

CROSS-BORDER MERGER
BETWEEN
FLUIDRA S.A.
AND
PISCINE LUXEMBOURG HOLDINGS 2 S.À R.L.

REPORT OF THE BOARD OF MANAGERS OF
PISCINE LUXEMBOURG HOLDINGS 2 S.À R.L.

dated 15 December 2017

Preamble

This report has been drawn up, on the date hereof, by the board of managers of Piscine Luxembourg Holdings 2 S.à r.l., a *société à responsabilité limitée* governed by the laws of the Grand Duchy of Luxembourg, with registered office at 14, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés*) under number B 210590 ("**Zodiac HoldCo**"), in accordance with article 265 of the law of 10 August 1915 on commercial companies, as amended (the "**Luxembourg Companies Act**") and article 33 of the Spanish law 3/2009, of 3 April 2009 on structural changes to business corporations (the "**Spanish Structural Changes Act**").

The purpose of this report is to explain and to justify the legal and economic grounds for the proposed merger of Fluidra S.A., a *sociedad anónima* governed by the laws of Spain, with registered office at Sabadell (Barcelona), Avenida Francesc Macià, 60, 20th floor, Spain and with tax identification number (C.I.F.) A-17728593 ("**Fluidra**"), as absorbing company, with Zodiac HoldCo, as absorbed company. Zodiac HoldCo and Fluidra are collectively referred as the "**Merging Companies**".

The present report is addressed to the sole shareholder of Zodiac HoldCo, Piscine Luxembourg Holdings 1 S.à r.l. (the "**Zodiac HoldCo Shareholder**").

1 Merger proposal

The management bodies of the Merging Companies propose that, subject to the prior satisfaction of the Conditions Precedent (as defined in Section 6 below), Fluidra merges with and absorbs Zodiac HoldCo. In the framework of the merger of Fluidra with Zodiac HoldCo (the "**Merger**"), Zodiac HoldCo shall transfer all its assets and liabilities to Fluidra. In consequence of the Merger, Zodiac HoldCo shall be dissolved without liquidation, shall

cease to exist and all its shares shall be cancelled. Fluidra shall persist as a legal entity in its present form.

2 Description of the Merging Companies

2.1 Fluidra

Fluidra is a *sociedad anónima* governed by the laws of Spain, with registered office at Sabadell (Barcelona), Avenida Francesc Macià, 60, 20th floor, Spain and with tax identificaiton number (C.I.F.): A-17728593.

The share capital of Fluidra is set at one hundred twelve million six hundred twenty-nine thousand seventy Euro (EUR 112,629,070.00.-) represented by 112,629,070 shares, with a nominal value of one Euro (EUR 1.-) each, represented by book entries, fully subscribed and paid up, with identical rights and therefore of a single class and series, and listed on the Barcelona and Madrid Spanish Stock Exchanges through the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market). The book-entry system is held by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Sociedad Unipersonal).

2.2 Zodiac HoldCo

Zodiac HoldCo is a *société à responsabilité limitée* governed by the laws of the Grand Duchy of Luxembourg, with registered office at 14, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés*) under number B 210590.

The share capital of Zodiac HoldCo is set at twelve thousand Euro (EUR 12,000.-) represented by 1,200,000 shares, with a nominal value of one Euro cent (EUR 0.01) each, fully subscribed and paid up, with identical rights and therefore of a single class and series.

The entire subscribed capital of Zodiac HoldCo is currently held by Zodiac HoldCo Shareholder, a *société à responsabilité limitée* governed by the laws of the Grand Duchy of Luxembourg, with registered office at 14, rue Edward Steichen, L-2540, Grand Duchy of Luxembourg and registered with the Register of Commerce and Companies (*Registre de Commerce et des Sociétés*) under number B 210291.

3 Rationale for the Merger

The combination of the businesses of the Merging Companies is based on a compelling business rationale and will create one of the relevant players in the pool equipment and solutions industry. The combined business will have global scale and a comprehensive product portfolio supported by highly-recognized brands.

The Merging Companies present a highly complementary global footprint, in particular due to Zodiac HoldCo's significant presence in the United States and Fluidra's significant presence in Europe and in emerging markets. The geographic diversity also provides reduced risks for the combined businesses. This global reach is further underpinned by the strong capability of both businesses in the local markets in which they operate.

The combination of the Merging Companies' businesses provides significant potential for cost synergies deriving from scale efficiencies and optimization in manufacturing, research and development, sales and marketing, and general and administrative areas. The

combined company will have increased commercial opportunities including a broader range of products and a larger, more diversified customer base. Furthermore, the combined entity will have greater financial resources to develop new products and to fund strategic initiatives, which will allow it to better serve its customers with more innovative solutions.

Additionally, the strategic combination will allow the businesses to benefit from attractive growth prospects and a compelling business profile, as well as improved financial characteristics and a more efficient manufacturing base.

The combination of the Merging Companies' businesses will offer one of the most compelling product portfolios in the industry.

Based on the factors described above, the Merger is expected to lead to an enhanced valuation of Fluidra's business over time and value maximization to its shareholders post-Merger.

4 Legal conditions for the implementation of the Merger

In order to implement the Merger, the following steps have been accomplished, or will need to be accomplished, as the case may be, according to articles 261 to 276 of Section XIV of the Luxembourg Companies Act and 22 et seq of the Spanish Structural Changes Act:

- Drawing up the common terms of merger (the "**Common Terms of Merger**") by the management bodies of the Merging Companies and execution of the same by their members. This step has already been completed by the Merging Companies.
- Filing of the Common Terms of Merger at the Luxembourg Register of Commerce and Companies and publication of the same in the Official Gazette of the Grand Duchy of Luxembourg (*Recueil Electronique des Sociétés et Associations*), on Fluidra's website and in the official gazette of the Spanish Commercial Registry, at least one month before the date on which Zodiac HoldCo Shareholder, in its capacity as sole shareholder of Zodiac HoldCo, and the general shareholders' meeting of Fluidra decide on the Merger. This step has already been completed by the Merging Companies.
- Drawing up the reports on the Merger by the management bodies of each Merging Companies and execution of the same by their respective members. This step is fulfilled by Zodiac HoldCo with the present report. Fluidra has also completed this step on or around the date hereof.
- Filing of a joint request by the Merging Companies for the appointment of an independent expert (the "**Expert**") by the Spanish Commercial Registry (*Registro Mercantil*) corresponding to the registered office of Fluidra (i.e. the Commercial Registry of Barcelona), to issue a report on the Common Terms of Merger in conformity with article 266 of the Luxembourg Companies Act and article 34 of the Spanish Structural Changes Act (the "**Expert Report**"). This step has already been completed by the Merging Companies.
- The following documents will be put at the disposal of the Zodiac HoldCo Shareholder (and other recipients contemplated in the applicable provisions) at the registered offices of Zodiac HoldCo at least one month in advance to the date on which Zodiac HoldCo Shareholder, in its capacity as sole shareholder of Zodiac HoldCo, resolves on the Merger:

- the Common Terms of Merger;
 - the reports of the management bodies of the Merging Companies on the Merger;
 - the Expert Report; and
 - the annual accounts and management reports of the last three financial years of Fluidra;
 - financial statements corresponding to its first financial year started on 22 November 2016 and ended on 30 September 2017; and
 - the merger balance sheets of the Merging Companies;
- The documents set out in article 39 of the Spanish Structural Changes Act, which include, amongst others, the documents mentioned above, will be made available to Fluidra's shareholders (and other recipients contemplated in the applicable provisions) on Fluidra's corporate website, where they may be downloaded and printed, prior to the publication of the notice calling the general shareholders' meeting of Fluidra that will resolve on the Merger
 - Approval of the Merger and of the Common Terms of Merger by Zodiac HoldCo Shareholder, in its capacity as sole shareholder of Zodiac HoldCo, and the general shareholders' meeting of Fluidra.
 - The management bodies of each Merging Company will inform Zodiac HoldCo Shareholder or the general shareholders' meeting of Fluidra, as the case may be, and the management body of the other Merging Company of any material change in the assets and liabilities of such Merging Company between the date of preparation of the Common Terms of Merger and the date on which Zodiac HoldCo Shareholder, in its capacity as sole shareholder of Zodiac HoldCo, and the general shareholders' meeting of Fluidra decide on the Merger.
 - The deed notarizing the resolutions of Zodiac HoldCo Shareholder approving the Merger and the Common Terms of Merger will be filed with the Register of Commerce and Companies of Luxembourg and published in the Official Gazette (*Registre Électronique des Sociétés et Associations*) of the Grand Duchy of Luxembourg.
 - The resolutions of the general shareholders' meeting of Fluidra approving the Merger and the Common Terms of Merger will be published in the Spanish Commercial Registry's Official Gazette and in one eligible newspaper.
 - The Merging Companies will execute the deed formalizing the resolutions related to the Merger in the presence of a Spanish Notary Public, which will be filed with the Spanish Commercial Registry (*Registro Mercantil*) corresponding to the registered office of Fluidra.

5 Legal effects of the Merger

From a legal perspective, the Merger has the following effects:

- The Merger will result in the universal transfer, both as between the Merging Companies and vis-à-vis third parties, of all the assets and liabilities including for

the avoidance of doubt with any encumbrances or charges thereon, of Zodiac HoldCo to Fluidra.;

- Following the effectiveness of the Merger, Zodiac HoldCo will cease to exist and the activities of Zodiac HoldCo shall be continued by Fluidra.
- Following the effectiveness of the Merger, the creditors of Zodiac HoldCo shall become creditors of Fluidra.
- Following the effectiveness of the Merger, Zodiac HoldCo Shareholder, as sole shareholder of Zodiac HoldCo, will become shareholder of Fluidra receiving new ordinary shares of Fluidra in exchange of the transfer of the assets and liabilities of Zodiac HoldCo to Fluidra as further detailed in Section 10.1 below. For these purposes, Fluidra will carry out a capital increase in the terms set out therein and will request the listing of the new shares on the Barcelona and Madrid Spanish Stock Exchanges through the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market).

6 Conditions precedent

The Merger will be conditional and effective upon satisfaction of the following conditions (the “Conditions Precedent”):

- the Expert issuing the Expert Report confirming that: (a) the methods used by the board of directors of Fluidra and the board of managers of Zodiac HoldCo to determine the Exchange Ratio (as this term is defined in section 10.1 below) are appropriate, (b) the Exchange Ratio is justified, and (c) the assets and liabilities contributed by Zodiac HoldCo are at least equal to the amount of the capital increase in Fluidra;
- in relation to the jurisdictions referred to in Exhibit 2 of the Common Terms of Merger, any prior clearance from the competent merger control authority in such jurisdictions having been obtained or deemed to be obtained or any waiting period applicable to the Merger under applicable merger control laws in such jurisdictions having terminated or expired;
- the granting by the Spanish Stock Exchange Commission (*Comisión Nacional del Mercado de Valores*), pursuant to article 8.g) of the Spanish Royal Decree 1066/2007, of 27 July, on takeovers, of an exemption to the Zodiac HoldCo Shareholder with respect to its obligation to make a mandatory takeover bid for all the outstanding securities in Fluidra as a result of the Zodiac HoldCo Shareholder acquiring control (as defined by the Spanish takeover regulations) over Fluidra due to the implementation of the Merger;
- neither any entity of Fluidra’s group nor any entity of Zodiac HoldCo’s group as of the date of effectiveness of the Merger being located or carries out any activities in any country subject to economic sanctions laws enforced by the United States of America, the United Nations, the European Union, United Kingdom or any other relevant sanctions authority or engaged in business with any individuals or entities listed on the corresponding lists issued by any of the mentioned authorities or in violation of the anti-money laundering and anti-terrorism laws; and

- to the extent that the Merger is deemed to constitute a notifiable action or a significant action under the Australian foreign acquisitions and takeovers laws and regulations, that either (a) written notice has been received by the Treasurer of the Commonwealth of Australia (or its delegate) to the effect that there are no objections to the Merger under the Australian foreign investment laws; or (b) following notice of the Merger having been given under Australian foreign investment laws, the Commonwealth Treasurer (or its delegate) ceasing to be empowered to make any order or decision in respect of the Merger due to the expiry of the applicable statutory waiting period.

7 Repercussions of the Merger on the employees of the Merging Companies

The Merger is not expected to have any direct impact on the employees of the Merging Companies.

There is no employment participation system in existence within Zodiac HoldCo. With respect to Fluidra, Spanish law does not provide for employee participation rights or participation procedure periods that may be applied in the framework of the Merger. Therefore, there is no need to carry out any participation or negotiation procedure for the participation nor is it necessary to take terms of reference regarding Fluidra's employee participation into account in the context of the Merger.

8 Repercussions of the Merger on the creditors of the Merging Companies

According to article 44 of the Spanish Structural Changes Act, Fluidra's creditors whose claims are not due and predate the publication of the Common Terms of Merger on Fluidra's website; will have, within one month from the publication of the latest announcement of the approval of the Merger, the right to oppose the Merger, until their credits are guaranteed. In the event that creditors may exercise the mentioned right, the Merger will not be put into effect until Fluidra fully guarantees the creditor or notifies the creditor that a joint and several guarantees in favour of Fluidra has been granted by a financing entity duly authorized for this purpose for an amount equal to the guaranteed credit as long as its enforcement action has not prescribed. For clarification purposes, if the creditor already disposes of adequate securities it shall not have the right to oppose the Merger. If the Merger is registered without observing the above, the affected creditor may request to the Commercial Registry corresponding to Fluidra's registered address to include a side note to the entry regarding the Merger in relation to the exercise by such creditor of its opposition right.

According to article 268 paragraph 1 of the Luxembourg Companies Act, Zodiac HoldCo's creditors whose claims predate the publication of the Merger (whether due or not due), have the right to request guarantees for the payment of their claims within two months after the publication of the notarized certificate established in accordance with article 273 paragraph 1 of the Luxembourg Companies Act. The request shall be made to the judge presiding the district court dealing with commercial matters in the district where Zodiac HoldCo has its registered office, sitting as in urgency matters. The presiding judge will dismiss the request if the creditor already disposes of adequate securities, or if these are not necessary given the assets of the combined entity after the Merger. Zodiac HoldCo can cause this request to be dismissed by satisfying the creditors, even if the claims are not yet due.

This right was indicated to Zodiac HoldCo's creditors in the publication of the Common Terms of Merger in the Official Gazette of the Grand Duchy of Luxembourg (*Recueil Electronique des Sociétés et Associations*).

9 Valuation of the assets and liabilities of Zodiac HoldCo

The assets and liabilities of Zodiac HoldCo will be accounted for in the acquiring company at their fair value as of the date of effectiveness of the merger for accounting purposes in accordance with article 31.9^a of the Spanish Structural Changes Act and article 261(4)d of the Luxembourg Companies Act.

The date from which the transactions of the acquired company will be deemed performed for accounting purposes by the acquiring company will be that which results from applying the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, of November 16, and, in particular, its rule 19.

10 Exchange ratio

10.1 Exchange ratio

The share exchange ratio of the Merger has been established by the management bodies of the Merging Companies on the basis of the actual value (*valor real*) of the Merging Companies at 69.1666667 ordinary shares of Fluidra, with a face value €1 each, for each ordinary share of Zodiac HoldCo, with a face value of €0.01, without any additional cash consideration (the "Exchange Ratio").

As a result of the Merger, based on the Exchange Ratio, Zodiac HoldCo Shareholder will be entitled to receive 83,000,000 newly issued ordinary shares in Fluidra's share capital, with a face value of one Euro (EUR 1.-) each (the "New Shares"), representing approximately 42.43% of the share capital of Fluidra following effectiveness of the merger, whereas the other shareholders of Fluidra (including Fluidra in respect of any owned shares held by it as treasury shares) will hold, jointly, approximately 57.57% of the mentioned share capital.

For these purposes, Fluidra will carry out a capital increase in the amount of €83,000,000 by issuing and placing into circulation of 83,000,000 new ordinary shares with a face value of one Euro (EUR 1.-) each, of the same class and series as those already in existence, represented by book entries, the subscription of which will be entirely reserved to Zodiac HoldCo Shareholder, and without any preferred subscription rights in accordance with article 304.2 of the Spanish Companies Act.

10.2 Valuation methods used and justification of the Exchange Ratio

10.2.1 Justification of the exchange ratio

The main valuation methods used to calculate the exchange ratio indicated in section 10.1 above of this report were the following: (i) discounted cash flow; (ii) relative contribution; (iii) trading comparables; (iv) precedent transactions.

Since the valuation methods previously mentioned lead to an enterprise value, to compute the real value of shareholders' equity in order to determine the exchange ratio, the estimated net financial debt at the valuation date has to be subtracted from the enterprise value. For that purpose, a normalized working capital reference

has been assumed and computed, using last year's average to the June 2017 closing.

Fluidra and Zodiac HoldCo business projections, prepared by their respective management teams, have been taken into account in the valuation methods used, though Zodiac's HoldCo figures have been calendarized to fiscal year ending on December 31 to make them comparable to those of Fluidra, given that Zodiac's HoldCo fiscal year ends on the September 30. Moreover, Zodiac's HoldCo figures have been converted from US dollars to euros at the exchange rate used by the management team of Zodiac HoldCo on its business projections.

10.2.2 Valuation methods used

The valuation methods used to determine the actual value of Fluidra and Zodiac HoldCo are detailed below.

(i) Discounted cash flow

This method reflects a dynamic conception of the company's activity and is based on the idea that the business value is determined by its capacity to generate cash flows in the future. In addition, this method reflects the business potential in the medium and long term.

This method has been based on the following estimates:

- Free cash flow estimates for each business. Free cash flows are a proxy to the business cash flow generation before financial income and expenses, after having applied the corporate tax and having considered capital expenditures ("capex") and working capital swings.
- Net present value of the forecasted free cash flow estimates applying a discount rate. The discount rate takes into consideration the implicit business risk as well as the time value of money.
- Businesses terminal value, assuming a perpetuity growth at the end of the free cash flow annual projection period. The previously mentioned discount rate is applied to the terminal value to obtain the present value.

The enterprise value can be estimated using the present value of the projected free cash flows and terminal value.

(ii) Relative contribution

An analysis has been carried out of the relative contribution of the two businesses as part of the justification of the exchange ratio.

In the relative contribution analysis, the following metrics have been considered: EBITDA, EBITA, EBITDA minus capex and operating cash flow.

(iii) Trading comparables

In addition to the relative contribution method mentioned in section (ii), the trading comparables method has also been used for relative valuation.

The listed comparables for this analysis, based on their similarity to Fluidra and Zodiac HoldCo, have been Fluidra, Pentair Plc and Xylem Inc.

Once the companies with comparable businesses were identified, the trading multiple considered for this analysis was the enterprise value / EBITDA because it is commonly used and generally accepted in terms of valuation in the residential pool market.

(iv) Precedent transactions

This method consists in estimating the value of Fluidra and Zodiac HoldCo, based on paid acquisition multiples in precedent transactions and in which it is additionally incorporated, the value granted to synergies in the transactions and the implicit control premium in acquisitions of majority or controlling stakes.

In addition to the strict valuation of financial results and business plans of Fluidra and Zodiac HoldCo, the value creation from the potential synergies resulting from the Merger must be also taken into account.

The application of the valuation methods previously described and considered jointly, lead to the conclusion that the agreed exchange ratio is within the resulting range after the application of the mentioned valuation methods.

There were no special valuation difficulties applicable to the valuation used for the Exchange Ratio.

10.3 Fairness opinions

On 3 November 2017 Citigroup Global Markets Limited, appointed by Fluidra for these purposes, issued a fairness opinion for the board of directors of Fluidra (the "**Citigroup Fairness Opinion**"). The Citigroup Fairness Opinion concludes that, as of the date thereof, and based on the elements, limitations and assumptions contained in such opinion, the Exchange Ratio is fair from a financial standpoint for the shareholders of Fluidra.

Likewise, on 3 November 2017, PricewaterhouseCoopers Asesores de Negocios, S.L., appointed by Fluidra for these purposes, issued its fairness opinion, addressed to the board of directors of Fluidra stating that, as of the date thereof and based on the elements, limitations and assumptions included in such fairness opinion, the Exchange Ratio proposed is, from a financial point of view, fair to the shareholders of Fluidra.

10.4 Expert Report

The Exchange Ratio has been subject to verification by the Expert on the Expert Report issued on or around the date hereof.

10.5 Conclusions

In light of the aforesaid, the board of managers of Zodiac HoldCo approves and proposes to the Zodiac HoldCo Shareholder the contemplated Exchange Ratio.