities established in countries or territories considered to be tax havens:

Name of the group company	Brief description of the transaction	Amount (thousand euros)
No data		N.A.

- D.5.** Provide details of significant transactions between the company or group companies and other related parties that have not been reported under previous headings:

Name of the related party	Brief description of the transaction	Amount (thousand euros)
CONSTRALSA SL	Lease of warehouses to FLUIDRA Group	1,655
IBERSPA SL	Purchase of goods by FLUIDRA Group to IBERSPA	5,525

- D.6.** Describe the mechanisms established to detect, determine and resolve potential conflicts of interest between the company and/or its group, and its directors, senior managers or significant shareholders.

[See section H.1.]

- D.7.** Is more than one company of the group listed in Spain?

[] Yes
[v] No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including the system for managing tax risks:

– Fluidra's risk management system is designed to mitigate all the risks to which the company may be exposed on account of its activity. The structure of risk management is based on three pillars.

- Common management systems, designed specifically to mitigate business risks.
- Internal control procedures, aimed at mitigating the risks deriving from drawing up financial information and improving the reliability of such information, which have been designed in accordance with Internal Control over Financial Reporting (ICFR).
- The risk map, which is the methodology used by Fluidra to identify, understand and assess the risks that affect the company. The aim is to obtain an overall view of risks, designing a system of efficient responses aligned with the business objectives.

These elements constitute an integrated system that provides adequate management of the risks and the controls that mitigate them at all levels of the organization.

Fluidra's risk management system is a global and dynamic system. Its sphere of action is the entire organization and its environment. It is intended to be permanently in force and compliance with it is mandatory for all employees, managers and directors of the company.

In addition, the internal audit department is responsible for overseeing compliance with and correct operation of these systems.

E.2. Identify the decision-making bodies of the company responsible for preparing and implementing the Risk Management and Control System, including the system for managing tax risks:

Responsibility for drawing up and executing the risk management system is exercised basically by the Audit Committee, specifically supported by the internal audit department.

The internal audit department is in charge of supervision and the correct operation of the risk management system.

The objectives of the audit committee are:

- To report to the General Shareholders' Meeting on any matters arising within its sphere of competence.
- To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of auditors or audit firms as referred to in article 264 of the Companies Act, and their contract conditions, the scope of their professional engagement and, as the case may be, their revocation or non-renewal.
- To supervise the efficiency of the Company's internal control, specially Internal Control over Financial Reporting, internal audit, as the case may be, and the risk management systems, and to discuss with the auditors or audit firms any significant internal control weaknesses detected in the course of the audit.
- To supervise the process of drawing up and presenting regulated financial information.
- To review the Company's accounts, ensure compliance with legal requirements and correct application of generally accepted accounting principles, for which purpose it has the direct collaboration of the external and internal auditors.
- To handle relations with the auditors or audit firms in order to receive information on any matters that could endanger their independence, to be examined by the Committee, and any other matters related to the auditing process, as well as any other communications established in auditing legislation and auditing standards. It must in any case receive each year from the auditors or audit firms written confirmation of their independence from the company or entities related to it directly or indirectly, and information on any additional services of any kind provided to such entities by such auditors or audit firms, or by persons or entities related to them in accordance with the provisions of Accounts Audit Act 19/1988, of 12th July.
- To issue annually, prior to the issue of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report must disclose the provision of additional services as referred to above.
- To supervise performance of the audit contract, ensuring that the opinion on the Annual Accounts and the main contents of the audit report are expressed clearly and precisely, and to evaluate the results of each audit.
- To supervise compliance with the legislation concerning related-party transactions. In particular, it will ensure that information on such operations is reported to the market, in compliance with the provisions of Order 3050/2004, of the Ministry of Economy and Finance, of 15th September 2004.
- To examine compliance with the Internal Rules of Conduct, the Board of Directors Regulations, and, in general, the Company's rules of good governance and to make the necessary proposals for improvement.
- To receive information and, as the case may be, issue a report on any disciplinary measures sought to be imposed on members of the Company's senior management team.

With regard to tax, the tax strategy approved by the Board is governed by the following principles: compliance with the applicable tax obligations in the territories where it does business, promote a relationship of collaboration with the Tax Authorities with which it relates, and protect sustainable value generation for the Company's different stakeholders.

Tax Management of the Group reports, at least one a year, to the Board – through the Audit Committee – on the management of and compliance with tax obligations as well as tax risk control and management aspects.

E.3. Point out the main risks, including tax risks and to the extent that they are significant the risks deriving from corruption (with the scope indicated in Royal Decree Act 18/2017), that could affect the achievement of business goals:

In the process of identifying, understanding and assessing the risks that affect the company, the following risk factors have been considered:

Operational risks

- a) Safety incidents
- b) Erroneous actions and relations with workers
- c) Market risks and risks of the activities in which the Group does business
- d) Brand reputation
- e) Risks relating to processes
- f) Economic environment
- g) Climatology
- h) Geopolitical risk
- i) Integrations of new companies

Financial risks

- a) Credit risk
- b) Default / Insolvency of customers
- c) Liquidity risk

E.4. Identify whether the company has risk tolerance levels, including one for tax risk:

The various risks are identified and assessed on the basis of an analysis of the possible events that could give rise to such risks. The assessment is carried out using parameters that measure probability and impact. The controls in place to mitigate them are determined as well as the additional action plans necessary if such controls are considered insufficient.

This process, performed annually, lets the Company's Risk Map be obtained. The most relevant risks are taken from this map and, together with the main variations compared to the previous year, are submitted to the Audit Committee for discussion and approval.

The definition of the scale of gravity and the scale of probability is carried out on the basis of qualitative and quantitative criteria. Once the critical risks have been identified and assessed, Company Management establishes specific actions, determining the person responsible and time to perform them, to mitigate the impact and probability of such risks and at the same time reviews the current controls over these risks. The analysis of risks, controls and actions to mitigate their impact and probability is presented annually to the Audit Committee, for supervision and approval. The Audit Committee subsequently reports to the Board of Directors.

E.5. State what risks, including tax risks, have materialized during the year:

The following risks have materialized in 2018:

• **Cyberattacks and fraud**

During 2018 the Fluidra Group has suffered a number of attacks and attempts at fraud based on identity theft of senior managers of the Group. In one of these attacks, the identity thief managed to contact a Fluidra employee instructing him to carry out an online banking transaction that involved a money transfer that is difficult to trace. Although the action was not stopped at the outset, it was able to be detected in time and all the defined control and action mechanisms were implemented, thus making it possible to prevent the fraud from materializing in full. This action reflects the growing need to reinforce preventive measures and action plans that will protect the Company from possible fraud or cyberattacks. The group is doing this with a cybersecurity audit and the implementation of the corresponding corrective actions.

• **Increase in credit risk**

Following the merger with the Zodiac group in July 218, the credit risk has increased in the America region where there is a high concentration of turnover in two major customers. Fluidra is aware of this situation and has started to implement the necessary actions to mitigate the effects of this risk. The Fluidra Group is a multinational company that continues to have a very wide and diversified customer portfolio.

E.6. Explain the plans for responding to and supervising the company's main risks, including tax risks, as well as the procedures followed by the company to ensure that the board of directors responds to the new challenges that appear:

- Development of new products. Continuing analysis of sales of new strategic products and comparison with competitors based on market research monitoring tools, statistical database analysis by type of market and product. Performance of comparative studies that will let us differentiate ourselves from competitors and update the product valuation dossiers with the information obtained. Specific action plans aimed at ensuring production capacities are adapted to the demand levels forecast for these new products.
 - Financial risks: Financial risks undergo continuous monitoring of, among others, the exposure to exchange rate and/or interest rate risk, proposing corrective measures.
 - Credit risks: The Fluidra Group has a highly diversified customer portfolio. However, as provided for in paragraph E5, in the America region the company carries out continuous and specific monitoring of two major customers which concentrate an important credit risk, analysing both the credit limits and financial health of these customers. Furthermore, following the merger the risk has reduced its impact with the diversification of the Group's portfolio in more geographical areas.
 - Technological risks: Given the activities carried on by the different Business Units of Fluidra, protecting their technology and developments is an essential milestone in order to maintain their competitive advantage. To this end the Company has certain development criteria and policies, as well as legal protocols that guarantee such protection.
 - Risk in the management of subsidiaries: Fluidra is firmly determined and convinced that reinforcing and harmonizing its procedures and internal controls in the subsidiaries of the group is the right way to ensure prompt detection and eradication of any irregularity in the management of the subsidiaries. In this regard, Internal Audit is a very valuable tool in the pursuit of this goal.
 - Development of new activities. The continuing evaluation by Fluidra of new activities and organizations that will contribute more value to the group has led to the completion in 2018 of the merger with Zodiac, a multinational with a very important presence in the United States. Aware that any new activity involves an intrinsic risk, Fluidra has established the necessary controls to mitigate the risk associated to the development and integration of any new activity, creating an integration office with the aim of overseeing these matters.
 - Human capital risks: The companies of the Fluidra Group have a variable remuneration policy linked to professional development and the achievement of personal objectives in order to identify and reward its best professionals in this way.
- The parent company has a whistleblowing channel created by the Audit Committee, under the collegiate management of corporate HR management, Internal Audit and Legal, so that any employee of the group can report any issues relating to internal control, accounting or auditing. The company has an Internal Code of Conduct on matters relating to the securities market.
- Process-related risks: These risks are handled and monitored centrally by the Management Control department and verified by the Internal Audit department. The processes of obtaining consolidated financial information are carried out centrally under corporate criteria, and both the consolidated annual accounts and the individual annual accounts of each subsidiary are verified by external auditors.
 - Tax and legal risks: Fluidra has defined a procedure for the identification and valuation of legal and tax risks which it applies on a regular basis. The object of this procedure is to identify any disputes or litigation that could have an impact on the Company's equity situation, or any differences that could arise due to a different interpretation of legislation in relation to a given tax. Based on the analysis carried out, the Company records the pertinent accounting provisions in order to have adequate cover in the event that any of these risks should materialize.

F. INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEMS ON FINANCIAL REPORTING (ICFR)

Describe the mechanisms that make up the control and risk management systems in relation to the company's financial reporting (ICFR).

F.1. Control environment in the company.

Indicate, specifying their main features, at least the following:

F.1.1 What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) the implementation of this system; and (iii) supervision of the system.

Fluidra S.A. and its subsidiaries (hereinafter Fluidra) formally defines the responsibilities for the adequate and effective existence of ICFR in the Board of Directors Regulations.

The Board of Directors has designated Corporate Financial Management of Fluidra as responsible for the implementation and maintenance of ICFR.

As regards responsibility for supervising ICFR, article 13.3 of the Board Regulations explicitly includes the responsibility of the Audit Committee in relation to supervision of the ICFR, as well as the responsibility for supervising the process of drawing up and presenting regulated financial information.

The Audit Committee has the Internal Audit function as support in fulfilling its responsibilities and this is reflected in the charter for that function.

F.1.2 Whether any of the following are in place, particularly with regard to the process of preparing financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for the proper dissemination of these in the company:

Fluidra has internal processes that establish the authorization levels necessary to modify the organizational structure. Defining the structure and reviewing it are ultimately responsibilities of the Executive Chairman and CEO, with the support of the Appointments and Remuneration Committee. The Appointments and Remuneration Committee is made up of 4 directors from the Board of Directors, of whom 2 are proprietary directors and 2 are independent.

Fluidra has an internal organization chart available on the corporate intranet which covers the main business areas and ranges from the position of Executive Chairman through the CEO to the level of General Management of each business. This organization chart specifies the areas and departments (including the departments involved in the preparation, analysis and supervision of the financial information), and details the hierarchical dependencies.

For the purposes of preparing regulated financial information, the Group Accounting Manual (GAM) sets out the basic lines of responsibility existing in the process, policies, documentation necessary and timing.

- Code of conduct, body that approves it, degree of dissemination and instruction, principles and values included (indicating whether the recording of operations and the preparation of financial information are specifically mentioned), body in charge of analysing breaches and proposing corrective actions and penalties:

Fluidra's commitments include focusing its efforts on ensuring that operations are carried out in an environment of ethical professional practice. This is carried out through the implementation of mechanisms aimed at preventing and detecting fraud committed by employees, or inappropriate practice that could lead to sanctions, fines or damage the Group's image, and also by reinforcing the importance of ethical values and integrity among its professionals.

Fluidra has a Code of Conduct (hereinafter Ethics Code), the first version of which was approved by the Board of Directors at a meeting held on 16th December 2008 and the latest version in October 2018.

The Ethics Code must be observed by all employees of the Group and is accessible to all employees through the corporate website, Intranet and Living Fluidra. All employees, when they join Fluidra, receive a copy of the Ethics Code which they have to sign as evidence of their agreement to comply with the internal policies of Fluidra.

The main values included in the Ethics Code are those of bringing maximum transparency to Fluidra's business, creating an environment of trust for its customers, suppliers, shareholders, employees, public and private institutions and for society in general. The Ethics Code is based on the ten principles declared in the UN Global Compact and seeks to be the guide that sets out the most relevant ethic principles and behaviour to be observed in internal and external relations, including and updating all conduct that is not permitted from a legal approach.

The general ethical principles considered in the Fluidra Ethics Code are specified in terms of the ICFR (Internal Control over Financial Reporting), in values associated to professional integrity and responsibility, guidelines for action related to a greater or lesser extent to the reliability of the financial information and compliance with applicable legislation.

Updates and amendments of the Ethics Code are proposed and promoted by the Audit Committee. The modifications that have been made to the Ethics Code are indicated below:

- On 28th February 2012, the Audit Committee approved the review of the Ethics Code with the aim of incorporating modifications that reflected the evolution of the legal framework to which it is subject, especially with regard to the responsibilities of the Board of Directors and the Audit Committee.
- During 2015, Fluidra reviewed the Ethics Code again, with the aim of bringing it into line with new legislative changes, updating it once again in 2016 to the latest changes in regulations. The latest version of the Ethics Code was approved by the Audit Committee on 27th July 2016 and by the Board of Directors on 28th July 2016. This new version of the Ethics Code has been relaunched to all employees of Fluidra. In addition to the Ethics Code, Fluidra also has other features that seek to achieve an environment of ethical professional practice.
- During 2017, the Compliance Coordination Committee was consolidated, currently made up of the corporate areas of Human Resources, Internal Audit, Legal Advising and by the Financial General Manager. As established in its Rules of application, its main functions are as follows:
 - Promoting, disseminating and applying the Ethics Code throughout the Group.
 - Ensuring that the criminal offence prevention and control model is developed correctly in the Group.
 - Encouraging the creation of internal policies, rules and procedures.
- During 2018, work has continued on developing the compliance area and no significant changes have taken place.

Whistleblowing channel that makes it possible to report any irregularities of a financial or accounting nature to the audit committee, as well as any possible breach of the code of conduct and irregular activities in the organization, specifying, if appropriate, whether it is confidential:

Fluidra has an internal whistleblowing channel ("Confidential Channel") through which all employees can address their queries and concerns. A communication channel has been enabled to send them: via the corporate website, intranet, Living Fluidra and an e-mail address. Fluidra also has an Ethics Committee, whose role is to deal with the queries and complaints received through the Confidential Channel. Its objective is to carry out monitoring and control of compliance with the principles established in the Ethics Code. The Ethics Committee reports annually to the Audit Committee the breaches of the Ethics Code identified and the corrective actions and disciplinary measures proposed, if necessary. All communications between the Ethics Committee and the employees of Fluidra are totally confidential, respecting the limitations established in applicable personal data protection legislation. In this regard, all members of the Ethics Committee are authorized to know the combined information of all queries and notifications received from the group through the query and notification procedure.

Regular training and update programmes for personnel involved in the preparation and review of financial information, as well as in the evaluation of ICFR, covering at least accounting policies, auditing, internal control and risk management:

With the aim of promoting training, Fluidra has the in-house school: FluidrAcademy. The aim of FluidrAcademy is to consolidate an offer of corporate training on multidisciplinary and business contents to promote the transmission of internal knowledge and interrelation between the professionals of Fluidra and on the other hand to strengthen internal training in Fluidra by offering courses on the main functional and business areas given by internal trainers whenever possible taking advantage of the knowledge of Fluidra.

For aspects related to the preparation of financial information, Fluidra has 2 fundamental lines in training on accounting and financial skills:

- 1.- GAM Online Training: This comprises 4 modules related to the most critical areas for financial reporting. Aimed at all personnel responsible for preparing financial statements in all the group companies, this is a compulsory course.
- 2.-Subsidiary Training: In addition, Fluidra's training is provided to foreign subsidiaries through visits by teams of the Division and even from Central Services, going over reporting statements, the different information needs or criteria for obsolescence and insolvency, among others. For new employees, a week-long training visit is made to central services.

Finally, as regards the audit and internal control areas, the personnel responsible for the financial and internal audit function identify the needs of their teams in terms of training and propose training courses to cover any sporadic needs that may exist.

F.2. Financial reporting risk assessment

Indicate at least the following:

F.2.1 What are the main features of the risk identification process, including the process of identifying the risks of error or fraud, with respect to:

- Whether the process exists and is documented:

The process followed by Fluidra to identify risks of error in the financial information is systematic and is documented. Fluidra places special emphasis on the identification of risks of material error or fraud, by determining financial reporting control objectives for each of the risks identified. This risk identification process is carried out and documented by Financial Management of Fluidra and is supervised by the Audit Committee, with the support of Internal Audit.

Whether the process covers all the financial reporting objectives (existence and occurrence; completeness; valuation; presentation, breakdown and comparability, and rights and obligations), whether it is updated, and how often:

The process is structured so that, on a regular basis, the areas that can have a material effect on the financial statements are analysed based on a range of criteria that include quantitative and qualitative factors, identifying relevant areas/locations at transaction level, to the extent that they are affected by transactions with a material impact on the financial statements. The scope of the areas identified is reviewed by Corporate Financial Management of Fluidra, and is ultimately supervised by the Audit Committee. If in the course of the year (i), circumstances not previously identified that show possible errors in the financial information or (ii), substantial changes in the operations of Fluidra come to light, Financial Management assesses the existence of the risks that should be added to the risks that have already been identified.

- The existence of a process for the identification of the consolidation perimeter, taking into account, among other matters, the possible existence of complex corporate structures, holding entities, or special purpose entities:

Through meetings with General Management of the divisions and the Legal Department, Financial Management regularly updates the corporate structure defining the consolidation perimeter for accounting and tax purposes. In addition, at least once a year the consolidation perimeter is supervised and approved by the Audit Committee. The Company has a tax policy that sets out the guidelines for the group's legal structure, seeking to attain the business goals while avoiding complex instrumental structures.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements:

The process takes into account other types of risks to the extent that they affect the financial statements.

- What governance body of the company supervises the process:

As indicated in the Board of Directors Regulations, the Audit Committee is responsible for reviewing the internal control and risk management systems periodically, so that the main risks are identified, managed and reported adequately.

F.3. Control activities.

Indicate whether at least the following are in place and describe their main features:

F.3.1. Procedures for review and authorization of financial information, and description of the ICFR to be published in the securities market, indicating the persons or divisions responsible for them, as well as documentation describing the flows of activities and controls (including those relating to risk of fraud) of the various types of transactions that could materially affect the financial statements, including the closing process and the specific review of significant judgements, estimates, valuations, and projections.

Fluidra has a range of procedures to validate the accounting closing and the preparation of financial information for all areas. The control activities identified and formally documented focus on activities related directly to balances and transactions that could have a material effect on the financial statements and also seek to mitigate the risk of fraud.

As regards the closing procedure and the procedure for the review and authorization of the financial information published on the market, it commences with the establishment of a detailed calendar of closing activities duly distributed over all the divisions through the GAM. Thereafter, each subsidiary reports its financial data using a standard format determined by Financial Management using the Hyperion tool. Financial Management is then responsible for the consolidation process, and prepares the Consolidated Annual Accounts, which are validated by Corporate Financial Management for subsequent presentation to and supervision by the Executive Chairman, CEO, Internal Audit, the Audit Committee and the Board of Directors.

Fluidra also has a series of procedures through which Financial Management reviews ICFR, mainly consisting of:

- Existence of an ICFR management policy that articulates the scope, responsibilities, procedure for evaluating the effectiveness of the model, supervision of the model, establishment of action plans and their follow up, and supervision by the Audit Committee.

- System for evaluating the internal control model through Self-Evaluation questionnaires: Financial Management of Fluidra, based on the process of identifying and assessing risks and controls, defines self-evaluation questionnaires considering the minimum requisites to guarantee reasonable assurance as to the reliability of the financial information which must be completed by the Divisions. Internal Audit supervises the effectiveness of the model in accordance with the provisions of the internal audit plan.

In relation to the specific review of relevant judgements, estimates, valuations and projections, this takes place initially in the existing control activities either in the routine transactions of Fluidra, or through the control mechanisms in place in the process of preparing the financial information detailed in the GAM. Depending on the degree of judgement and estimation applied and the potential impact on the financial statements, there is a subsequent scale of discussion and review involving General and Financial Management of the Division, Corporate Financial Management, the CEO, the Executive Chairman, the Audit Committee and the Board of Directors, in that order, in cases of substantially relevant aspects in the preparation of financial information.

When third-party experts are involved in areas subject to judgement, estimate, valuation and projections, they discuss and present their results to Financial Management, after having applied a series of control and supervision procedures to the work carried out by these experts.

In particular, the main judgements and estimates broached during the year are those indicated in the notes to the Consolidated Annual Accounts for the year.

F.3.2 Internal control policies and procedures on information systems (including, among others, secure access, control of changes, operation of the systems, operational continuity, and segregation of duties) that provide support for the company's relevant processes in drawing up and publishing financial information

Fluidra uses information systems to carry out and maintain adequate recording and control of its operations. As part of the process of identifying risks of error in the financial information, Fluidra identifies, through Financial Management, the systems and applications that are relevant in preparing it. The systems and applications identified include both those directly used in preparing the financial information and the interfaces with this system, notably in relation to sales/accounts receivable and purchases/accounts payable.

The policies and procedures concerning Fluidra's information systems cover both hardware and software security with regard to access (ensuring segregation of functions through adequate restriction of access), procedures to check the design of new systems or modifications to existing systems and continuity in their operation (or start-up of alternative systems and applications) in the event of incidents that affect their operation. These policies seek, among others, to guarantee the following aspects:

- Security of access both to data and applications.
- Control over changes in the applications.
- Correct operation of the applications.
- Availability of data and continuity of the applications
- Adequate segregation of functions

a) Secure access:

A series of measures at different levels have been defined to prevent unauthorized access both to data and to the applications.

At software, operating system and database level, the user-password combination is used as a preventive control. At data level, profiles have been defined which limit access to data and on which a segregation of functions matrix is being developed that will ensure the compatibility of the user's functions according to his/her responsibilities.

b) Control of changes:

A change management methodology has been developed and implemented which establishes the safeguards and validations necessary to limit the risk in this process. Since 2012 a new methodology called "change request" has been in use.

The main aspects featured include the following:

- Approval by the business area
- Testing prior to production
- Specific environments for development and test tasks
- Reverse procedures
- Segregation of functions as the development team does not have access to production.

c) Operation:

To ensure that operations are carried out correctly, the interfaces between the systems involved in preparing financial information are monitored. There is also an internal "Help Desk" services for end users in the event of detecting any kind of incident, query or request for training and which controls the efficiency of the operation of the information systems.

d) Availability and continuity:

In the headquarters, the Company has two Data-Processing Centres (main and backup) that enable it to ensure the availability of the information system in a contingency. All of this is supported, furthermore, by a Disaster Recovery Plan with the tasks and steps to be carried out to restore the systems in such an event. This DRP is tested in real conditions once a year. In addition, daily backups are made of the data and applications, which are kept at a secure location temporarily. To recover such data there is a specific procedure although integral tests are not carried out regularly. Partial information recovery processes are however carried out regularly.

In the US headquarters, the data for the core applications is stored in California and is replicated in real time to Utah. Additionally, restore points for the same data are stored onsite in California for immediate recovery in situations where the disaster has not physically damaged the datacenter.

This data is routinely recovered to test the integrity of the data and recovery process.

In Australia, the data for the core applications is stored in Sydney, backed up to tape and sent offsite to a secure storage company on a weekly basis. Additionally, restore points for the same data are stored onsite in Sydney for immediate recovery in situations where the disaster has not physically damaged the datacenter. This data is routinely recovered to test the integrity of the data and recovery process.

e) Segregation of functions:

A series of profiles have been defined describing the functionalities to which a user should have access in the Information Systems. These profiles are used to prevent a user from having more privileges than are strictly necessary. The definition of these profiles is currently under review.

F.3.3 Internal control policies and procedures designed to supervise management of activities outsourced to third parties, as well as the aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect the financial statements.

If a service has to be outsourced or an independent expert involved in assessments, calculations and valuations with a significant impact on the financial information, Financial Management of Fluidra leads the decision-making process.

F.4. Information and communication.

Indicate whether at least the following are in place and describe their main features:

- F.4.1. A specific function charged with defining and updating accounting policies (accounting policy area or department) and with resolving questions or conflicts arising from their interpretation, maintaining fluid communications with those responsible for operations at the organization, as well as an updated accounting policy manual that has been communicated to the units through which the entity operates.**

Among other functions, Financial Management is responsible for keeping the accounting policies applicable to the group up to date. In this regard, it is responsible for updating the GAM, which includes the group's accounting policies and chart of accounts, as well as an analysis of any regulatory and accounting changes that could have an impact on the financial information of Fluidra.

The GAM is updated periodically, or when a significant new development so requires, and was last updated in September 2018. The updates review both accounting policies based on changes in applicable EU-IFRS and the group's accounting structure, ensuring the traceability between individual charts of accounts of the group subsidiaries and the Fluidra chart of accounts which is used as the basis for drawing up the different reporting packages to be provided to external bodies. Changes and updates to the GAM are communicated to all responsible financial personnel by e-mail. The last update of the GAM is always available on the group's intranet under the heading "policies and procedures".

Financial Management is also responsible for clearing up any doubts about the accounting treatment of certain transactions raised by the

personnel responsible for preparing the financial information of Fluidra.

To add greater convenience and efficiency to the responsibility of keeping the GAM up-to-date, and to identify any incidents and weaknesses that have to be remedied, there is a working group on accounting procedures, made up of a member of Corporate Financial Management, the Internal Audit Manager and the person responsible for updating the GAM, the aim of which is to update the GAM based on the incidents detected by internal audit in the course of its duties, which are not contemplated in the Group's current policies. This working group meets once a quarter and records minutes of the meetings.

F.4.2 Mechanisms to capture and prepare financial information using standardized formats, to be applied and used by all units of the company or group, supporting the main financial statements and the notes, as well as the information provided on ICFR.

All the companies that form part of the Consolidated Group at the end of 2018 use a single standardized reporting format. Most of them (approximately 60% of turnover), have the same Corporate System for accounting in terms of capture and preparation of financial information. For the remaining 40%, which have not implemented that Information System at present, Fluidra ensures that standardized formats are used in preparing the financial information through mechanisms that reflect those used in the integrated tool. The financial information reported by all the subsidiaries covers the composition of the main Financial Statements and the notes. The Financial Management department of Fluidra is responsible for obtaining data from all the subsidiaries, and with this information makes the necessary consolidation adjustments to obtain the consolidated figures and complements the financial information with the reserved notes to Consolidated Financial Statements. In 2013, new reporting and consolidation software was implemented and has been fully active since 2015.

To ensure the reliability of the information reported by the subsidiaries, they must report a range of data to allow an analysis of variations in asset and liability items and results obtained with respect to the monthly budget and the previous year, in which the various balance sheet and income statement items are interrelated, permitting greater knowledge in detail of the operations reported at local level.

The Company has also implemented ICFR management software through which twice a year the subsidiaries included in the scope complete self-evaluation questionnaires on control and submit evidence of key controls. These questionnaires are suitably supervised by the responsible financial personnel of the corresponding division, creating action plans if considered necessary. Internal audit carries out supervision of the effectiveness of the controls twice a year, in accordance with the annual audit plan, reporting the results to the Audit Committee.

F.5. Supervision of operation of the system.

Indicate and describe the main features of at least the following:

- F.5.1.** The ICFR supervision activities carried out by the audit committee as well as whether the entity has an internal audit function whose duties include providing support to the committee in its work of supervising the internal control system, including ICFRS. Information is also to be provided concerning the scope of the evaluation of ICFR performed during the year and on the procedure whereby the person or division charged with performing the evaluation reports the results thereof, whether the entity has an action plan in place describing possible corrective measures, and whether the impact thereof on the financial information has been considered.

The duties of the Audit Committee in relation to the supervision of ICFR are established in article 13 of the Board of Directors Regulations and, among others, are focused on:

- Supervising the efficiency of the Company's internal control, especially Internal Control on Financial Reporting, internal audit, as the case may be, and the risk management systems, and discussing with the auditors or audit firms any significant internal control weaknesses detected in the course of the audit.
- Supervising the process of drawing up and presenting regulated financial information.
- Reviewing the Company's accounts, ensuring compliance with legal requirements and correct application of generally accepted accounting principles, for which purpose it has the direct collaboration of the external and internal auditors.
- In relation to the information systems and internal control:

- Supervising the process of drawing up and the integrity of the financial information relating to the Company and, as the case may be, the group, reviewing compliance with regulatory requisites, adequate definition of the consolidation perimeter and correct application of

accounting policies.

- Reviewing the internal control and risk management systems periodically, so that the main risks are identified, managed and reported adequately.
- Ensuring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-election and removal of the person responsible for the internal audit service; proposing the budget for the service; receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

- Establishing and supervising a mechanism that allows employees to report, confidentially and, if considered appropriate, anonymously, any irregularities of potential relevance, especially financial and accounting irregularities that they observe in the Company.

The Internal Audit Function is located within the Group's organization structure, and depends on the Audit Committee, so that its independence is guaranteed as well as the performance of the assigned functions. All the actions carried out by the Internal Audit Function that require approval are approved by the Board of Directors at the proposal of the Audit Committee.

Internal Audit prepares and presents an Annual Internal Audit Plan which is reviewed and approved by the Audit Committee. In 2018, Internal Audit met with the Audit Committee in the months of February, April, July, September, November and December to present the results and evolution of its work. At these meetings, Internal Audit reported the weaknesses identified in the design of the internal control model, proposed the corresponding action plans and the dates of implementation of these plans. In turn, Internal Audit supervises the correct implementation of corrective actions.

In the months of May, June, October and December 2018, the Audit Committee, through the Internal Audit Function, has supervised the correct review of the effectiveness of the controls conducted by Financial Management. A small number of weaknesses were detected, in May only, for which group management has set up the necessary provisions. The weaknesses detected are reported to the heads of the Divisions and the corresponding action plans are designed, with a follow-up of their implementation.

F.5.2 Whether it has a discussion procedure whereby the auditor (as provided in the Technical Auditing Standards), the internal audit function, and other experts can inform senior management and the audit committee or the directors of the entity of the significant internal control weaknesses detected during the review of the annual accounts or such other reviews as may have been entrusted to them. Information shall also be provided on whether there is an action plan to attempt to correct or mitigate the weaknesses found.

The Audit Committee meets at least four times a year, with the aim of obtaining and analysing the necessary information to fulfil the tasks with which it has been entrusted by the Board of Directors.

Special attention is given to the review of the company's quarterly financial information, which is presented by General Financial Management. In order to carry out this process, the Audit Committee is assisted by Internal Audit, General Financial Management (responsible for preparing the financial information) and the Auditor, with the aim of ensuring the correct application of ruling accounting policies and the reliability of the financial information, and in order to be able to report any significant control weaknesses identified, if there are any, and the corresponding action plans.

Prior to the reports issued by the Audit Committee, Internal Audit discusses the results of its work with local management, Financial Management and Corporate General Management, thus ensuring fluid and efficient communication among all parties.

In relation to the External Auditors, they present annually the scope, timing and areas of emphasis of their audit work on the annual accounts, in accordance with the applicable auditing standards. They also meet with the Audit Committee to present the conclusions of their work and areas for improvements. The weaknesses reported are communicated to Internal Audit for inclusion in the implementation plan. It should be noted that the External Auditors have stated that no significant internal control weaknesses have come to light during the audit performed in 2018.

F.6. Other relevant information.

F.7. External audit report.

Report on:

F.7.1 Whether the information on ICFR sent to the markets has been reviewed by the external auditor, in which case the entity should include the corresponding report as an appendix. Otherwise, the reasons for this should be provided.

Fluidra has submitted the information on ICFR sent to the markets for 2018 to be reviewed by the External Auditor. The favourable report issued by the External Auditor is attached as an appendix to this document.

G. DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

State the company's degree of compliance with the recommendations of the Good Governance Code of Listed Companies.

If the company does not comply with any recommendation or follows it partially, a detailed explanation of the reasons must be given, providing shareholders, investors, and the market in general with sufficient information to assess the company's course of action. Generalized explanations will not be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies [☒] Explain [☐]

2. When a parent and subsidiary company are both listed, they should provide detailed disclosure on:

- a) The business activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

- b) The mechanisms in place to resolve possible conflicts of interest.

Complies [☐] Complies partially [☐] Explain [☐] Not applicable [☒]

3. During the ordinary general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous ordinary general meeting.

- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative rules followed instead.

Complies [☒] Complies partially [☐] Explain [☐]

4. The company should draw up and promote a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be published on the company's website, complete with details of how it has been put into practice and the identities of the relevant spokespersons or those charged with its implementation.

Complies [☒] Complies partially [☐] Explain [☐]

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without a preferential subscription right for an amount exceeding 20% of capital at the time of such delegation.

When the board approves any issue of shares or convertible securities without preferential subscription rights, the company should immediately post on its website the reports explaining the exclusion referred to in mercantile legislation.

Complies [X] Complies partially [] Explain []

6. Listed companies that draw up the following reports on a voluntary or compulsory basis should publish them on their website sufficiently in advance of the ordinary general meeting, even if their distribution is not mandatory:

- a) Report on auditor's independence.
- b) Reports on the activities of the audit committee and the appointments and remuneration committee.
- c) Report of the audit committee on related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies [] Complies partially [X] Explain []

Each year the company prepares an annual report on the activities of the Audit Committee. It also prepares a report each year on the auditor's independence. Both of these are published on the Company's website sufficiently in advance of the Ordinary General Shareholders' Meeting. In addition, the Company issues an integrated report that contains aspects relating to corporate social responsibility.

7. The company should broadcast its general shareholders meetings live on the corporate website.

Complies [] Explain [X]

To date the Company has not broadcast general shareholders' meetings live on its website, although if requests to do so were received from shareholders, the Company would study this possibility and would make every effort to implement this measure.

8. The audit committee should strive to ensure that the board of directors presents the company's accounts to the general shareholders' meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of the content and scope of such limitations or qualifications.

Complies [X] Complies partially [] Explain []

9. The company should publish the requisites and procedures it will accept as evidence of ownership of shares, the right to attend general meetings and the exercise or delegation of voting rights permanently on its website.

Such requisites and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies [X] Complies partially [] Explain []

10. When a shareholder entitled to do so exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate these supplementary items and new proposals for resolutions.
- b) Publish the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or inferences about the way of voting.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies [X] Complies partially [] Explain [] Not applicable []

11. In the event that the company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies [] Complies partially [] Explain [] Not applicable [X]

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the attainment of a profitable business that is sustainable in the long term, promoting its continuity and maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct based on good faith, ethics and respect for commonly accepted customs and good practice, but also strive to reconcile the company's interests with the legitimate interests of its employees, suppliers, customers and other stakeholders, as well as with the impact of its activities on the broader community and the environment.

Complies [X] Complies partially [] Explain []

13. The board of directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complies ☒ Explain ☐

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of the board's needs should be reflected in the appointments committee's report, to be published when the general meeting is convened that is to resolve on the ratification, appointment or re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by female directors by the year 2020.

The appointments committee should perform an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies ☐ Complies partially ☒ Explain ☐

The Appointments and Remuneration Committee oversees selection procedures to ensure they do not suffer from implicit bias that could lead to discrimination on account of age, gender, or training, ensuring that the proposals for appointments to cover vacancies or for the re-election of directors are based on a prior evaluation of the profiles that the directors should have to ensure that the directors' professional profiles are complementary, leading to greater integration and better operation of the Board.

The Company is working with the object of increasing the presence of women on the Board of Directors, by implementing a director selection policy that promotes the goal that are women those who will fill-in any vacancy occurred in the Board of Directors, provided that they fulfill the characteristics of the sought profile. In this regard, it is intended that at least one of the vacancies that will arise in 2019 is filled by a woman, as described in sections C.1.5, C.1.6 and C.1.7. However, the selection policy does not only take into gender diversity but also the other characteristics of the sought profile for the candidate such as knowledge, experience and professionalism, with a view to appointing the best possible candidate.

15. Proprietary and independent directors should constitute an ample majority on the board of directors, and the number of executive directors should be the minimum necessary bearing in mind the complexity of the corporate group and the percentage shareholding of the executive directors in the company's capital.

Complies ☒ Complies partially ☐ Explain ☐

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the capital of the company represented by such directors and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no shareholdings attain the legal threshold to be regarded as significant.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies [X] Explain []

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of share capital, independent directors should occupy, at least, a third of board places.

Complies [X] Explain []

Independent directors represent 33% of the total board members. It should be borne in mind that Piscine Luxembourg Holdings 1, S.a.r.l is the owner of a shareholding that represent 42.427% of the Company's share capital and there is a concerted action that represents 25% of the Company's share capital.

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director category to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on such shares.

Complies [X] Complies partially [] Explain []

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies [☐] Complies partially [☐] Explain [☐] Not applicable [☒]

20. Proprietary directors should resign when the shareholders they represent dispose of their shareholding in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the number of proprietary shareholders should be reduced accordingly.

Complies [☒] Complies partially [☐] Explain [☐] Not applicable [☐]

21. The board of directors should not propose the removal of independent directors before the expiry of their term of office established in the Articles of Association, except when there is due cause, found to exist by the board of directors following a report of the appointments committee. In particular, due cause will be deemed to exist when directors take up new posts or responsibilities that prevent them allocating sufficient time to their duties as a board member, or are in breach of the inherent duties of their post or come under one of the disqualifying grounds for classification as independent director enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies [☒] Explain [☐]

22. Companies should establish rules obliging directors to disclose any circumstance that might be damaging to the company's credit and reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

As soon as a director is indicted or tried for any of the offences stated in legislation on companies, the board of directors should examine the case as soon as possible and, in light of the particular circumstances, decide whether or not he or she should remain in office. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies [☒] Complies partially [☐] Explain [☐]

23. All directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes significant or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies [X] Complies partially [] Explain [] Not applicable []

24. Directors who cease to hold their post before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a relevant event, the motivating factors should be explained in the annual corporate governance report.

Complies [X] Complies partially [] Explain [] Not applicable []

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve:

Complies [] Complies partially [X] Explain []

The Board Regulations establishes that the Appointments and Remuneration Committee is responsible for assessing the necessary competence, knowledge and experience of the Board, defining the duties and necessary aptitudes in the candidates who are to fill each vacancy, evaluating the time and dedication required so that they can discharge their responsibilities effectively. Although the Board Regulations do not establish the maximum number of Boards on which its directors may service, this information is taken into account in evaluating the suitability of candidates in the process for the appointment and re-election of directors in order to evaluate the time and dedication available to them to discharge their duties as directors effectively.

26. The board should meet with the necessary frequency to properly perform its functions, and at least eight times a year, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies [X] Complies partially [] Explain []

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate another director to represent them and issue appropriate instructions.

Complies ☒] Complies partially ☐] Explain ☐]

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minutes if the person expressing them so requests.

Complies ☒] Complies partially ☐] Explain ☐] Not applicable ☐]

29. The company should establish suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external advising at the company's expense.

Complies ☒] Complies partially ☐] Explain ☐]

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies ☐] Complies partially ☒] Explain ☐]

Even if training and working sessions in matters of interest are carried out, a formal training and working program has not been established as such.

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

When, exceptionally, for reasons of urgency, the chairman wishes to present decisions or resolutions for board approval that were not on the agenda, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies ☒] Complies partially ☐] Explain ☐]

32. Directors should be regularly informed of movements in share ownership and of the views of significant shareholders, investors and rating agencies on the company and its group.

Complies ☒] Complies partially ☐] Explain ☐]

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's Articles of Association, should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies [X] Complies partially [] Explain []

34. When a lead independent director has been appointed, the Articles of Association or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice-chairs, if any; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Complies [X] Complies partially [] Explain [] Not applicable []

35. The secretary of the board should make special efforts to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code that are applicable to the company.

Complies [X] Explain []

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The operation and composition of its committees.
- c) The diversity in the composition and competences of the board.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of each individual director, with particular attention to the chairs of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external consultant to aid in the evaluation process. This consultant's independence should be verified by the appointments committee.

Any business dealings that the consultant or any company in its group has with the company or with any company in its group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be described in the annual corporate governance report.

Complies [X] Complies partially [] Explain []

37. Where there is an executive committee, the participation structure of the different categories of directors should be similar to that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies [X] Complies partially [] Explain [] Not applicable []

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the executive committee's minutes.

Complies [X] Complies partially [] Explain [] Not applicable []

39. The members of the audit committee, particularly its chairman, should be appointed taking into account their knowledge and experience in accounting, auditing and risk management matters. A majority of the members of this committee should be independent directors.

Complies [X] Complies partially [] Explain []

40. Under the supervision of the audit committee, there should be a unit in charge of the internal audit function to oversee proper operation of reporting and internal control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies ☒] Complies partially ☐ Explain ☐]

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit a report on its activities at the end of each year.

Complies ☒] Complies partially ☐ Explain ☐ Not applicable ☐]

42. In addition to the functions established by law, the audit committee should have the following functions:

1. In relation to internal control and reporting systems:

- a) Supervise the process of drawing up and the integrity of the financial information relating to the Company and, as the case may be, the group, reviewing compliance with regulatory requisites, adequate definition of the consolidation perimeter and correct application of accounting policies.
- b) Ensure the independence of the unit that undertakes the internal audit function; propose the selection, appointment, re-election and removal of the person responsible for the internal audit service; propose the budget for the service; approve the approach and its work plans, ensuring that its activity is focused mainly on the relevant risks of the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report, confidentially and, if considered appropriate, anonymously, any irregularities of potential relevance, especially financial and accounting irregularities that they observe in the Company.

2. In relation to the external auditor:

- a) Investigate the circumstances giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other regulations on auditor independence.

Complies [X] Complies partially [] Explain []

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior manager.

Complies [X] Complies partially [] Explain []

44. The audit committee should be informed of any structural and corporate modification operations the company is planning, so the committee can analyse and report to the board beforehand on their economic conditions and accounting impact, especially, when applicable, on the proposed swap ratio.

Complies ☒ Complies partially ☐ Explain ☐ Not applicable ☐

45. The risk management and control policy should identify at least:

- a) The different types of financial and non-financial risks the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off- balance-sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures devised to mitigate the impact of the risks identified, should they materialize.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance- sheet risks.

Complies ☒ Complies partially ☐ Explain ☐

46. Companies should establish an internal risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that all the significant risks the company is exposed to are adequately identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks adequately in the context of the policy defined by the board of directors.

Complies ☐ Complies partially ☒ Explain ☐

This is done by internal audit

47. Members of the appointments and remuneration committee - or of the appointments committee and the remuneration committee, if they are separate - should be appointed ensuring that they have adequate knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies ☐ Complies partially ☒ Explain ☐

The members of the Appointments and Remuneration Committee have been appointed taking into account their knowledge, skills and experience as well as the mission of the Committee. At present, as regulated in the Board Regulations, the Committee is made up of four non-executive directors, two of which are independent. The Chairman of the Committee, as regulated in the Committee Regulations, is an independent director.

48. Large cap companies should have separate appointments and remuneration committees.

Complies [☐]

Explain [☐]

Not applicable [☒]

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director should be able to approach the appointments committee to propose candidates that it might consider suitable.

Complies [☒]

Complies partially [☐]

Explain [☐]

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior management contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensure that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice provided to the committee.

e) Verify the information on director and senior manager remuneration contained in corporate documents, including the annual report on directors' remuneration.

Complies [☒]

Complies partially [☐]

Explain [☐]

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior managers.

Complies [☒]

Complies partially [☐]

Explain [☐]

52. The rules on the composition and operation of the supervisory and control committees should be set out in the board of directors regulations and should be consistent with the rules applicable to legally mandatory committees in accordance with the above recommendations, including the following rules:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of the directors and each committee's terms of reference; discuss their proposals and reports; and report back on their activities and work at the first full board meeting following each committee meeting.
- d) The committees may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Minutes of their meetings should be drawn up and made available to all board members.

Complies [X] Complies partially [] Explain [] Not applicable []

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organization, with at the least the following functions:

- a) Oversee compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of the other stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practice and assess the degree of compliance.
- f) Oversee and evaluate processes in relation to the different stakeholders.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies [X] Complies partially [] Explain []

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be developed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relating to: shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.
- d) The methods or systems for monitoring the results of the application of the practices referred to above, identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect honour and integrity.

Complies [X] Complies partially [] Explain []

Fluidra has a Corporate Social Responsibility master plan for the group for the period 2017-2020. Fluidra has a Corporate Social Responsibility committee that meets 5-6 times a year. It also has an ethics committee that receives reports of breaches of the ethics code and reports them to the Audit Committee. An integrated report is also drawn up each year. Fluidra has a plan to promote compliance with the ethics code by suppliers. The United Nations Global Compact has been signed and is renewed annually. The Board approved an Equality and Diversity policy in 2010. The ethics code, updated and amended in 2015, was implemented with all employees in 2017.

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies [X] Complies partially [] Explain []

56. Directors' remuneration should be sufficient to attract and retain individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies [X] Explain []

57. Variable remuneration linked to the company and the director's performance, and remuneration in the form of awarding shares, options or rights on shares or instruments linked to the share price and long-term savings schemes such as pension plans, retirement systems or other benefits should be confined to executive directors.

Share-based remuneration of non-executive directors may be considered when it is subject to the condition that the shares must be kept until the end of their term of office. This condition, however, will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies ☒] Complies partially ☐] Explain ☐]

58. In the case of variable remuneration, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or other similar circumstances.

In particular, variable remuneration components should meet the following conditions:

- a) They should be subject to predetermined and measurable performance criteria that take into account the risk assumed to obtain a given outcome.
- b) They should promote the sustainability of the company and include non-financial criteria that are relevant for the creation of value in the long term, such as compliance with the company's internal rules and procedures and its risk management and control policies.
- c) They should be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies ☒] Complies partially ☐] Explain ☐] Not applicable ☐]

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies ☒] Complies partially ☐] Explain ☐] Not applicable ☐]

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce the amount of such earnings.

Complies ☒] Complies partially ☐] Explain ☐] Not applicable ☐]

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies ☒] Complies partially ☐] Explain ☐] Not applicable ☐]

62. Once shares or options or rights on shares have been awarded as part of share-based remuneration, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies ☒] Complies partially ☐] Explain ☐] Not applicable ☐]

63. Contractual arrangements should include a clause that allows the company to reclaim variable components of remuneration when payment was not in line with the director's actual performance or based on data subsequently found to be inaccurate.

Complies ☒] Complies partially ☐] Explain ☐] Not applicable ☐]

64. Severance payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that the director has met the predetermined performance criteria.

Complies ☒] Complies partially ☐] Explain ☐] Not applicable ☐]

H. OTHER INFORMATION OF INTEREST

1. If there are any significant aspects regarding corporate governance in the company or entities of the group that have not been included in the other sections of this report, but should be included in order to provide more complete and well-reasoned information regarding the corporate governance structure and practices in the entity or its group, briefly describe them.

2. In this section, you may also include any other information, clarification, or comment relating to the prior sections of this report to the extent they are relevant and not repetitive.

Specifically, state whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this report.

3. The company may also state whether it has voluntarily adhered to other international, industrial, or other codes of ethical principles or good practice. If so, identify the code in question and the date of adherence thereto. In particular, mention whether the company has signed up to the Code of Good Tax Practice, of 20th July 2010:

*Section A.12.

The consolidated text of the Agreement on Syndication of votes and shares formalized on 3rd November 2017 establishes that none of the syndicated shareholders (as defined in the agreement) may sell, transfer, assign, convey or otherwise dispose of or encumber titles to the Syndicated Shares (25% of the share capital) and/or ownership of the inherent voting or economic rights of the shares throughout the syndication period, i.e. the period running from the date on which the shares of Fluidra are admitted for trading (31 October 2007) and the first of the following dates: (i) the date on which three (3) years have elapsed since the date of registration of the cross-border merger by absorption by Fluidra, S.A. (transferee) of Piscine Luxembourg Holdings 2 S.à.r.l. (transferor) in the Mercantile Registry of Barcelona, (ii) the date on which three (3) months have elapsed since the date of termination of the shareholders' agreement formalized on 3rd November 2017 between certain shareholders of Fluidra, S.A. (the "Current Shareholders") and Piscine Luxembourg Holdings 1, S.à.r.l., (company controlled by Rhône Capital LLC) (the "SHA") or (iii) the date on which the obligation may arise to submit a take-over bid for all the securities of Fluidra, in accordance with the provisions of Royal Decree 1066/2007, of 27th July, on the regime of takeover bids, as a result of the decisions to invest in shares in Fluidra by a shareholder or shareholders, exercising their rights under the SHA. The Agreement also establishes the mechanism for syndicating the votes associated to the Syndicated Shares.

In turn, the SHA establishes a general lock-up term of 36 months and a series of rules and commitments, including a pre-emption right, for transfers after the aforesaid term of 36 months.

*Section B.2.

The shareholders' agreement entered into on 3rd November 2017, Relevant Event no. 258222, provides for certain qualified majority voting rules for the adoption of certain resolutions by the General Shareholders' Meeting. Such provision relating to certain qualified majority voting rules is also established in article 33 of the Articles of Association and in article 25 of the General Meeting Regulations. See paragraph B.3 for more detail.

*Section C.2.1.

Name of committee

APPOINTMENTS AND REMUNERATION

COMMITTEE Description

The Committee will be made up of 4 non-executive directors, at least two of whom must be independent directors, who will be appointed by the Board of Directors, notwithstanding that executive directors or senior managers may attend meetings when the members of the Committee so agree expressly.

The members will be appointed taking into account their knowledge, skills and experience as well as the tasks entrusted to the Committee. Any director may ask the Committee to take candidates into consideration to cover vacancies, if they are considered suitable.

The Chairman shall necessarily be an independent director, elected among the independent directors who form part of the Committee.

Notwithstanding any other functions that may be assigned by law, the Articles of Association or the Board of Directors, the Appointments and Remuneration Committee has the following basic responsibilities according to the internal regulations:

- To draw up and review the criteria to be followed for the composition of the management team of the Company and its subsidiaries and for the selection of candidates.

- To ensure the skills, knowledge and experience necessary in the Board and, consequently, define the necessary duties and skills of candidates who are to fill each vacancy, and evaluate the time and dedication required so that they can discharge their duties.
- Report and submit to the Board of Directors the proposals for the appointment and removal of senior managers and managers proposed by the chief executive, and the basic conditions of their contracts.
- Report to the Board on matters of gender diversity and qualifications of directors, as established in article 6.2 of the Board Regulations.

- It will propose to the Board of Directors: (i) the remuneration policy for directors and general managers or whoever carries out senior management tasks directly accountable to the Board, the Executive Committee or CEO; (ii) the individual remuneration of executive directors and other conditions of their contracts; (iii) the policies for hiring senior managers of the Company and the basic conditions of their contracts.
- To examine and organize, in the manner considered appropriate, the succession of the Chairman and the chief executive and, as the case may be, make proposals to the Board, so that this succession takes place in an orderly and well-planned manner.
- To ensure that the remuneration policy established by the Company is respected and that remuneration is transparent.
- To establish a goal for representation of the least-represented sex on the Board of Directors and to draw up guidelines as to how to reach this goal.
- To submit to the Board of Directors the proposals for the appointment of independent directors to be appointed by co-optation or to be submitted to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or removal of such directors by the General Shareholders Meeting.
- To report on proposals for the appointment of the remaining directors to be appointed by co-optation or to be submitted to the decision of the General Shareholders' Meeting, as well as proposal for their re-election or removal by the General Shareholders' Meeting.

The Appointments and Remuneration Committee will meet, ordinarily, every quarter. It will also meet every time a meeting is convened by its Chairman, who must do so whenever the Board or the Chairman of the Board asks for a report or for proposals to be accepted and, in any case, whenever appropriate for the proper discharge of its duties. Notice convening ordinary meetings of the Appointments and Remuneration Committee will be sent by registered letter, fax, telegram or e-mail, and will be authorized with the signature of the Chairman of the Committee or, as the case may be, the signature of the Secretary of the Committee by order of the Chairman. Notice will be sent at least five days in advance and must include the agenda for the meeting. The Chairman of the Committee may convene extraordinary meetings of the Committee when, in his opinion, the circumstances so require, and in this case the term of prior notice indicated above shall not apply. Furthermore, meetings of the Appointments and Remuneration Committee will be deemed valid without the need for prior notice if all the members are present and represented and agree unanimously to hold the meeting.

The resolutions of meetings of the Appointments and Remuneration Committee held by videoconference, multiple conference call or other remote communication techniques will be valid provided that none of the members of the Committee objects to this procedure, they have the necessary means to hold the meeting in this way and can recognize each other. This must be expressly stated in the minutes of the Committee meeting. In this case, a single meeting of the Committee will be deemed to have been held at the Company's registered office. The meetings of the Committee will be quorate when at least a majority of its members are present in person or represented. Resolutions will be adopted by majority of the members in attendance (present in person or represented) at the meeting. In the event of a tie, the Chairman does not have a casting vote. For the better fulfilment of its duties, the Appointments and Remuneration Committee may obtain advising from external experts when considered necessary for the adequate discharge of its duties. The Committee must report on its activity and give an account of the work carried out at the first full meeting of the Board of Directors held after its meetings. The Committee must also draw up minutes of its meetings, a copy of which will be sent to all the members of the Appointments and Remuneration Committee and which will be available to the members of the Board of Directors. Meetings will be held in English with simultaneous translation into Spanish, unless all the directors present at the meeting can speak fluent Spanish, in which case the meeting will be held in Spanish. The Committee must consult the Chairman and chief executive of the Company, especially with regard to matters concerning the executive directors and senior managers. The Board of Directors will deliberate on the proposals and reports that the Committee submits to it.

Name of committee

AUDIT COMMITTEE

Description

The Committee will be made up of 5 directors, who will be exclusively non-executive directors, who will be appointed by the Board of Directors, notwithstanding that executive directors or senior managers may attend meetings when the members of the Committee so agree expressly. At least two of the members of the Committee will be independent directors and one of them will be appointed taking into account his/her knowledge, skills and experience in the field of accounting, auditing or both. The members of the Audit Committee, especially the Chairman, will be appointed taking into account their knowledge, skills and experience in the field of accounting, auditing or risk management as well as their knowledge, skills and experience with regard to the other tasks entrusted to the Committee. The Chairman of the Audit Committee will be appointed out of the independent directors who form part of it, and must be replaced every four years. The Chairman may be re-elected once one year has elapsed since the date of stepping down from the post. The person designated out of the Committee's members shall act as Secretary, and may be a director or someone who is not a director. Notwithstanding any other functions that may be assigned by law, the Articles of Association or the Board of Directors, the Audit Committee shall have the following basic functions:

- To report to the General Shareholders' Meeting on any matters arising within its sphere of competence.
- To propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of auditors or audit firms as referred to in article 264 of the Companies Act, and their contract conditions, the scope of their professional engagement and, as the case may be, their revocation or non-renewal.
- To supervise the efficiency of the Company's internal control, especially Internal Control over Financial Reporting, internal audit, as the case may be, and the risk management systems, and to discuss with the auditors or audit firms any significant internal control weaknesses detected in the course of the audit.
- To supervise the process of drawing up and presenting regulated financial information.
- To review the Company's accounts, ensure compliance with legal requirements and correct application of generally accepted accounting principles, for which purpose it has the direct collaboration of the external and internal auditors.
- To handle and oversee relations with the external auditors or audit firms to receive information on any matters that could endanger their independence, to be examined by the Committee, and any other matters related to the auditing process, as well as any other communications established in auditing legislation and auditing standards.
- To supervise performance of the audit contract, ensuring that the opinion on the Annual Accounts and the main contents of the audit report are expressed clearly and precisely, and to evaluate the results of each audit.
- To supervise compliance with the legislation concerning related-party transactions. In particular, it will ensure that information on such operations is reported to the market, in compliance with the provisions of Order 3050/2004, of the Ministry of Economy and Finance, of 15th September 2004.



- To examine compliance with the Internal Rules of Conduct, the Board of Directors Regulations, and, in general, the Company's rules of good governance and to make the necessary proposals for improvement.
- To receive information and, as the case may be, issue a report on any disciplinary measures sought to be imposed on members of the Company's senior management team.

The Audit Committee is also responsible for the following:

1) In relation to internal control and reporting systems:

(a) Supervising the process of drawing up and the integrity of the financial information relating to the Company and, as the case may be, the group, reviewing compliance with regulatory requisites, adequate definition of the consolidation perimeter and correct application of accounting policies.

(b) Reviewing the internal control and risk management systems periodically, so that the main risks are identified, managed and reported adequately.

(c) Ensuring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-election and removal of the person responsible for the internal audit service; proposing the budget for the service; receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

(d) Establishing and supervising a mechanism that allows employees to report, confidentially and, if considered appropriate, anonymously, any irregularities of potential relevance, especially financial and accounting irregularities that they observe in the Company.

2) In relation to the external auditor or audit firm:

(a) Submitting proposals to the Board of Directors for the selection, appointment, re-election and replacement of the external auditor or audit firm, and their contract conditions

(b) Receiving regular information from the external auditor or audit firm on the audit plan and the results of the audit and verifying that senior management takes into account their recommendations;

(c) Ensuring the independence of the external auditor or audit firm and, for that purpose, (i) that the Company report the change in auditor to the CNMV as a relevant event, together with a statement on the existence of any disagreements with the outgoing auditor and, if any, the content thereof; (ii) that the Company and the auditor respect the legal provisions in force on the provision of non-audit services and, in general, the other legal provisions established to ensure the auditors' independence; and (iii) that in the event of the resignation of the external auditor or audit firm the circumstances causing it be examined. The Audit Committee must receive each year from the external auditors or audit firms written confirmation of their independence from the company or entities related to it directly or indirectly, and information on any additional services of any kind provided and the fees received from such entities by such auditors or audit firms, or by persons or entities related to them in accordance with the provisions of legislation on auditing. The Audit Committee must also issue annually, prior to the issue of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report must contain the valuation of the provision of additional services as referred to above, other than statutory audit, individually considered and in aggregate, and in relation to the regime of independence or with legislation regulating auditing.

(d) In the case of groups, favour that the auditor of the group undertake responsibility for the audits of the companies that make up the group.

3) In relation to risk management and the risk policy:

(a) Identifying the different types of risks (operational, technological, financial, legal, reputational) the company is exposed to, including contingent liabilities and other off-balance-sheet risks as financial or economic risks.

b) Identifying the risk level the Company considers acceptable.

c) Identifying the measures devised to mitigate the impact of the risks identified, should they materialize.

d) Identifying the internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

4) In relation to the obligations of listed companies:

Reporting to the Board of Directors, before it adopts the corresponding decisions, on all the matters established by law, the Articles of Association and in the Board of Directors Regulations, in particular, on:

(a) The financial information which the Company is required to publish on a regular basis in its capacity as a listed company. The Audit Committee must ensure that the interim accounts are drawn up using the same accounting policies as the annual accounts and, to that end, must consider whether it is appropriate for the external auditor or audit firm to carry out a limited review.

(b) The creation or acquisition of shares in special-purpose entities or entities that are domiciled in countries or territories considered to be tax havens, and any other transactions or operations of a similar nature which, in light of their complexity, may undermine the group's transparency.

(c) Related-party transactions.

(d) Transactions that entail or could entail a conflict of interest.

The Audit Committee will not exercise the functions described in sections (a), (b) and (c) above when these functions have been attributed in the Company's Articles of Association to another supervisory or control committee, in accordance with the provisions of the law.

The Audit Committee will meet, ordinarily, every quarter in order to review the periodic financial information that has to be sent to the Stock Exchange authorities as well as the information that the Board of Directors has to approve and include within its annual public documentation. It will also meet at the request of any of its members and whenever a meeting is convened by its Chairman, who must do so whenever the Board of the Chairman of the Board asks for a report to be issued or for proposals to be adopted and, in any case, whenever advisable for the proper discharge of its duties.

Notice convening ordinary meetings of the Audit Committee will be sent by registered letter, fax, telegram or e-mail, and will be authorized with the signature of the Chairman of the Committee or, as the case may be, the signature of the Secretary of the Committee by order of the Chairman. Notice will be sent at least five days in advance and must include the agenda for the meeting. The Chairman of the Committee may convene extraordinary meetings of the Committee when, in his opinion, the circumstances so require, and in this case the term of prior notice indicated above shall not apply. Furthermore, meetings of the Audit Committee will be deemed valid without the need for prior notice if all the members are present and represented and agree unanimously to hold the meeting.

The resolutions of meetings of the Audit Committee held by videoconference, multiple conference call or other remote communication techniques will be valid provided that none of the members of the Committee objects to this procedure, they have the necessary means to hold the meeting in this way and can recognize each other. This must be expressly stated in the minutes of the Committee meeting. In this case, a single meeting of the Committee will be deemed to have been held at the Company's registered office. The meetings of the Committee will be quorate when at least a majority of its members are present in person or represented. Resolutions will be adopted by majority of the members in attendance (present in person or represented) at the meeting. In the event of a tie, the Chairman shall not have a casting vote. The Audit Committee may meet with any member of the management team or any employee of the Company and may even order their appearance without the presence of any other senior manager. Such persons will be bound to attend the meetings of the Audit Committee and provide their collaboration and access to any information in their possession. The Committee may also require that the auditors attend its meetings. For the better fulfilment of its duties, the Audit Committee may obtain advising from external experts when considered necessary for the adequate discharge of its duties.

The Company has an internal audit function which, under the supervision of the Audit Committee, ensures the proper operation of the internal control and reporting systems. The person responsible for the internal audit functions must submit the annual work plan to the Audit Committee, and must also report directly to the Committee any incidents arising in the course of such work and must submit a report on its activities to the Committee at the end of each year. The Audit Committee must report on its activity and give an account of the work carried out at the first full meeting of the Board of Directors held after its meetings. The Committee must also draw up minutes of its meetings, a copy of which will be sent to all the members of the Audit Committee and which will be available to the members of the Board of Directors. The Audit Committee will draw up an annual report on its operation, highlighting the main incidents arising, if any, in relation to its inherent functions. Furthermore, when the Audit Committee considers it appropriate, it will include proposals in that report for the improvement of the Company's governance rules. The report of the Audit Committee will be attached to the Company's annual corporate governance report and will be made available to shareholders and investors through the website. Meetings will be held in English with simultaneous translation into Spanish, unless all the directors present at the meeting can speak fluent Spanish, in which case the meeting will be held in Spanish. The Board of Directors will deliberate on the proposals and reports that the Committee submits to it.

*** Section D.6.**

In accordance with the provisions of the Board of Directors Regulation, a Board member must inform the Board of Directors of the existence of any conflicts of interest and refrain from attending and intervening in the deliberations that affect matters in which that member has a personal interest. A personal interest of the Board member is also considered to exist when the matter affects any of the following persons: the spouse or person with a similar relationship; ascendants, descendants and siblings and the respective spouses or persons with a similar relationship; ascendants, descendants and siblings of the spouse or person with a similar relationship; and concerted persons and companies or entities on which any of the persons enumerated above may exercise a significant influence. If the Board member is a legal person, the following shall be deemed to be related persons; members who, in relation to the legal person that is a director, are in any of the situations contemplated in the first paragraph of article 42 of the Code of Commerce, Board members, de facto or in law, liquidators and attorneys-in-fact with general powers of the legal person that is a Board member, companies that form part of the same group, and their members and persons who are deemed to be related parties of the representative or director that is a legal person. Board members may not use the Company's name or cite their status as Board members in order to carry out operations on their own account or on the account of persons related to them. Board members may not carry out, directly or indirectly, professional or commercial transactions with the Company unless they notify the Board in advance of the situation of conflict of interest and the Board approves the transaction. In the case of transactions carried out in the ordinary course of the business activity and which are of a habitual or recurring nature, a generic authorization from the Board of Directors will suffice. Board members must report any direct or indirect stake that they or their related persons hold in the capital of a company with the same, a similar or complementary kind of activity to that which constitutes the corporate object. Furthermore, Board members may not engage, on their own account or on the account of another, in the same, a similar or complementary kind of activity to that which constitutes the corporate object and may not hold the post of Board member or executive in companies that are competitors of the Company, except for any posts they may hold, as the case may be, in group companies, unless with the express authorization of the Company, and notwithstanding the provisions of the Companies Act.

Situations of conflict of interest of the Board members will be disclosed in the annual report. Furthermore, article 2 of the Internal Rules of Conduct on the Securities Market includes within its scope of application (i) Board members, (ii) the secretary, (iii) the vice-secretary of the Board of Directors of the Company, (iv) the Manager of Legal Advising, (v) senior executives, designated executives and employees of both the Company and its subsidiaries, who carry out their work in areas related to securities markets or who habitually have access to privileged information related, directly or indirectly, to the Company and its subsidiaries, (vi) the Initiated, (vii) personnel belonging to the Stock Exchange services of the companies of the Fluidra Group and (viii) the persons expressly designated by Legal Advising at the proposal of the Regulatory Compliance body. In accordance with article 10 of the Internal Rules of Conduct, the following is established in relation to conflicts of interest: Subject Persons in a situation of conflict of interest must observe the following general principles of conduct:

Independence: Subject Persons must act at all times with freedom of judgement, with loyalty to the Company and its shareholders and independently of their own interests or those of any other party. Consequently, they will refrain from favouring their own interests to the expense of the Company's interests. **Abstention:** They must refrain from acting or influencing decision-making that could affect the persons or entities with which there is a conflict and from accessing Confidential Information affecting such a conflict. **Communication:** Subject Persons must inform the Manager of Legal Advising of the Company of any possible conflicts of interest in which they may find themselves.

A conflict of interest is considered to be any situation in which the Company's interests or those of any of the companies of its group clash with the personal interest of the Subject Person. A personal interest of the Subject Person will exist when the matter affects him/her or persons related to him/her. Finally, in accordance with the provisions of article 35 of the Board Regulations, the execution by the Company of any transaction with Board members and with significant shareholders or shareholders who are represented on the Board or with persons related to them will be submitted to the Board of Directors for authorization, subject to the prior favourable report of the Audit Committee. However, the Board's authorization will not be deemed necessary in related-party operations that comply simultaneously with the following three conditions: (i) they are carried out by virtue of contracts with standard terms and conditions applicable en masse to a large number of



ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

customers; (ii) they are carried out at prices or rates established on a general basis by the party acting as supplier of the goods or services in question; and (iii) the amount thereof does not exceed 1% of the Company's annual revenues.
Board members affected by one of such transactions will not exercise or delegate their vote and will leave the room during the Board meeting while the Board is deliberating on the matter, and will be subtracted from the number of members of the Board for the purposes of determining quorum and majorities in relation to the matter in question.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on:

[27/03/2019]

State whether any directors voted against or abstained in relation to the approval of this Report.

[] Yes

[v] No

Fluidra, S.A. and Subsidiaries

Consolidated Annual Accounts

2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

On 27 March 2019 the Board of Directors of Fluidra, S.A. approved for issue the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statements of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, the notes to the consolidated financial statements and the consolidated management report) for the year ended 31 December 2018. In witness whereof, they are hereby signed on this sheet, by all the members of the Board of Directors, as well as by the non-executive secretary of the Board, Mr. Albert Collado Armengol, on each of the sheets composing the aforementioned documents for identification purposes.

Mr. Eloy Planes Corts

Mr. Bruce Walker Brooks

Mr. Juan Ignacio Acha-Orbea Echeverría

Mr. Richard Cathcart

Mr. Jorge Valentín Constans Fernández

Mr. Bernardo Corbera Serra

Piumoc Inversions, S.A.U.

Mr. Bernat Garrigós Castro

Mr. Michael Steven Langman

Mr. Gabriel López Escobar

Mr. Sebastien Simon Mazella Di Bosco

Mr. Oscar Serra Duffo

Mr. José Manuel Vargas Gómez