

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

**31 December 2010**

**(With Auditors' Report Thereon)**

**Consolidated Annual Accounts and Consolidated Directors' Report**

**(prepared in accordance with International Financial Reporting Standards  
as adopted by the European Union)**

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

**Auditors' Report on the Consolidated Annual Accounts**

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

To the Shareholders of  
Fluidra, S.A.

We have audited the consolidated annual accounts of Fluidra, S.A. (the "Company") and subsidiaries ("the Group"), which comprise the consolidated balance sheet at 31 December 2010, the consolidated statements of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As specified in note 2, the Company's directors are responsible for the preparation of the consolidated annual accounts of the Group in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the financial information reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of Fluidra, S.A. and subsidiaries at 31 December 2010 and the consolidated results of their operations and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the applicable financial information reporting framework.

The accompanying consolidated directors' report for 2010 contains such explanations as the Directors of Fluidra, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2010. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Fluidra, S.A. and subsidiaries.

KPMG Auditores, S.L.

*(Signed on the original in Spanish)*

Alessandro Peirano Calliano

27 April 2011

Fluidra, S.A. and Subsidiaries

Consolidated Annual Accounts

31 December 2010 and 2009

## SUMMARY

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

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Fluidra, S.A. and Subsidiaries  
Consolidated Income Statements  
31 December 2010 and 2009  
(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>Note</u>	<u>31/12/2010</u>	<u>31/12/2009</u>
Property, plant and equipment	6	120,861	129,374
Investment property	8	2,608	2,163
Goodwill	7	157,841	156,094
Other intangible assets	7	25,019	32,045
Investments accounted for using the equity method	9	220	158
Non-current financial assets	10	5,216	5,226
Other receivables	30	3,482	2,260
Deferred tax assets	30	16,698	18,447
Total non-current assets		331,945	345,767
Inventories	12	127,679	121,676
Trade and other receivables	13	144,401	144,727
Other current financial assets	10	12,750	2,991
Cash and cash equivalents	14	91,589	35,309
Total current assets		376,419	304,703
<b>TOTAL ASSETS</b>		<b>708,364</b>	<b>650,470</b>
<u>Equity</u>			
Issued capital		112,629	112,629
Share premium		92,831	92,831
Accumulated gains and other reserves		109,165	97,887
Treasury shares		( 8,037 )	( 5,491 )
Recognised income and expense		2,388	( 3,336 )
Equity attributable to equityholders of the Parent	15	308,976	294,520
Minority interest		7,469	6,856
Total equity		<b>316,445</b>	<b>301,376</b>
<u>Liabilities</u>			
Loans and borrowings	18	125,115	112,244
Derivative financial instruments	11	1,847	2,185
Deferred tax liabilities	30	28,710	31,039
Provisions	17	8,056	7,518
Government grants		782	599
Other non-current liabilities	20	4,374	5,983
Total non-current liabilities		168,884	159,568
Loans and borrowings	18	132,055	100,802
Trade and other payables	19	88,647	86,381
Provisions	17	2,291	2,042
Derivative financial instruments	11	42	301
Total current liabilities		223,035	189,526
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>708,364</b>	<b>650,470</b>

The accompanying consolidated notes form an integral part of the consolidated annual accounts of Fluidra, S.A. and subsidiaries for the year ended 31 December 2010 prepared in conformity with EU-IFRS.



Fluidra, S.A. and Subsidiaries  
Consolidated Income Statements  
31 December 2010 and 2009  
(Expressed in thousands of Euros)

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

	Notes	31/12/2010	31/12/2009
Operating income			
Sale of goods and finished products		581,245	550,425
Services rendered	23	11,487	14,013
Self-constructed assets	23	3,012	3,571
Other income	24	35	3,158
Total operating income		<u>595,779</u>	<u>571,167</u>
Operating expenses			
Changes in inventories of finished goods, work in progress and raw materials consumed	22	( 293,651 )	( 286,803 )
Personnel expenses	25	( 121,766 )	( 116,846 )
Amortisation and depreciation costs	6, 7, 8 & 10	( 33,372 )	( 33,498 )
Other operating expenses	26	( 115,467 )	( 114,446 )
Other expenses	27	( 3,177 )	( 15,209 )
Indemnities for restructuring process		( 2,313 )	( 7,385 )
Impairment losses on restructuring process		-	( 5,150 )
Other associated costs for restructuring process		( 864 )	( 2,674 )
Total operating expenses		<u>( 567,433 )</u>	<u>( 566,802 )</u>
Operating profit		<u>28,346</u>	<u>4,365</u>
Finance income/expenses			
Finance income		4,224	5,123
Finance expenses		( 9,834 )	( 15,687 )
Exchange gains/ (losses)		734	47
Net finance expense	29	<u>( 4,876 )</u>	<u>( 10,517 )</u>
Share of profit/(loss) of equity accounted associates	9	<u>76</u>	<u>38</u>
Profit / (loss) before tax		<u>23,546</u>	<u>( 6,114 )</u>
Income tax expense	30	( 5,758 )	345
Profit after tax		<u>17,788</u>	<u>( 5,769 )</u>
Profit attributable to minority interest		1,852	1,227
Profit/(loss) attributable to Parent		<u>15,936</u>	<u>( 6,996 )</u>
EBITDA	36	<u>64,936</u>	<u>49,952</u>
Basic earnings per share (expressed in Euros)	16	<u>0.14437</u>	<u>( 0.06319 )</u>

The accompanying consolidated notes form an integral part of the consolidated annual accounts of Fluidra, S.A. and subsidiaries for the year ended 31 December 2010 prepared in conformity with EU-IFRS.

Fluidra, S.A. and Subsidiaries

Consolidated Statements of Comprehensive Income  
for the years ended 31 December 2010 and 2009  
(Expressed in thousands of Euros)

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

	31/12/2010	31/12/2009
Profit/ (loss) for the year	17,788	(5,769)
Other comprehensive income:		
Cash flow Hedges (note 11)	132	379
Translation differences of financial statements of foreign operations	5,689	3,646
Tax effect	(39)	(113)
Other comprehensive income for the year, net of income tax	5,782	3,912
Total comprehensive income for the year	23,570	(1,857)
Total comprehensive income attributable to:		
Equityholders of the Parent	21,660	(3,157)
Minority interest	1,910	1,300
	23,570	(1,857)

Consolidated statements of changes in equity  
for the years ended 31 December 2010 and 2009  
(Expressed in thousands of Euros)

	Equity attributable to equityholders of the Parent									
	Issued capital	Share premium	Legal reserve	Accumulated gains	Treasury shares	Other consolidated results				
					Translation differences	Others	Total	Minority interest	Total equity	
Balance at 1 January 2009	112,629	92,831	8,749	97,958	(4,862)	(6,685)	(490)	300,130	6,603	306,733
Total comprehensive income for the year	-	-	-	(6,996)	-	3,573	266	(3,157)	1,300	(1,857)
Additions of entities	-	-	-	-	-	-	-	-	146	146
Disposals of entities	-	-	-	-	-	-	-	-	(13)	(13)
Share capital increase	-	-	-	(20)	-	-	-	(20)	-	(20)
Share capital reduction	-	-	-	(106)	-	-	-	(106)	(334)	(440)
Treasury shares (note 15 d)	-	-	-	2,572	(629)	-	-	1,943	-	1,943
Others	-	-	751	(1,021)	-	-	-	(270)	118	(152)
Dividend	-	-	-	(4,000)	-	-	-	(4,000)	(964)	(4,964)
Balance at 31 December 2009	112,629	92,831	9,500	88,387	(5,491)	(3,112)	(224)	294,520	6,856	301,376
Total comprehensive income for the year	-	-	-	15,936	-	5,631	93	21,660	1,910	23,570
Additions of entities	-	-	-	-	-	-	-	-	3	3
Share variation (note 15 h)	-	-	-	(651)	-	-	-	(651)	(307)	(958)
Treasury shares (note 15 d)	-	-	-	(3)	(2,546)	-	-	(2,549)	-	(2,549)
Payments based in equity instruments	-	-	-	50	-	-	-	50	-	50
Others	-	-	884	(938)	-	-	-	(54)	(11)	(65)
Dividend	-	-	-	(4,000)	-	-	-	(4,000)	(982)	(4,982)
Balance at 31 December 2010	112,629	92,831	10,384	98,781	(8,037)	2,519	(131)	308,976	7,469	316,445

The accompanying notes form an integral part of the consolidated annual accounts of Fluidra, S.A. and subsidiaries for the year ended 31 December 2010 prepared in accordance with EU-IFRS.

Fluidra, S.A. and Subsidiaries

Consolidated Statement of Cash Flow  
for the years ended  
31 December 2010 and 2009  
(Expressed in thousands of Euros)

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

	Nota	2010	2009
<u>Cash flow from operating activities</u>			
Profit for the year before tax		23,546	(6,114)
Adjustments for:			
Amortisation and depreciation	6, 7 & 8	33,317	31,360
Provision for bad debts	13	5,800	9,595
Provision / (Reversal) for/of impairment losses	7 & 10	55	6,960
Provision / (Reversal) for/of losses for liabilities and charges	17	802	992
Provision / (Reversal) for/of losses for inventories	12	242	3,759
Finance income	29	(4,224)	(3,127)
Finance expenses	29	10,310	13,902
Share of Group profits / (losses)		(76)	(38)
Losses on sale of property, plant and equipment and other intangible assets	9	35	(2,803)
Recognition of government grants in income statement		(83)	(151)
Expenses for payments based in shares		50	-
Profit on derivative financial instruments at fair value with adjustments to the income statement	29	(477)	(211)
Operating profit before changes in working capital		69,297	54,124
Changes in working capital, excluding effect of acquisitions and translation differences			
Increase/Decrease in trade and other receivables		(2,835)	18,873
Increase/Decrease in inventories	13	(2,763)	40,890
Increase/Decrease in trade and other payables		3,563	(19,117)
Payment of provisions	10	(215)	(649)
Cash (used in)/from operating activities		67,047	94,121
Interest paid		(10,014)	(12,481)
Interest received		4,224	3,126
Income taxes paid		(6,933)	(6,112)
Net cash (used in)/from operating activities		54,324	78,654
<u>Cash flow from/ (used in) investing activities</u>			
Proceeds from sale of property, plant and equipment		2,257	2,716
Proceeds from sale of investments		4	31
Proceeds from sale of financial assets		327	882
Acquisition of property, plant and equipment		(11,513)	(9,608)
Acquisition of intangible assets		(3,934)	(3,877)
Acquisition of other financial assets		(10,552)	(173)
Payments for acquisition of subsidiaries from previous years	5	(8,883)	(6,061)
net cash from investing activities		(32,294)	(16,090)
<u>Cash flow from/ (used in) financing activities</u>			
Proceeds from capital decreases		-	(334)
Payments from redemption of treasury shares		(2,556)	(3,123)
Collections on disposal of treasury shares		7	5,066
Payments for acquisition of shares not the Parent		(1,240)	-
Proceeds from Government grants		6	198
Proceeds from bank borrowings		88,755	45,830
Repayment of interest-bearing borrowings and payment of finance lease liabilities		(46,779)	(102,346)
Dividends paid		(4,968)	(4,964)
Net cash from financing activities		33,225	(59,675)
Net increase/ (decrease) in cash and cash equivalents		55,255	2,889
Cash and cash equivalents at 1 January	14	35,309	32,395
Effects of exchange rate fluctuations		1,025	25
Cash and cash equivalents at 31 December	14	91,589	35,309

The accompanying consolidated notes form an integral part of the consolidated annual accounts of Fluidra, S.A. and subsidiaries for the year ended 31 December 2010 prepared in conformity with EU-IFRS.

Fluidra, S.A. and Subsidiaries

Consolidated Annual Accounts

31 December 2010 and 2009

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

**1. Nature, Principal Activities and Group Composition**

Fluidra, S.A. (hereinafter the Company) was incorporated in Girona with limited liability under Spanish law on 3 October 2002 under the name Aquaria de Inv. Corp., S.L., adopting the current name on 17 September 2007.

The statutory and principal activities of the Company consist of the holding and use of shares, stocks and other securities and advising, managing and administering companies in which it holds an interest.

The registered offices of the Company are located in Avenida Francesc Macià, nº 60, planta 20, in Sabadell (Barcelona).

The Group's activity consists of the manufacture and commercialisation of accessories and specific products for swimming pools, irrigation, and water treatment and purification systems.

During 2010 the Company has carried out a takeover merger of the subsidiary Fluidra Services, S.A.U. (absorbed company) with retroactive effect at 1 January 2010. The absorbed company had its registered offices in Avenida Francesc Macià, nº 60 floor 20 in Sabadell (Barcelona) and its principal activity was the rendering of administrative, legal advisory, tax, financial, management, personnel training and IT services. The merger was carried out for the purpose of unifying the management, avoiding duplication of accounting, administrative and tax obligations, with the resulting cost saving in economic and administrative terms.

The directors of both companies prepared and signed the merger project on 26 April 2010. The merger agreement was approved by the respective shareholders on 2 June 2010 and was validly inscribed in the Barcelona Mercantile Registry on 18 October 2010. The merger was carried out without the need to increase capital or exchange shares in the absorbing company as a result of the takeover.

Fluidra, S.A. is the Parent of the Group formed of the subsidiaries (hereinafter Fluidra Group or the Group) details of which are included in Appendix I. The Group also holds interests in other entities and in joint ventures, which are detailed in the same Appendix. Group companies have been consolidated on the basis of the financial statements or annual accounts prepared/signed by their respective management bodies.

In view of the deterioration of the general economy in 2008 and 2009, especially in the Spanish market, the Group has finalised in year 2010 the reorganisation process of its production capacity and identify distribution synergies.

As part of this process, in 2009 the Group redefined its organisational structure. In addition, as part of this process the directors of various group subsidiaries have prepared merger projects, which have been or will be approved by the shareholders at their respective general meetings. These merger and concentration processes have initially implied a cost which mainly relates to the payment of indemnities to personnel and in certain cases to the impairment of assets (see note 27), but does not imply the discontinuity of operations or impairment of the majority of the assets previously existing in these companies.

**2. Basis of Presentation**

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Fluidra, S.A. and of the Group entities. The consolidated annual accounts for 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and other applicable provisions in accordance with article 48 of the Spanish Code of Commerce, to present fairly the consolidated equity and consolidated financial position of Fluidra, S.A. and subsidiaries at 31 December 2010, as well as the consolidated financial yield, consolidated cash flows and changes in consolidated equity for the year then ended.

**a) Basis of presentation of the consolidated annual accounts**

These consolidated annual accounts are prepared on the historical cost basis, except for derivative financial instruments, and other available-for-sale financial assets, which are recognised at their fair value.

**b) Comparison of information**

The accompanying consolidated annual accounts for 2010 also include for each individual caption of the consolidated balance sheet and consolidated statements of income, comprehensive income, cash flow and changes in equity, consolidated comparative figures of 2010 with previous year, which were obtained through consistent application of EU-IFRS prevailing at 31 December 2010.

There are no significant statutory accounting principles which have not been applied.

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## Fluidra, S.A. and Subsidiaries

## Consolidated Annual Accounts

The consolidated annual accounts for 2009 were approved by the shareholders at a general meeting held on 2 June 2010.

The directors consider that the consolidated annual accounts for 2010 will be approved by the shareholders without significant changes.

The Group's accounting policies, described in note 3, have been consistently applied to the years ended 31 December 2010 and to the accompanying comparative information at 31 December 2009.

In 2010 the Spanish Institute of Accountants and Auditors' Ruling dated 29 December 2010 has been adopted for the first time. This Ruling defines the information to be included in the notes to the annual accounts in relation to deferred payments to suppliers in trade transactions. In accordance with the second transitional provision of this Ruling, in its first year of adoption the Group solely provides information relating to those balances payable to suppliers which at year end are deferred beyond the legal payment period. No comparative information is presented in relation to this new obligation and the annual accounts are classified as opening annual accounts for the sole purpose of the principle of uniformity and the comparability requirement.

**c) Relevant accounting estimates, assumptions and judgements**

The preparation of annual accounts in conformity with EU-IFRS requires Group management to make judgements, estimates and assumptions that affect the application of standards and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The Group's consolidated annual accounts for 2010 and 2009 include estimates on the value of assets, liabilities, income, expenses and commitments recognised, which were subsequently ratified by the board of directors. These estimates mainly comprise:

- The useful life and fair value of customer portfolios and other intangible assets (see note 7).
- Assumptions used to calculate the value in use of various Cash Generating Units (CGU) or groups of CGU to measure the impairment of goodwill or other assets (see note 7).
- Fair value of financial instruments and certain unquoted assets (see notes 10 and 11).

Although estimates were based on the best information available at 31 December 2010 and 2009, future events may require these estimates to be modified (increased or decreased) in subsequent periods or years. Any change in accounting estimates would be recognised prospectively in the corresponding consolidated income statement.

In addition, the main judgments made by Company management when identifying and selecting criteria applicable to the measurement and classification of the principal figures shown in the consolidated financial statements are as follows:

- Reasons justifying the transfer of risks and rewards in leases or the derecognition of financial assets or financial liabilities.
- Reasons justifying the classification of assets as investment property (see note 8),
- Criteria for testing for impairment of financial assets (see note 10),
- Reasons justifying the capitalisation of development projects (see note 7).

**d) Changes to EU-IFRS in 2010**

- a) Standards with effect as of 1 January 2010 which have not had a significant impact or which have not been applicable for the Group:

- IFRS 3 Business combinations (amended 2008) and amendments to IAS 27 Consolidated and separate financial statements, IAS 28 Investments in associates, IAS 31 Interests in joint ventures and IAS 21 The effects of changes in foreign exchange rates. These standards (effective as of 1 July 2009) include the following amendments which will be of relevance for the Group:
  - The definition of a business has been expanded, so that it is possible that more transactions are qualified as business combinations.
  - Contingent payments subject to future events will be recognised at fair value, with subsequent changes being recognised in the consolidated income statement (consolidated statement of comprehensive income).
  - Transaction costs, other than costs of issuing debt or equity instruments, will be expensed as

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## Fluidra, S.A. and Subsidiaries

## Consolidated Annual Accounts

soon as they are incurred.

- Any pre-existing investment in the acquired business will be measured at fair value on the acquisition date and the change will be recognised in the consolidated income statement (consolidated statement of comprehensive income).
- Minority interest will be measured on a transaction-by-transaction basis at fair value or by the investment in the fair value of the net assets acquired.
- Minority interest participates equally in the losses of the business in excess of the value of the interest.
- Acquiring additional shares in businesses after control has been obtained and partial disposals while control is retained are recognised as an equity transaction with owners.
- Investments in a business with loss of control are recognised at fair value and any change is recognised in the consolidated income statement (consolidated statement of comprehensive income).

This standard could also affect the accounting treatment of future business combinations or other transactions carried out by the Group in the future.

- IAS 39 Financial instruments: Recognition and measurement. Amendment relating to items which can be designated as being hedged. The amendment clarifies two kinds of risk which can be qualified as hedged in hedge relationships.
- Improvements to IFRS issued in April 2009. These affect different standards and have different dates.
- Amendments to IFRS 2 Group cash-settled share-based payment transactions
- Amendment to IFRS 1 First-time adoption of IFRS: Additional exceptions for first-time adopters.
- IFRIC 12 "Service concession arrangements".
- IFRIC 15 "Agreements for the construction of real estate".
- IFRIC 16 "Hedges of net investment in a foreign operation".
- IFRIC 17 "Distributions of non-cash assets to owners".
- IFRIC 18 "Transfers of assets from customers".

b) Standards issued and which will enter into force on or after 1 January 2011:

- **Amendment to IAS 32 Classification of rights issues. Effective for years beginning after 1 February 2010.**
- IAS 24 Related party disclosures Effective for years beginning after 1 January 2011.
- IFRS 9 Financial instruments Effective for years beginning after 1 January 2013. Pending adoption by the EU.
- IFRIC 14 Prepayments of a minimum funding requirement. Effective for years beginning after 1 January 2011.
- IFRIC 19 Extinguishing financial liabilities with equity instruments. Effective for years beginning after 1 July 2010.
- Amendment to IFRS 1 Exemption from comparative IFRS 7 disclosures. Effective for years beginning after 1 July 2010.
- Improvements to IFRSs issued in May 2010. This affects different standards and therefore the entities must disclose any specific impacts. In general, the effective date is as of 2011. Pending adoption by the EU.
- Conceptual framework for financial reporting. Pending adoption by the EU.
- Amendments to IFRS 7 – Disclosures of transfers of financial assets. Effective for years beginning

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## Fluidra, S.A. and Subsidiaries

## Consolidated Annual Accounts

after 1 July 2011. Pending adoption by the EU.

- Amendments to IAS 12 – Recovery of underlying assets. Effective for years beginning after 1 January 2012. Pending adoption by the EU.
- Amendments to IFRS 1 – Severe hyperinflation and elimination of certain fixed transition dates. Effective for years beginning after 1 July 2011. Pending adoption by the EU.

The directors of the Group do not expect that the application of these standards and interpretations to future consolidated annual accounts, where applicable, will have a significant impact.

### 3. Significant Accounting Principles

A summary of the most significant principles is as follows:

#### a) Consolidation principles

##### *i) Subsidiaries and business combinations*

Subsidiaries are all entities, including special purpose entities (SPE), over which the Company, directly or indirectly, exercises control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible at year end held by the Group or third parties are taken into account.

The annual accounts or financial statements of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is that on which the Group obtains that control, until the date that control ceases. Subsidiaries are excluded from consolidation from the date on which control is lost.

The Group applied the exception included in IFRS 1 First-time adoption of International Financial Reporting Standards, and therefore only business combinations effective as of 1 January 2005, the EU-IFRS transition date, have been accounted for by applying the purchase method. Entities acquired prior to this date were recognised in accordance with the previous Spanish Chart of Accounts, after having taken into consideration amendments and adjustments required at transition date.

##### *Business combinations carried out prior to 1 July 2009*

The cost of a business combination carried out prior to 1 July 2009 is measured as the aggregate of: the fair values at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. Adjustments to the cost of the business combination that are contingent on future events form a part thereof provided that the adjustment is probable and can be measured reliably.

The cost of a business combination is allocated between the fair value of assets acquired and liabilities and contingent liabilities assumed (identifiable net assets) of the acquiree, except for non-current assets or disposal groups that are classified as held for sale, which are recognised at fair value less costs to sell.

Any excess of cost of the business combination over the Group's interest in the net fair value of the identifiable assets of the acquiree is recognised as goodwill, whilst the shortfall, after having taken into consideration the cost of the business combination and the net fair value of assets acquired, is recognised in results.

The cost of the business combination includes contingent considerations if at the date of acquisition they are probable and can be reliably estimated. Subsequent recognition of contingent considerations or subsequent changes in contingent considerations are recognised as a prospective adjustment to the cost of the business combination.

##### *Business combinations carried out after 1 July 2009*

The consideration given for the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, equity instruments issued and any additional consideration contingent on future events or the fulfilment of certain conditions in exchange for control of the acquiree.

The consideration given excludes any amounts that are not part of the exchange for the acquiree. The costs relating to the acquisition are recognised as an expense when incurred.

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At the acquisition date, the Group recognises the assets acquired and liabilities assumed at fair value. Liabilities assumed include contingent liabilities to the extent that they represent present obligations that arise from past events and their fair value can be measured reliably.

Assets and liabilities assumed are classified and designated for subsequent measurement in accordance with the contractual terms, economic conditions, operating or accounting policies and other factors that exist at the acquisition date, except for leases and insurance contracts.

Any excess between the consideration given, plus the value assigned to the non-controlling interests and the net amount of assets acquired and liabilities assumed is recognised as goodwill. Where applicable, any shortfall, after evaluating the amount of the consideration given, the value allocated to the non-controlling interests and the identification and measurement of the net assets acquired, is recognised in profit or loss.

The contingent consideration is classified in accordance with underlying contractual terms as a financial asset or financial liability, equity instrument or provision. Provided that subsequent changes in the fair value of a financial asset or a financial liability do not relate to an adjustment of the measurement period, they are recognised in consolidated profit and loss or other comprehensive income. Contingent considerations classified as equity are not subject to subsequent adjustments and settlement is also recognised in equity. Contingent considerations classified as a provision are recognised subsequently in accordance with the corresponding measurement standard.

Transactions and balances and unrealised profit or loss with Group companies have been eliminated in the consolidation process. Where applicable, unrealised losses on the transfer of assets between Group companies have been considered as an indication of impairment in transferred assets.

The accounting policies of subsidiaries have been adapted to Group accounting policies for like transactions and other events in similar circumstances.

The financial statements of consolidated subsidiaries reflect the same reporting date and period as that of the Parent.

## *ii) Non-controlling interests*

Non-controlling interests in the subsidiary are recognised at the proportional part of the fair value of identifiable net assets acquired and are presented under equity separately from equity attributable to the shareholders of the Parent. Non-controlling interests' share in consolidated profit or loss and consolidated comprehensive income for the year is also disclosed separately in the consolidated income statement and in the consolidated statement of comprehensive income, respectively.

The share of the Group and non-controlling interests in consolidated profit for the year (total consolidated comprehensive income) and in changes in equity of subsidiaries, after taking into consideration the adjustments and eliminations deriving from the consolidation, is determined on the basis of ownership interests at year end, excluding the possible exercise or conversion of potential voting rights and after having discounted the effect of dividends, agreed or not, on preference shares with cumulative rights which have been classified in equity accounts. However, Group and minority interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries.

The excess of losses attributable to non-controlling interests, which cannot be attributed to the latter as such losses exceed their interest in the net shares of the subsidiary, is recognised as a decrease in the equity of the Parent, except when the non-controlling interests are obliged to assume part or all of the losses and are in a position to make the necessary additional investment. Subsequent profits obtained by the Group are attributed to equity attributable to the Parent's shareholders until the non-controlling interests' share in prior years' losses is recovered.

Since 1 January 2010 the profit and loss and each component of other comprehensive income are allocated to the equity attributable to the Parent's shareholders and to the non-controlling interests in proportion to their interest, even though this implies a receivable from non-controlling interests. Agreements signed by the Group and non-controlling interests are recognised as a separate transaction.

### *Put options extended prior to 1 January 2010*

The Group recognises put options on interests in subsidiaries extended to non-controlling interests at the date of acquisition of a business combination as an advance purchase of the interests, recognising a liability at the present value of the best estimate of the payable, which forms part of the cost of the business combination.

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In subsequent years any variation in the liability due to the effect of the discount is recognised as a finance expense in the consolidated income statement, while the remainder is recognised as an adjustment to the cost of the business combination. Any dividends paid to non-controlling interests before options are exercised are also recognised as adjustments to the cost of the business combination. If the options are ultimately not exercised, the transaction is recognised as a sale of interests to minority shareholders.

**iii) Associates**

Associates are all entities over which the Company has significant direct or indirect influence through subsidiaries. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies.

Investments in associates are accounted for on an equity accounted basis from the date that significant commences until the date on which the Company can no longer justify its control.

The acquisition of associates is recognised by applying the purchase method which is referred to in the case of subsidiaries. Goodwill, net of accumulated impairment, is included in the carrying amount of the investment applying the equity method.

**iv) Impairment**

The Group applies impairment criteria set out in IAS 39: Financial Instruments Recognition and Measurement, to determine whether it is necessary to recognise any additional impairment loss with respect to the investor's net investment in the associate or any other financial asset held as a result of the application of the equity method.

**v) Joint ventures**

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Any strategic financial or operating decisions relating to activity require the unanimous consent of the Group and the remaining venturers.

Interests in jointly-controlled entities are accounted for using proportionate consolidation from the date that joint control commences until the date that joint control ceases.

**b) Foreign currency****i) Functional and presentation currency**

The consolidated annual accounts are presented in thousands of Euros, rounded to the nearest thousand, which is the functional and presentation currency of the Parent.

**ii) Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated profit and loss.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as effect of exchange rate fluctuations on cash held.

Differences on translation of deferred tax assets and liabilities denominated in foreign currencies and deferred income taxes are included in the consolidated income statement.

**iii) Translation of foreign operations**

Foreign operations, the functional currency of which is not the Euro, have been translated to Euros by applying the following criteria:

- The assets and liabilities, including goodwill and net asset adjustments, arising from the acquisition of businesses, including comparatives, are translated to Euros at foreign exchange rates ruling at the balance sheet date.
- Revenue and expenses, including comparatives, are translated to Euros at foreign exchange rates ruling at the dates of the transactions.
- Exchange differences arising from the application of the aforementioned criteria are recognised as exchange differences under equity;

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In the consolidated cash flow statement, cash flows, including comparatives, from subsidiaries and foreign joint ventures are translated into Euros at the exchange rate ruling at the transaction date.

Translation differences relating to foreign operations recognised under equity are recognised in the consolidated income statement jointly and are released into the income statement upon disposal

**c) Property, plant and equipment**

**i) Owned assets**

Property, plant and equipment is recognised at cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, considering the principles established for the cost of constructing an asset. The capitalisation of the cost of constructing an asset is recognised under self-constructed non-current assets in the consolidated income statement.

The cost of an item of property, plant and equipment comprises the purchase price, less any trade discounts and rebates, plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the directors, and where applicable, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs as a consequence of having used the item for purposes other than to produce inventories.

Where parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items of property, plant and equipment.

**ii) Leased assets**

Non-current investments in property leased from third parties are measured using the same criteria as for property, plant and equipment. Investments are amortised over the lower of useful life or the term of the lease contract. For this purpose the term of the lease is consistent with that established for its classification. Should there be any doubt as to the timely execution of the lease contract, a provision is made for the estimated carrying amount of non-recoverable investments. If applicable, the cost of these investments includes the estimated cost of dismantling and removing the related assets and the rehabilitation of the site on which they were located, for which they Group will be responsible once the contract expires, recognising a provision for the present value of the estimated costs to be incurred.

**iii) Subsequent costs**

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated income statement as an expense as incurred.

**iv) Depreciation**

Depreciation of items of property, plant and equipment is calculated using the straight-line basis to allocate their cost or deemed cost to their residual values over their estimated useful lives. Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Land is not depreciated. The estimated useful lives of other items of property, plant and equipment are as follows:

	Estimated useful life (years)
Buildings	33
Plant and machinery	3-10
Other installations, equipment and furniture	3-10
Information technology equipment	2-5
Motor vehicles	3-8
Other assets	4-10

The Group reassesses the residual value, periods and depreciation method at least at the end of each financial year. Changes to the initially established criteria are recognised as a change in estimations.

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The Group evaluates and determines, where applicable, impairment losses and reversals of impairment losses on property, plant and equipment based on the criteria described in note 3 f).

**d) Intangible assets*****i) Goodwill***

Goodwill is measured with the criteria shown in note 3 a) i) of subsidiaries and business combinations.

Goodwill is not amortised, but is tested annually for impairment or more frequently if there is an indication that the asset may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs) or groups of CGUs, that is expected to benefit from the synergies of the combination and the criteria referred to in note 3 f) are applied. After initial recognition, goodwill is measured at cost, less accumulated impairment losses.

Goodwill relating to business combinations prior to 1 January 2005 was included at net value as presented in the annual accounts published at 31 December 2004, considering this value as deemed cost.

Internally generated goodwill is not recognised as an asset.

***ii) Internally generated intangible assets***

Expenditure on research activities is recognised in the consolidated income statement as an expense as incurred. Expenditure on development activities is capitalised to the extent that:

- The Group has technical studies to justify the feasibility of the production process;
- The Group undertakes to complete production of the asset and sell it;
- The asset will generate sufficient future economic benefits through future sales in the markets in which the Group operates;
- The Group has technical and financial resources (and other resources) to complete the development of the asset and has developed budgetary control and cost accounting systems to enable it to monitor budgeted expenditure, modifications introduced and expenditure actually charged to different projects.

Expenditure on assets internally generated by the Group is measured using the same principles as those established in measuring the costs to produce the assets. Production costs are capitalised using by crediting expenditure allocated to assets under Self-constructed non-current assets on the consolidated income statement.

Expenditure on activities which contribute to the development of the Group's different business combinations is recognised in the consolidated income statement as an expense when it is incurred.

In general, replacements or subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the assets.

***iii) Intangible assets acquired in business combinations***

Since 1 January 2005 identifiable intangible assets acquired in business combinations are measured at fair value at acquisition date, provided that this value can be fairly measured. Subsequent expenditure on research and development projects is recognised in the same way as for internally generated intangible assets.

Customer portfolios acquired mainly relate to the value of the relationship between the corresponding company and its clients, which is based on a contractual foundation and, therefore, its status as an intangible asset is based on contractual-legal criteria. The value has been calculated by applying a market value obtained through commonly-accepted evaluation methods based on the discounting of future cash flows. Finite useful lives have been calculated based on historical evidence of the continued renewal of the relationship with these clients.

***iv) Other intangible assets***

Other Intangible assets are carried at cost less accumulated amortisation and impairment losses.

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**(v) Useful life and amortisation**

The Group assesses whether the useful life of an intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows.

Intangible assets with indefinite useful lives are not subject to amortisation but are tested for impairment at least on a yearly basis.

Intangible assets with finite useful lives are amortised based on the following useful lives:

	Amortisation method	Estimated useful life (years)
Development costs	Straight line	3-4
Trademarks and patents	Straight line	5-10
Software	Straight line	5
Customer portfolio	Straight line /	3-20
	Declining balance (*)	
Other intangible assets	Straight line	5-10

(\*) based on the rate of decrease of customers.

The depreciable amount of intangible asset items is the cost of acquisition less the residual value.

The Group reassesses the residual values, useful lives and amortisation methods of intangible assets at the end of each financial year. Changes to the initially established criteria are recognised as a change in estimations.

**(vi) Impairment**

The Group assesses and determines impairment losses and reversals of impairment losses on intangible assets based on the criteria described in note 3 (f).

**e) Investment property**

Investment properties are properties which are held fully or partly either to earn rental income or for capital appreciation or for both, instead of for use in production or supplying assets or services. Investment properties are initially recognised at cost, including transaction costs.

The Group measures investment property subsequent to its initial recognition, following the cost criteria established for property, plant and equipment. Amortisation methods and useful lives are those reflected under property, plant and equipment.

**f) Impairment of non-financial assets**

The Company assesses whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation, including that relating to equity accounted entities, to verify whether the carrying amount of these assets exceeds the recoverable amount.

Irrespective of whether any indication of impairment exists, at least on a yearly basis the Group performs impairment testing of goodwill, indefinite-lived intangible assets and intangible assets that are not yet available for use.

The recoverable amount of assets is the higher of their fair value less costs to sell and value in use. An assessment of value in use, takes into consideration the estimated future cash flows deriving from use of the assets, expectations of possible variations in the amount or timing of those future cash inflows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash inflows the entity expects to derive from the asset.

Negative differences arising from comparison of carrying amounts of assets with their recoverable amounts are recognised in consolidated profit and loss.

The 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, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

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Impairment losses recognised in respect of the CGU are allocated first to reduce, where applicable, the carrying amount of any goodwill allocated to CGUs and then, to reduce the carrying amount of other assets in the unit, pro rata with the carrying amounts of the assets, with the limit being the higher of fair value less costs to sell, value in use and nil.

The Group assesses at each year end whether there is any indication that an impairment loss recognised in previous periods may no longer exist or may have decreased. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

The reversal of impairment losses is reflected in the consolidated income statement. Nevertheless, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The reversal of an impairment loss for a CGU is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset shall not be increased above the lower of the recoverable amount and the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised.

#### g) Leases

The Group has the right to use certain assets through lease contracts.

Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

##### *i) Finance leases*

At the commencement of the lease term the Group recognises finance leases as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Initial direct costs are included as an increase in the value of the leased asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Financial expenses are registered in the consolidated profit and loss account using the effective interest rate method. Contingent rents are recognised as expenses in the periods in which they are incurred.

Accounting principles applied to assets used by the Group in relation to the lease contracts classified as finance leases are the same as those detailed in note 3 c).

##### *ii) Operating leases*

Lease payments under an operating lease, net of any incentives received, are recognised 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 user's benefit.

Contingent rents are recognised as expenses in the periods in which they are incurred.

#### h) Financial instruments

##### *i) Classification of financial instruments*

Financial instruments are classified on initial recognition as a financial asset, financial liability or equity instrument, in accordance with the substance of the contractual agreement and the definitions of a financial asset, financial liability or equity instrument as set out in IAS 32 Financial Instruments: Presentation".

For the purpose of measurement, financial instruments are classified as financial assets and financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets and financial liabilities carried at amortised cost. This classification depends on the purpose for which the financial instrument was acquired.

Regular-way purchases or sales of financial assets are recognised at the trade date (the date at which the Group commits to purchase or sell an asset).

##### *ii) Offsetting principles*

A financial asset and a financial liability can only be offset when the Group has a legally enforceable right to set off the recognised amounts or intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(Continued)

**iii) Financial assets and liabilities at fair value through profit or loss**

A financial asset or financial liability at fair value through profit or loss is classified as held for trading or that which upon initial recognition is designated by the Group at 1 January 2005 and as of that date as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term.
- part of a portfolio or identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are not designated as at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs which can be directly allocated to the purchase or issue are recognised as an expense.

After initial recognition, they are recognised at fair value through profit or loss.

**iv) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are different from those classified in other categories of financial assets. These assets are initially recognised at fair value, including transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

**v) Available-for-sale financial assets**

The Group recognises available-for-sale financial assets as the acquisition of non-derivative financial assets that are either designated specifically to this category or do not comply with requirements for classification in the above categories.

Available-for-sale financial assets are initially recognised at fair value, plus any transaction costs directly attributable to the purchase.

After initial recognition, available-for-sale financial assets are measured at their fair values, recognising gains and losses in income and expense recognised from consolidated equity, except for impairment. The fair value cannot be deducted for any transaction costs incurred on sale or other disposal. Amounts recognised within consolidated equity are expensed upon disposal of the financial assets. Nevertheless, interest calculated using the effective interest method and dividends are recognised in profit and loss following the criteria set out in note 3 p) (income recognition).

Investments in equity instruments for which fair value cannot be reliably estimated, are carried at cost. Nevertheless, if the Group is able to obtain a reliable value of the financial asset, these are recognised at fair value, recognising profit or loss based on their classification.

For investments in equity instruments carried at cost the Group recognises income in investments only to the extent that reserves for cumulative gains of the investee, arising after the acquisition, are distributed. Dividends received in excess of these gains are considered as a recovery of the investment and therefore are recognised as a deduction from the investment cost.

**vi) Fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In general, the Group applies the following systematic hierarchy to measure the fair value of financial assets and financial liabilities:

- First the Group applies quoted prices in the most advantageous active market to which it has immediate access, adjusted where applicable, to reflect any difference in credit risk between normally traded instruments and that which is being measured. For this purpose the purchaser price is used for assets purchased or liabilities to be issued and the seller price is used for assets to be purchased or liabilities issued. If the Group has assets and liabilities which set off market risks, average market prices are used for set off risk positions, applying the adequate price to the net position.
- If no market prices are available, recent transaction prices are used, adjusted by related terms.
- On the contrary, the Group applies generally accepted measurement techniques, using where possible market data and to a lesser extent Group-specific data.

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**vii) Amortised cost**

The amortised cost of a financial asset or financial liability is the amount at which the asset or liability is measured at initial recognition, minus principal repayments, plus or minus cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. For financial instruments in which the variable related to the fees, basic points, transaction costs, discounts or premiums, is changed based on market rates prior to the expected maturity, the amortisation period is the term until the following change in conditions.

Effective cash flows are estimated considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, such as transaction costs and all other premiums or discounts. In those cases when it is not possible for the Group to estimate reliably the cash flows or the expected life of a financial instrument, it uses the contractual cash flows over the full contractual term.

**viii) Impairment and uncollectability of financial assets**

A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event, or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group recognises impairment losses and uncollectability of loans and other receivables through use of an allowance account for financial assets. When impairment and uncollectability are considered irreversible, the carrying amount is written off with a charge to the allowance account. Reversals of impairment are also recognised against the allowance account.

- **Impairment of financial assets carried at amortised cost**

In the case of financial assets carried at amortised cost, the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss and can be reversed in subsequent years, if the decrease can be objectively related to an event occurring after the impairment was recognised. Nevertheless, the reversal of the impairment loss does not exceed what the amortised cost of the assets would have been had the impairment not been recognised.

- **Impairment of financial assets carried at cost**

The amount of the impairment loss on assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed and are therefore recognised directly against the value of the asset and not as a value-adjusting provision.

- **Impairment of available-for-sale financial assets**

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other consolidated comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated profit or loss.

Impairment losses for investments in equity instruments cannot be reversed.

If the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, it is recognised in profit or loss until the amount of the previously recognised impairment loss and any excess is recognised in other consolidated comprehensive income.

**iv) Financial liabilities**

Financial liabilities, including trade and other payables which are not classified at fair value through profit and loss, are initially recognised at fair value, less where applicable, transaction costs directly attributable to the issue of the financial liability. After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

(Continued)



**(i) Derivatives and hedge accounting**

The Group uses derivative financial instruments to hedge its exposure to interest rate risks and foreign exchange arising from its activities. In accordance with its treasury policy, the Group does not acquire or hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments and are measured as financial assets and financial liabilities at fair value through profit and loss.

Derivative financial instruments are initially recognised at fair value.

The Group hedges interest rate risk in cash flows. At the inception of the hedge, the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedge. Hedging accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk throughout the period for which the hedge was designated (prospective analysis) and actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

For cash flow hedges of forecast transactions, the Group assesses whether these transactions are highly probable and if they present exposure to variations in cash flows that could ultimately affect consolidated profit or loss for the year.

The Group recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in other consolidated comprehensive income. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised as finance income or expense.

The separate component of consolidated equity associated with the hedge item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge or the cumulative change in fair value (present value) of the expected future cash flows on the hedged item from inception of the hedge. However, if the Group expects that all or a portion of a loss recognised in consolidated equity will not be recovered in one or more future periods, it reclassifies into profit or loss, as finance income or expenses, the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or liability, the associated gains and losses that were recognised in consolidated equity are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss and under the same caption of the consolidated income statement.

The Group discontinues prospectively the hedge accounting if the hedging instrument expires or is sold or if the hedge no longer meets the criteria for hedge accounting. In this case, the cumulative gain in consolidated equity is not recognised in income and expenses until the forecast transaction occurs. However, if the transaction is no longer expected to occur, the cumulative gain or loss that had been recognised in consolidated equity is reclassified as finance income or expense.

If the Group revokes the designation for hedges of a forecast transaction, the cumulative gain in consolidated equity is recognised in profit and loss when the transaction occurs or is no longer expected to occur.

**j) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of conversion of inventories include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in the conversion process. The allocation of fixed production overheads is based on the higher of normal capacity of the production facilities or the actual level of production.

The cost of raw materials and other supplies, the cost of merchandise and costs of conversion are assigned to the different inventory units based on the weighted average price method.

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

Volume discounts extended by suppliers are recognised when it is probable that the discount conditions, such as a reduction in the cost of the inventories, will be met. Purchase discounts for prompt payment are recognised as a reduction in the cost of the inventories acquired.

The cost of inventories is subject to adjustments against profit or loss in cases where cost exceeds net realisable value. For this purpose, net realisable value is as follows:

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- Raw materials and other supplies at replacement cost. Nevertheless, the Group does not make any adjustment in those cases where it is expected that the finished goods, which include raw materials and other supplies, will be sold at or above cost of production.
- Goods for resale and finished goods: at estimated selling cost, less costs to sell;
- Work in progress: at estimated selling price of related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale;

A reduction in the previously recognised value is reversed against profit and 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 realisable value because of changed economic circumstances. The reversal of the write-down is limited to the lower of cost and the revised net realisable value of the inventories.

**k) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and demand deposits in credit entities. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which have a short maturity of three months or less from the date of acquisition.

Bank overdrafts which are recognised as financial liabilities on the consolidated balance sheet are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

The Group classifies cash flows relating to interest received and paid as operating activities, except for interest collected relating to loans received for reasons other than the normal activity of the Group. Dividends received from associates are classified as investment activities and dividends paid by the Company are recognised as financing activities.

**l) Equity instruments**

Incremental costs directly attributable to the issue of equity instruments, except those incurred on the issue of equity instruments as a result of the acquisition of a business are recognised as a deduction from consolidated equity, net of any related tax incentives or tax effect.

Where any Group entity purchases the Company's shares, the consideration paid is deducted from equity and presented in a separate category of consolidated equity called Treasury Shares. No gain or loss is recognised in consolidated profit or loss on the purchase, sale, issue or cancellation of the Company's equity during the year.

**m) Government grants**

Government grants are recognised when there is reasonable assurance of compliance with the conditions attaching to them and that the grants will be received.

**i) Capital grants**

Capital grants extended in the form of monetary assets are recognised under government grants on the consolidated balance sheet and recognised as other income on the consolidated income statement to the extent that the assets financed by them are depreciated.

**ii) Operating grants**

Operating grants are recognised as a reduction in expenses financed by them.

Grants received to set off expenses or losses already incurred or to render immediate financial support not related with future expenses are recognised as other income on the consolidated income statement.

**iii) Interest rate grants**

Financial liabilities including implicit grants in the form of applying below market interest rates are initially recognised at fair value. The difference between this value, adjusted where applicable by issue costs of the financial liability and the amount received, is recognised as a government grant in line with the nature of the grant given.

**n) Employee benefits****i) Termination benefits**

The Group recognises benefits for termination unrelated to restructuring processes when it is demonstrably committed to terminating the employment of current employees before the normal retirement date. The Group is demonstrably committed to terminating the employment of current employees when a detailed formal plan has been prepared and there is no realistic possibility of changing the decisions made.

(Continued)

Indemnities payable in over 12 months are discounted at interest rates based on market rates of high quality bonds and debentures.

#### ***ii) Restructuring indemnities***

Restructuring indemnities are recognised when the Group has an implicit obligation, that is, when a detailed and formal restructuring plan has been approved and valid expectations exist among employees either because the restructuring has commenced or has been announced publicly.

#### ***iii) Other long-term employee benefits***

The Group has assumed the payment to its employees of obligations arising from the collective labour agreements to which certain Spanish Group companies adhere. Based on this collective labour agreement personnel with at least 25 or 40 years of service to the company will receive 45 days or 75 days, respectively, of the last fixed salary. The Group has recognised the estimated liability for this commitment under provisions on the consolidated balance sheet.

In addition, in accordance with prevailing legislation in each country, certain foreign Group companies have retirement premium obligations with personnel, recognising the liability under the aforementioned caption. Based on these, when personnel retire they will receive an amount which has been constituted throughout their working life with the company. This is based on an accrued annual amount calculated by applying a coefficient to the worker's total annual remuneration for each year, with the amount established at the start of the year being subject the accumulated accrued liability to rises in the cost of living.

The liability for long-term benefits recognised in the consolidated balance sheet relate to the present value of the obligations assumed at that date.

The Group recognises the net cost of services rendered during the year, the interest cost and reimbursement cost or effect of any reduction or payment of acquired obligations as an accrued expense or income in respect of long-term benefits.

The present value of obligations existing at year end and the cost of services rendered is calculated on a regular basis by independent actuaries using the projected unit credit method. The discount rate is calculated based on quality bonds and debentures denominated in currencies in which the benefits will be paid and that have maturity dates approximating to the terms of the corresponding obligations.

When it is virtually certain that the expenditure required to partly or fully settle a defined benefit obligation will be reimbursed, the right to reimbursement is recognised.

#### ***iv) Short-term employee benefits***

The Group recognises the expected cost of short-term employee benefits in the form of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences. If such entitlements are not accumulative the expense is recognised when the absences occur.

The Group recognises the expected cost of profit-sharing and bonus payments to employees when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

#### ***o) Provisions***

The Group recognises provisions when it has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amounts recognised as a provision are the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date, taking into account the risks and uncertainties related with the provision and, where significant, the financial effect of the discount, provided that the expenditures required in each period can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The financial effect of provisions is recognised under finance expenses in the consolidated income statement.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the income statement item where the corresponding expense was recognised, and any excess is recognised as other income.

(Continued)

**p) Recognition of revenue**

Revenue is recognised at the fair value of the consideration received or receivable for the sale of assets or services. Volume rebates or other types of trade discounts for prompt payment are recognised as a reduction in revenues if considered probable at the date of recognition of revenue.

**i) Sale of goods**

Revenue from the sale of goods is recognised when the Group:

- Has transferred to the buyer the significant risks and rewards of ownership of the goods;
- Retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and

The Group sells certain goods which can be returned by the purchasers. In these cases, the sale of goods is recognised when the above terms are complied with and it is possible to make a reliable estimate of returns based on previous experience and other relevant factors. Estimated returns are recognised under revenues and charged to the provision for sales returns, recognising the estimated cost value relating to the goods returned, net of the effect of any impairment, as inventory on deposit.

**ii) Dividends**

Revenues on dividends arising from equity instrument investments are recognised when the Group's legal right to receive payment is established.

**q) Income taxes**

Tax expense or tax income on profit for the period comprises both current and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for a period. Current tax assets or liabilities 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 substantially enacted by the closing date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, whereas 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 unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Current and deferred tax is recognised as income or an expense, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in consolidated equity or from a business combination.

Income tax deductions granted by public entities as a reduction in this tax are recognised as a lower income tax expenses when there exists reasonable assurance that the terms associated with the entitlement to deduction are met.

The Spanish taxation authorities have granted a consolidated tax regime to Fluidra, S.A. and a number of other subsidiaries of the Company. This regime establishes that the taxable income calculated individually for the companies included in Appendix I (except for non-resident companies in Spain and/or France and resident companies out of the Basque country, that file individual tax returns: Meip Internacional, S.L., Productos Elastómeros, S.A., ID Electroquímica, S.L., Certikin Pool Ibérica, S.L., Way Fit, S.L., Pacific Industries, S.A.S., A.P. Immobiliere, SCI 11 Rue Denfert Rochereau, SCI La Cerisay, Hydrosim International, S.A.S. and Européenne de Couveteurs Automatiques, S.A.R.L.) is included in the consolidated taxable income of Fluidra, S.A. which is considered the Parent of the consolidated tax group. Likewise, the Basque Country taxation authorities have granted a consolidated tax regime to Swimco Corp, S.L. and its consolidated subsidiaries (except for non-resident companies in the Basque Country and resident companies which file individual tax returns such as Meip Internacional, S.L. and Certikin Pool Ibérica, S.L.). Likewise, the French taxation authorities have granted a consolidated tax regime to Fluidra Services France, S.A.S. and its consolidated subsidiaries (except for non-resident companies in France and resident companies which file individual tax returns such as Pacific Industries, S.A.S., A.P. Immobiliere, SCI 11 Rue Denfert Rochereau, SCI La Cerisay, Hydrosim International, S.A.S. and Européenne de Couveteurs Automatiques, S.A.R.L.).

(Continued)

**i) Recognition of deferred tax liabilities**

Deferred tax liabilities are recognised in all cases, unless:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affect neither accounting profit nor taxable profit/tax loss;
- They relate to taxable temporary differences associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and if it is probable that the temporary difference will not reverse in the foreseeable future.

**ii) Recognition of deferred tax assets**

Deferred tax assets are recognised to the extent that:

- It is probable that future taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction that 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 and joint ventures to the extent that temporary differences will revert in the foreseeable future and it is probable that future taxable profit will be available against which the differences can be utilised;

Tax planning opportunities are only considered on evaluation of the recoverability of deferred tax assets and if the Group intends to use these opportunities or it is probable that they will be used.

**iii) Measurement**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities.

At year end the Group reviews the carrying amount of deferred tax assets in order to reduce the carrying amount to the extent that it is not probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised.

Deferred tax assets that fail to meet the aforementioned terms are not recognised in the consolidated balance sheet. At year end the Group re-assesses compliance with terms for recognising deferred tax assets that previously had not been recognised.

**iv) Classification and offsetting**

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

The Group only offsets tax assets and liabilities where it has a legally enforceable right, when they relate to income taxes levied by the same taxation authority and the taxation authority permits the entity either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**r) Offsetting assets and liabilities, income and expenses**

Liabilities cannot be offset by assets, nor expenses by income, unless permitted by a relevant standard or interpretation.

**s) Classification of assets and liabilities as current and non-current**

The Group presents the consolidated balance sheet classifying assets and liabilities as current and non-current. For this purpose assets and liabilities are classified as current when they satisfy the following criteria:

- Assets are classified as current where they are expected to be realised in, or are intended for sale or consumption in the Group's normal operating cycle, within twelve months after the balance sheet date or when they are held primarily for the purpose of being traded. Cash and cash equivalents are also classified as current, unless they are restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

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- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, are held primarily for the purpose of being traded, are due to be settled within twelve months after the balance sheet date or where the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.
- The Group classifies financial liabilities as current when they are due to be settled within twelve months after the balance sheet 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 balance sheet date and before the consolidated annual accounts are authorised.
- Deferred tax assets and liabilities are recognised on the consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of realisation or settlement.

t) **Segment Reporting**

An operating segment is a component of a 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 and assess its performance and for which discrete financial information is available.

u) **Environment**

The Group takes measures to prevent, reduce or repair damage caused to the environment by its activities.

Expenses incurred in environmental activities are recognised as operating expenses in the year in which they are accrued.

Non-current assets used by the Group to minimise 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 recognised as property, plant and equipment, applying the measurement criteria described above.

The Group makes provision for environmental activity when expenses incurred during the year or in prior years become known and are clearly specified as being of an environmental nature. These provisions are made based on the criteria included in section (o) Provisions of this note. Compensation receivable by the Group in relation to the origin of environmental obligations is recognised as a receivable under assets, when it is assured that this reimbursement will be received, and without exceeding the amount of the obligation recognised.

4. **Segment Reporting**

The Group is internally organised in four divisions, three of which encompass the Group's sales and distribution activity, with a geographical approach, while the fourth area covers production activity.

The sales divisions are South-West Europe (SWE), North-East Europe, Middle East and Africa (NEEMEA) and America, Asia and Pacific (AAP). These divisions are transversally divided into four business units: swimming pools, water treatment, irrigation and fluid conduction. These units market their products to the residential, sales, agricultural and industrial segments. This new structure will allow for a more direct approach to each business and market segment, while enabling operating synergies such as sharing the extensive distribution networks in each country.

The approach of the Industrial Division aims to increase cost efficiency by downsizing production plant structure and optimising industrial assets.

The segment reporting reflects the information used by Fluidra Group management in accordance with the amendments to IFRS 8.

Holding, real estate and service companies have not been allocated to the aforementioned divisions as they do not meet the definition of an operating segment (they do not generate significant third-party revenue). These companies have been grouped under shared services.

Inter-segment sales prices are established based on the normal commercial terms and conditions available to unrelated third parties.

The difference between the aggregate figures of the different business segments and the total disclosed in the consolidated income statement reflects shared services and inter-segment consolidation adjustments,

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mainly sales between the industrial division and the sales divisions, and the related adjustment to the margin on inventories, as well as other adjustments deriving from business combinations and consolidation.

There are no customers with sales to third parties exceeding 10% of total sales.

Details of financial information by the Group's business segments for the year ended 31 December 2010 and 2009 are shown in Appendix II of these summarised interim consolidated financial statements.

During 2010, the company Pool Supplier, S.L.U., included in 2009 in the Fluidra America, Asia and Pacific (AAP) segment, has been added to the "Shared services" item. The data of the America, Asia and Pacific Division (AAP) as of 31 December 2009 comparative with the current segments are shown in Appendix III.

## 5. Business Combinations

Details of operations involving the most significant business combinations during 2010 and 2009 are as follows:

- On 26 May 2009 the Group acquired 70% of the Spanish company Way Fit, S.L., with approximate turnover of Euros 6,400 thousand in 2008 and profit after tax of approximately Euros 19 thousand. This acquisition was made to reinforce the Group's line of activity dedicated to works for water installations in public and residential centres. A fixed price was paid for this acquisition.

This business generated total consolidated profit of Euros 100 thousand for the Group between the date of acquisition and 31 December 2009.

Sales of goods and finished goods (including inter-Group company sales) corresponding to the acquired company Way Fit, S.L. for 2009 amounted to Euros 3,730 thousand. Sales to third parties (excluding inter-Group company sales) of this company and for the same period amounted to Euros 3,422 thousand.

If the acquisition of Way Fit, S.L. had taken place at 1 January 2009, the Group's sales of goods and finished goods and the consolidated profit for 2009 would have been Euros 310 thousand higher and Euros 4 thousand lower, respectively.

During 2010 and 2009 no subsidiaries or associates have been derecognised.

Details of the cost of the business combination during 2009, the fair value of net assets acquired and goodwill are as follows:

	Thousands of Euros
Cost of business combination	
Cash paid	280
Fair value of deferred payments	-
Directly attributable costs	-
Total cost of business combination	280
 Fair value of net assets acquired	 34
Goodwill	246

Intangible assets which have not been recognised separately from goodwill, and which are included as part of goodwill as they do not meet the separability requirements established by EU IFRS, mainly relate to the distribution networks, workforce and synergies of the business acquired,

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The amounts recognised in the consolidated balance sheet at the acquisition date of assets, liabilities and contingent liabilities in the business acquired during 2009 are as follows:

	Thousands of Euros	
	Fair value	Carrying amount
Property, plant and equipment	8	8
Other non-current financial assets	50	50
Trade and other receivables	2,157	2,157
Inventories	538	538
Cash and cash equivalents	156	156
 Total assets	 2,909	 2,909
 Trade and other payables	 2,860	 2,860
 Total liabilities and contingent liabilities	 2,860	 2,860
 Total net assets	 49	 49
 Minority interest	 15	
 Total net assets acquired	 34	
 Consideration paid, satisfied in cash	 280	
Cash and cash equivalents	156	
 Cash flow paid for acquisitions	 124	

During year 2010 cash disbursements of Euros 8,833 thousand (Euros 5,564 thousand in year 2009) have been made in relation to subsidiaries acquired in prior years.

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**6. Property, Plant and Equipment**

Details of and movement in property, plant and equipment during 2010 and 2009 are as follows:

Thousands of Euros							
	Balances at 31/12/09	Business combinations	Additions	Impairment	Disposals	Transfers	Balances at 31/12/10
<b>Cost</b>							
Land and buildings	80,496	-	826	-	(1,775)	121	79,810
Plant and machinery	121,113	-	4,168	-	(1,722)	(2,524)	122,508
Other installations, equipment and furniture	96,319	-	4,625	-	(2,640)	3,252	101,906
Other fixed assets	19,724	-	2,073	-	(1,722)	42	20,435
Work in progress	382	-	1,994	-	(44)	(1,617)	716
	<u>318,034</u>	<u>-</u>	<u>13,686</u>	<u>-</u>	<u>(7,903)</u>	<u>(726)</u>	<u>325,375</u>
<b>Accumulated depreciation</b>							
Buildings	(16,616)	-	(6,088)	-	1,768	93	(20,909)
Plant and machinery	(82,744)	-	(7,391)	-	2,623	1,289	(87,079)
Other installations, equipment and furniture	(75,084)	-	(6,005)	-	1,149	(1,305)	(81,441)
Other fixed assets	(14,216)	-	(2,284)	-	1,540	57	(15,085)
	<u>(188,660)</u>	<u>-</u>	<u>(21,768)</u>	<u>-</u>	<u>7,080</u>	<u>134</u>	<u>(204,514)</u>
<b>Carrying amount</b>	<u>129,374</u>	<u>-</u>	<u>(8,082)</u>	<u>-</u>	<u>(823)</u>	<u>(592)</u>	<u>120,861</u>

Thousands of Euros							
	Balances at 31/12/08	Business combinations	Additions	Impairment	Disposals	Transfers	Balances at 31/12/09
<b>Cost</b>							
Land and buildings	80,563	-	605	-	(1,563)	799	80,496
Plant and machinery	119,178	4	3,377	-	(3,922)	1,453	121,113
Other installations, equipment and furniture	95,077	5	4,639	-	(3,899)	319	96,319
Other fixed assets	19,652	-	1,371	-	(1,324)	(139)	19,724
Work in progress	2,808	-	935	-	(78)	(3,292)	382
	<u>317,278</u>	<u>9</u>	<u>10,927</u>	<u>-</u>	<u>(10,786)</u>	<u>(860)</u>	<u>318,034</u>
<b>Accumulated depreciation</b>							
Buildings	(13,756)	-	(3,330)	-	397	118	(16,616)
Plant and machinery	(73,714)	-	(8,506)	(3,384)	3,539	(41)	(82,744)
Other installations, equipment and furniture	(71,429)	(1)	(5,826)	-	2,401	(83)	(75,084)
Other fixed assets	(12,851)	-	(2,138)	-	850	(16)	(14,216)
	<u>(171,750)</u>	<u>(1)</u>	<u>(19,800)</u>	<u>(3,384)</u>	<u>7,187</u>	<u>(22)</u>	<u>(188,660)</u>
<b>Carrying amount</b>	<u>145,528</u>	<u>8</u>	<u>(8,873)</u>	<u>(3,384)</u>	<u>(3,599)</u>	<u>(882)</u>	<u>129,374</u>

**a) Mortgaged property, plant and equipment**

At 31 December 2010 property, plant and equipment with a carrying amount of Euros 8,595 thousand (Euros 8,804 thousand in 2009) are mortgaged to secure payment of certain bank loans (see note 18).

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At 31 December 2010 property, plant and equipment with a carrying amount of Euros 2,112 thousand (Euros 2,161 thousands in 2009) are mortgaged to secure a liability with a minority interest.

## b) Insurance

The consolidated Group has contracted various insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

## c) Assets acquired through finance lease

The Group has the following kinds of asset contracted through finance lease at 31 December 2010 and 2009:

	Thousands of Euros	
	2010	2009
Buildings	21,516	29,774
Plant and machinery	4,834	5,671
Other installations	890	82
Furniture	-	123
Information technology equipment	29	487
Moulds	10	267
Motor vehicles	1,191	1,088
Other assets	899	436
	29,369	37,927
Less, accumulated depreciation	(7,841)	(9,100)
Net value at 31 December	21,528	28,827

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

1) Fluidra Commercial, S.A.U.: property lease with BBVA for the purchase of an industrial building in La Garriga at a cost value of Euros 10,700 thousand. Contract signed on 21 December 2004 and the last instalment falling due on 21 December 2019. Instalments are settled on a monthly basis and the amount due at 31 December 2010 is Euros 8,126 thousand (Euros 8,730 thousand in 2009), with a purchase option of Euros 100 thousand. This property lease accrues interest at a fixed rate of 3.8% until 2013 and a floating interest rate based on Euribor plus a 0.5% spread.

2) Aquambiente, S.A.: property lease with BPI bank for an industrial building in Portugal at a cost value of Euros 1,674 thousand. Contract signed on 4 November 2005 and the last instalment falling due on 4 November 2020. Instalments are settled on a monthly basis and the amount due at 31 December 2010 is Euros 1,245 thousand (Euros 1,344 thousand in 2009), with a purchase option of Euros 167 thousand. This property lease accrues floating interest based on Euribor plus a 1% spread.

3) Hydrosxim International: property lease with Fructicom (the Natixis Group) and Natiocredimurs to finance an industrial unit in La Chevrolière (France), at a cost value of Euros 1,900 thousand. Contract signed on 25 May 2007 and the last instalment falling due on 1 July 2019. Instalments are settled on a quarterly basis and the amount due at 31 December 2010 is Euros 1,534 thousand (Euros 1,673 thousand in 2009), with a purchase option of Euros 1. This property lease accrues floating interest based on Euribor plus a 0.85% spread.

4) Astral Pool Australia: Property lease with West-Pac Banking Corporation for the acquisition of industrial equipment at a cost value of Euros 868 thousand. Contract signed on 1 July 2010 and maturity date extended to 30 June 2016. Instalments are settled on a monthly basis and the amount due at 31 December 2010 is Euros 823 thousand, with a purchase option of Euros 769 thousand. This property lease accrues fixed interest rate.

5) ME 2000: Property lease with Hypo Alpe-Adria Bank S.p.A. for the acquisition of the industrial building located in Comunna de Calcinado (Brescia) at a cost value of Euros 1,923 thousand. Contract signed on 22 November 2001 and maturity date extended to 22 November 2016.

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Instalments are settled on a monthly basis and the amount due at 31 December 2010 is Euros 1,147 thousand (Euros 1,198 thousand in 2009), with a purchase option of Euros 769 thousand. This property lease accrues interest at a floating rate based on Euribor plus a 3.20% spread.

6) ME 2000: Property lease with Hypo Alpe-Adria Bank S.p.A. for the extension of the industrial building located in Comunna de Calcinado (Brescia) at a cost value of Euros 512 thousand. Contract signed on 30 November 2003 and maturity date extended to 20 August 2018. Instalments are settled on a monthly basis and the amount due at 31 December 2010 is Euros 275 thousand (Euros 281 thousand in 2009), with a purchase option of Euros 205 thousand. This property lease accrues interest at a floating rate based on Euribor plus a 2.10% spread.

A reconciliation between the minimum payments due for the leases at 31 December 2010 and 2009 and their present values are shown in note 18.

Details of the terms in which these payments fall due are shown in note 18, together with the rest of the Group's borrowings. Finance lease liabilities are effectively guaranteed in such a way that the rights to the leased asset are reverted to the lessor in the event of non-compliance.

During the year no contingent rent from these contracts has been paid, except for the interest differential resulting from annual Euribor evolution, in accordance with the original terms agreed in these contracts.

In 2010 the Group has acquired property, plant and equipment under finance lease amounting to Euros 1,316 thousand, financed with a debt for the same amount (Euros 123 thousand financed with a debt for the same amount in 2009).

d) Fully amortised assets

Cost of property, plant and equipment fully amortised and still in use at 31 December 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Buildings	3,364	1,173
Plant and machinery	52,384	40,828
Other installations, equipment and furniture	62,398	56,354
Other fixed assets	9,422	8,698
	<u>127,618</u>	<u>107,053</u>

7. Goodwill and Other Intangible Assets

Details of and movement in goodwill and other intangible assets during 2010 and 2009 are as follows:

a) Goodwill

	Thousands of Euros					
	Balances at 31.12.08	Business combinations	Additions	Disposals	Impairment	Translation differences
Cost						
Goodwill	156,035	246	318	( 89 )	( 2,048 )	1,632

	Thousands of Euros					
	Balances at 31.12.09	Business combinations	Additions	Disposals	Impairment	Translation differences
Cost						
Goodwill	156,094	-	169	( 155 )	-	1,733

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## b) Other intangible assets

Thousands of Euros						
	Balances at 31/12/09	Additions	Disposals	Transfers	Translation differences	Balances at 31/12/10
Cost						
Product development costs in progress	12,393	2,927	( 198 )	86	144	15,352
Customer relationships	36,023	-	( 1,009 )	-	868	35,882
Software	6,848	586	( 231 )	14	14	7,231
Patents	7,887	320	( 6 )	( 41 )	30	8,190
Other intangible assets	4,499	107	( 9 )	( 37 )	( 55 )	4,505
	67,650	3,940	( 1,453 )	22	1,001	71,160
Accumulated depreciation						
Product development costs	( 7,068 )	( 3,725 )	198	-	( 26 )	( 10,621 )
Customer relationships	( 19,687 )	( 4,838 )	1,009	-	( 479 )	( 23,995 )
Software	( 4,350 )	( 1,002 )	227	10	( 12 )	( 5,127 )
Patents	( 3,952 )	( 1,394 )	6	-	( 8 )	( 5,348 )
Other intangible assets	( 548 )	( 492 )	5	-	( 15 )	( 1,050 )
	( 35,605 )	( 11,451 )	1,445	10	( 540 )	( 46,141 )
Carrying amount	32,045	( 7,515 )	( 3 )	31	461	25,019

Thousands of Euros						
	Balances at 31/12/08	Additions	Disposals	Transfers	Translation differences	Balances at 31/12/09
Cost						
Product development costs in progress	9,247	3,123	-	2	21	12,393
Customer relationships	36,174	-	( 986 )	-	835	36,023
Software	5,796	478	( 275 )	853	( 4 )	6,848
Patents	7,836	231	( 301 )	98	23	7,887
Other intangible assets	4,548	44	( 15 )	( 73 )	( 5 )	4,499
	63,601	3,876	( 1,577 )	880	870	67,650
Accumulated amortisation						
Product development costs	( 3,187 )	( 3,855 )	-	( 20 )	( 6 )	( 7,068 )
Customer relationships	( 14,308 )	( 5,075 )	-	-	( 304 )	( 19,687 )
Software	( 3,622 )	( 989 )	268	( 7 )	-	( 4,350 )
Patents	( 3,017 )	( 1,196 )	295	( 26 )	( 8 )	( 3,952 )
Trademarks	-	-	-	-	-	-
Other intangible assets	( 192 )	( 414 )	-	55	3	( 548 )
	( 24,326 )	( 11,529 )	563	2	( 315 )	( 35,605 )
Carrying amount	39,275	( 7,653 )	( 1,014 )	882	555	32,045

There are no guaranteed intangible assets.

Additions of product development costs for 2010 of Euros 2,927 thousand (Euros 3,123 thousand in 2009) comprise self-constructed non-current assets.

(Continued)

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The cost of fully amortised intangible assets in use at 31 December 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Product development costs in progress	3,376	1,052
Software	3,004	2,420
Patents	1,171	1,029
Other intangible assets	132	92
	<u>7,683</u>	<u>4,593</u>

Details of the carrying amount and residual amortisation period of individually significant intangible assets at 31 December 2010 and 2009, before translation differences, are as follows:

Description of asset	Residual useful life	Thousands of Euros	
		2010	2009
Customer portfolio			
Cepex	2 - 6	2,721	4,391
Neokem y ATH	3 - 15	5,260	7,230
Hurlcon	4 - 5	2,218	2,165
Irrigaronne	3	1,066	1,395
Pacific	2 - 6	418	904
Calderería Plástica del Norte	5	204	251
		<u>11,887</u>	<u>16,336</u>

(c) Impairment of goodwill and intangible assets with indefinite useful lives

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives have been allocated to the Group's cash-generating units (CGU) in accordance with the business segment and its CGUs or groups of CGUs.

The allocation of goodwill by CGU or groups of CGUs at 31 December 2010 and 2009 is therefore as follows:

	Segment	Thousands of Euros	
		2010	2009
Fluidra Europa Sud-Oeste	SWE	30,229	30,061
Fluidra Europa Noreste, Oriente Medio y África	NEEMEA	32,124	32,124
Fluidra America, Asia y Pacific	AAP	12,115	12,000
Fluidra Industrial	Industry	43,804	32,546
Manufacturas Gre, S.A	Industry	22,741	22,741
Certikin Internacional, LTD	SWE	3,391	3,286
Schwimmbad-Sauna-Ausstattungs, GmbH	NEEMEA	4,991	5,146
Hurlcon Holdings, PTY LTD y sociedades dependientes	AAP	8,446	6,933
Pacific Industries, S.A.S. e I.D. Electroquímica, S.L	Industry	-	8,496
Calderería Plástica del Norte, S.L.	Industry	-	2,762
Total		<u>157,841</u>	<u>156,094</u>

(Continued)

During 2010 the Group has unified the CGUs initially set up for Pacific Industries, S.A.S. and I.D. Electroquímica, S.L. and Calderería Plástica del Norte, S.L. with Fluidra Industrial, as a result of the integrated management of these companies through a common general management and due to the search for cost efficiency and optimisation of industrial assets.

During 2010, as a result of an organisational change in the AAP segment (see note 4), the value in use of the Fluidra America, Asia and Pacific CGU does not include the cash flows from Pool Supplier, S.L.U.

The recoverable amount of each CGU is determined based on calculations of value in use. These calculations are based on cash flow projections from the financial budgets approved by management over a period of four years. For this year, these projections generally show stable performance of income/yield obtained in 2010. Cash flows beyond the four-year period are extrapolated using an estimated growth rate of 2%. The growth rate does not exceed the long-term average growth rate for the businesses in which the CGUs operate. The discount rates after tax used range between 10% and 12% and 14% and 16% for discount rates before tax according to the CGU and reflect specific risks related to the relevant segments.

For all CGUs, with the exception of the SWE CGU, including with straight-line projections of the income/yield, the value in use determined in accordance with the aforementioned calculation method exceeds the value of the corresponding net assets and goodwill assigned to these CGUs. This excess would still exist in the event of relevant changes in the assumptions used to determine value in use.

In the case of the SWE CGU the value in use sufficiently covers the value of the corresponding net assets and goodwill assigned to each CGU. In this case growth projections have been used which in no event exceed the 2008 sales/yield levels for 2014 (perpetual yield projection basis).

Changes in the assumptions used to determine value in use can modify the estimate of these values. However, the Company's directors consider that there are no significant changes in these assumptions at the date of these consolidated annual accounts.

## 8. Investment Property

Details of and movement in investment property during 2010 and 2009 are as follows:

	Thousands of Euros			
	Balances at 31/12/09	Additions	Transfers	Balances at 31/12/10
Cost				
Land	1,221	-	205	1,426
Buildings	1,179	-	472	1,651
	2,400	-	677	3,077
Accumulated depreciation				
Buildings	( 237 )	( 98 )	( 134 )	( 469 )
	( 237 )	( 98 )	( 134 )	( 469 )
Carrying amount	2,163	( 98 )	543	2,608

(Continued)

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	Thousands of Euros			
	Balances at 31/12/08	Additions	Transfers	Balances at 31/12/09
Cost				
Land	1,221	-	-	1,221
Buildings	1,179	-	-	1,179
	2,400	-	-	2,400
Accumulated depreciation				
Buildings	( 206 )	( 31 )	-	( 237 )
	( 206 )	( 31 )	-	( 237 )
Carrying amount	2,194	( 31 )	-	2,163

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

#### 9. Investments Accounted for Using the Equity Method

Movement in investments accounted for using the equity method is as follows:

	Thousands of Euros	
	2010	2009
Balance at 1 January	158	120
Share of profit	76	38
Dividends received	( 14 )	-
Balance at 31 December	220	158

Details of the investments accounted for using the equity method for 2010 and 2009 are as follows:

		2010					
		Thousands of Euros					
	Country	% ownership	Assets	Liabilities	Equity	Income	Profit/(Loss)
Inquevap Energía, S.L.	Spain	30.5	3,065	2,618	447	3,821	143
Astral Nigeria, LTD	Nigeria	25	374	65	339	1,010	131
			3,439	2,683	786	4,831	274
		2009					
		Thousands of Euros					
	Country	% ownership	Assets	Liabilities	Equity	Income	Profit/(Loss)
Inquevap Energía, S.L.	Spain	30.5	1,723	1,419	304	3,898	302
Astral Nigeria, LTD	Nigeria	25	291	30	263	846	80
			2,016	1,449	567	4,744	382

(Continued)

**10. Current and Non-current Financial Assets**

Details of other current and non-current financial assets are as follows:

	Note	Thousands of Euros	
		2010	2009
Available-for-sale financial assets		1,879	1,936
Guarantee deposits		3,219	3,126
Derivative financial instruments	11	118	164
Total non-current		5,216	5,226
Available-for-sale financial assets		11,557	81
Guarantee deposits		1,138	2,910
Derivative financial instruments	11	55	-
Total current		12,750	2,991

Movement in available-for-sale financial assets is as follows:

	Thousands of Euros	
	2010	2009
At 1 January	2,017	2,469
Additions	11,491	6
Disposals	( 1 )	( 368 )
Adjustment to fair value recognised in profit and loss	( 71 )	( 90 )
At 31 December	13,436	2,017
Less: Current portion	( 11,557 )	( 81 )
Total non-current	1,879	1,936

Non-current available-for-sale assets mainly relate to perpetual debt securities quoted on an over-the-counter market and which accrue a rate of interest based on Euribor, increased by three percentage points. Current balances relate to bonds and treasury bonds accruing interest at market rates.

The fair value of quoted securities is calculated based on the quoted value at the closing date of the consolidated annual accounts.

Guarantee deposits set up as a result of lease contracts are measured in accordance with the criteria for financial assets included in note 3. The difference between the amount given and the fair value is recognized as an advance payment under profit and loss over the lease term.

(Continued)



**11. Derivative Financial Instruments**

Details of derivative financial instruments are as follows:

		2010			
		Thousands of Euros			
	Nominal amount	Fair values			
		Assets		Liabilities	
		Non-current	Current	Non-current	Current
1) Derivative held for trading					
a) <i>Exchange-rate derivatives</i>					
Foreign currency forwards	4,776	-	55	-	31
Total derivatives traded in OTC markets		-	55	-	31
b) <i>Interest-rate derivatives</i>					
Interest rate swaps	42,936	112	-	1,642	11
Interest-rate and currency swaps	4,076	-	-	11	-
Total derivatives traded in OTC markets		112	-	1,653	30
Total derivatives held for trading		112	55	1,653	42
		(Note 10)	(Note 10)		
2) Hedging derivatives					
a) <i>Cash flow hedges</i>					
Interest rate swaps	33,416	6	-	194	-
Total hedging derivatives		6	-	194	-
Total recognised derivatives		118	55	1,828	42
		(Note 10)	(Note 10)		
		2009			
		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 forwards	5,761	-	-	43	35
Total derivatives traded in OTC markets		-	-	43	35
b) <i>Interest-rate derivatives</i>					
Interest rate swaps	50,668	105	-	2,068	23
Interest-rate and currency swaps	4,076	59	-	-	-
Interest rate options in OTC markets	2,995	-	-	-	-
Total derivatives traded in OTC markets		164	-	2,068	23
Total derivatives held for trading		164	-	2,111	58
2) Hedging derivatives					
a) <i>Cash flow hedges</i>					
Interest rate swaps	30,000	-	-	74	243
Total hedging derivatives		-	-	74	243
Total recognised derivatives		164	-	2,185	301
		(Note 10)		(Note 10)	

(Continued)

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The total change in estimated fair value of derivatives held for trading, using measurement techniques recognised in profit and loss has been loss of Euros 91 thousand (losses of Euros 211 thousand in 2009) (see note 29).

The total change in estimated fair value of hedging instruments using measurement techniques recognised in consolidated equity, as they relate to effective hedging, has been Euros 132 thousand (loss of Euros 379 thousand in 2009).

Total cash flow hedges transferred in 2010 from other comprehensive income in equity to the consolidated income statement (under financial income/expense) amounts to a loss of Euros 442 thousand (profit of Euros 764 thousand in 2009).

## a) Interest rate swaps

The Group uses interest rate swaps instruments for floating to fixed rates with or without deactivating barriers, with fixed rate values ranging between 1.65% and 6.40% and with barrier intervals between 2.85-6.75%. These derivatives are used to manage interest rate fluctuation exposure, mainly relating to its bank loans. The inception and maturity dates of derivatives at 31 December 2010 are as follows:

Derivatives held for trading 31.12.10			
Notional amount in thousands of Euros	Start Date	End date	Type of derivative
8,072	21/12/2004	21/12/2019	Barrier swap
1,000	13/03/2009	06/06/2011	Fixed-rate swap
1,890	13/03/2009	13/10/2014	Fixed-rate swap
1,703	13/03/2009	24/10/2014	Fixed-rate swap
1,498	21/11/2016	21/11/2011	Cap option
4,076	01/12/2006	20/10/2013	Cap option and exchange-rate hedge
8,241	13/03/2009	20/02/2014	Fixed-rate swap
5,482	13/03/2009	30/03/2014	Fixed-rate swap
2,907	03/05/2007	05/05/2014	Fixed-rate swap
2,907	26/03/2009	03/05/2014	Fixed-rate swap
2,463	09/05/2007	20/10/2013	Fixed-rate swap
2,463	13/03/2009	20/10/2013	Fixed-rate swap
100	13/03/2009	20/04/2011	Fixed-rate swap
708	13/03/2009	24/06/2012	Fixed-rate swap
5,000	29/06/2009	29/06/2013	Fixed-rate swap
<u>48,510</u>			

(Continued)

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Derivatives held for trading 31.12.09			
Notional amount in thousands of Euros	Start Date	End date	Type of derivative
8,681	21/12/2004	21/12/2019	Barrier swap
1,000	13/03/2009	08/03/2011	Fixed-rate swap
2,286	13/03/2009	13/10/2014	Fixed-rate swap
2,129	13/03/2009	24/10/2014	Fixed-rate swap
2,995	21/11/2006	21/11/2019	Cap option
4,076	01/12/2006	20/10/2013	Cap option and exchange-rate hedge
8,241	13/03/2009	16/02/2014	Fixed-rate swap
6,581	13/03/2009	30/03/2014	Fixed-rate swap
3,488	03/05/2007	03/05/2014	Fixed-rate swap
3,488	26/03/2009	03/05/2014	Fixed-rate swap
3,229	09/05/2007	20/10/2013	Fixed-rate swap
3,299	13/03/2009	20/10/2013	Fixed-rate swap
300	13/03/2009	20/04/2011	Fixed-rate swap
469	28/07/2005	28/07/2010	Barrier swap
1,460	11/11/2005	11/11/2010	Barrier swap
1,087	13/03/2009	24/06/2012	Fixed-rate swap
5,000	29/06/2009	29/06/2013	Fixed-rate swap
<u>57,739</u>			

The Group does not apply hedge accounting on these derivatives and, although the Group's exposure to interest rate fluctuations is hedged, these derivatives are recognized as though they are held for trading.

Hedge accounting derivatives 31.12.10			
Notional amount in thousands of Euros	Start date	End date	Type of derivative
5,000	29/06/2009	30/06/2014	Fixed-rate swap
9,000	03/03/2010	26/02/2013	Fixed-rate swap
6,000	26/03/2010	11/03/2013	Fixed-rate swap
4,250	30/03/2010	11/03/2015	Fixed-rate swap
2,500	30/03/2010	01/04/2013	Fixed-rate swap
960	02/06/2010	25/06/2015	Fixed-rate swap
680	02/06/2010	25/06/2015	Fixed-rate swap
624	02/06/2010	25/06/2015	Fixed-rate swap
1,040	02/06/2010	25/06/2015	Fixed-rate swap
540	02/06/2010	25/06/2015	Fixed-rate swap
2,822	21/07/2010	30/06/2015	Fixed-rate swap
<u>33,416</u>			

(Continued)

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Hedge accounting derivatives 31.12.09			
Notional amount in thousands of Euros	Start date	End date	Type of derivative
7,500	15/05/2008	31/03/2010	Fixed-rate swap
7,500	15/05/2008	31/03/2010	Fixed-rate swap
5,000	15/05/2008	31/03/2010	Fixed-rate swap
5,000	15/05/2008	31/03/2010	Fixed-rate swap
5,000	29/06/2009	29/06/2013	Fixed-rate swap
<u>30,000</u>			

A breakdown by notional amount and residual maturity term of swaps existing at consolidated balance sheet date is as follows:

	Thousands of Euros	
	2010	2009
Up to 1 year	2,598	26,929
Between 1 and 5 years	71,256	60,810
More than 5 years	8,076	-
	<u>81,926</u>	<u>87,739</u>

Because they are derivatives which cannot be traded on organised markets, the fair value of swaps is calculated using the revised value of the expected cash flows due to the difference in rates, based on market conditions at the measurement date (measurement method level 2 in accordance to IFRS 7.27 A).

b) Foreign currency forward contracts

In order to manage its exchange rate exposure in forward outright sale and purchase contracts, the Group has entered into purchase and sale forward contracts on the main markets in which it operates. Nevertheless, although these derivative hedge transactions in foreign currency, the Group does not apply hedge accounting.

A breakdown by type of currency, of the notional amounts of forward contracts at 31 December 2010 and 2009, the residual values of which are of two years, is as follows:

	Thousands of Euros	
	2010	2009
USD	4,476	-
GBP	300	4,480
AUD	-	1,281
	<u>4,776</u>	<u>5,761</u>

Disclosure by notional amount and residual maturity of futures contracts is as follows:

	Thousands of Euros	
	2010	2009
Up to 1 year	4,776	5,561
Between 1 and 5 years	-	200
	<u>4,776</u>	<u>5,761</u>

(Continued)

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The fair values of these forward contracts have been estimated using discounted cash flows based on forward exchange rates available from public data at balance sheet date.

Losses and gains on measuring or settling these contracts have been taken to profit or loss during the year.

## 12. Inventories

Details of inventories are as follows:

	Thousands of Euros	
	2010	2009
Goods for resale	46,241	39,213
Raw materials and other supplies	31,758	27,784
Finished goods and work in progress	49,680	54,679
	<u>127,679</u>	<u>121,676</u>

At 31 December 2010 and 2009 the Group does not have any inventories, the recovery period of which is estimated to be greater than 12 months from the consolidated balance sheet date.

As a result of business combinations took place in 2009, inventories of Euros 538 thousand were included.

Consolidated Group companies have contracted various insurance policies to cover the risk of damages to inventories. The coverage of these policies is considered sufficient.

There are no relevant commitments to purchase or sell goods.

During 2010 the Group has impaired inventories to adjust them to their net realisable value amounting to Euros 105 thousand (Euros 3,759 thousand during 2009). (see note 22).

## 13. Trade and Other Receivables

Details of trade and other receivables in the consolidated balance sheet are as follows:

	Thousands of Euros	
	2010	2009
<u>Non-current</u>		
Other non-current receivables (see note 30)	3,482	2,260
<u>Current</u>		
Trade receivables	158,990	149,172
Other receivables and prepayments	7,889	13,625
Public entities	5,597	6,484
Current income tax assets	2,471	1,546
Provisions for impairment and uncollectability	<u>( 30,546 )</u>	<u>( 26,100 )</u>
Total current	<u>144,401</u>	<u>144,727</u>

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Fair values of trade and other receivables do not differ significantly from their carrying amounts.

As the Group has a large number of customers, there is no significant concentration of credit risk with regard to trade receivables in any of its segments.

The most significant balances in foreign currencies at 31 December 2010 and 2009 are as follows:

Trade receivables:

	Thousands of Euros	
	2010	2009
US Dollar	5,323	7,944
Australian Dollar	8,923	6,948
United Arab Emirates Dirham	7,427	4,966
Pounds Sterling	5,635	5,848
Chilean Peso	1,330	1,634
Turkish Lira	2,027	1,613
Moroccan Dirham	2,255	564
Mexican Peso	1,531	1,753
	<u>34,451</u>	<u>31,270</u>

Receivables from public entities are as follows:

	Thousands of Euros	
	2010	2009
Taxation authorities		
VAT	5,266	5,466
Other items	331	1,018
	<u>5,597</u>	<u>6,484</u>

Movement in valuation allowances for impairment and uncollectability for 2010 and 2009 is as follows:

	Thousands of Euros
Balance at 31 December 2008	18,815
Charge for the year	9,595
Translation differences	50
Write-offs	( 2,342 )
Transfers	( 18 )
Balance at 31 December 2009	<u>26,100</u>
Charge for the year	5,800
Translation differences	230
Write-offs	( 1,584 )
Balance at 31 December 2010	<u>30,546</u>

(Continued)

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**14. Cash and Cash Equivalents**

Details of cash and cash equivalents are as follows:

	Thousands of Euros	
	2010	2009
Cash in hand and banks	37,785	22,978
Current bank deposits	53,804	12,331
	<u>91,589</u>	<u>35,309</u>

Current bank deposits accrue interest at market rates.

**15. Equity**

A breakdown and movement in consolidated equity is shown in the consolidated statement of changes in equity.

**a) Share capital**

At 31 December 2010 the share capital of Fluidra, S.A. is represented by 112,629,070 ordinary shares of Euros 1 par value each, which are fully paid up. These shares are represented by book entries which are recognised in the corresponding accounting record. All shares have the same voting and profit-sharing rights.

On 31 October 2007 Fluidra, S.A. (the Company) was floated on the stock market. This process was conducted through the public offering of 44,082,943 ordinary shares of Euro 1 par value each.

Since that date, these shares representing the Company's share capital have been listed on the Barcelona, Madrid, Valencia and Bilbao stock exchanges and on the electronic stock market.

The Company only becomes aware of the identity of its shareholders when information is voluntarily provided by them or in compliance with prevailing legislation. Based on the information held by the Company, its most significant shareholders at 31 December 2010 and 2009 are as follows:

Percentage ownership	31.12.2010	31.12.2009
Boyser, S.R.L.	14.12%	14.12%
Edrem, S.L.	13.50%	13.50%
Dispur, S.L.	12.14%	12.13%
Bansabadell Inversió Desenvolupament, S.A.	9.67%	9.67%
Aniol, S.L.	9.06%	9.00%
Grupo Corporativo Empres. Caja de Navarra	8.00%	7.43%
Bestinver Gestión, S.A. SGIIC	4.72%	5.00%
Other shareholders	<u>28.79%</u>	<u>29.15%</u>
	<u>100.00%</u>	<u>100.00%</u>

**b) Share premium**

This reserve is freely distributable, with the exception of what is outlined in section f) of this note.

**c) Legal reserve**

In accordance with the article 274 of the text of the Spanish Companies Act, 10% of the profits for the year should be taken to a legal reserve until such a reserve reaches an amount equal to at least 20% of the share capital.

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The legal reserve may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Other than for the aforementioned purpose, while this reserve does not exceed 20% of share capital, it can be used to offset losses if no other reserves are available.

## d) Parent shares

Movement in treasury shares during 2010 and 2009 has been as follows:

	Number	Euros	
		Par value	Average cost of acquisition / disposals
Balances at 01.01.09	2,132,433	2,132,433	3.9433
Acquisitions	1,184,556	1,184,556	2.6363
Disposals	( 1,689,436 )	( 1,689,436 )	3.0000
Balances at 31.12.09	<u>1,627,553</u>	<u>1,627,553</u>	<u>3.3735</u>
Acquisitions	980,289	980,289	2.6073
Disposals	( 3,000 )	( 3,000 )	2.2345
Balances at 31.12.10	<u>2,604,842</u>	<u>2,604,842</u>	<u>3.0854</u>

At the board of directors' meeting held on 24 April 2009 the directors agreed to increase the managing director's limit to 4% of Fluidra, S.A.'s capital.

At a general meeting held on 5 June 2009 the shareholders unanimously agreed to authorize the Company, in accordance with articles 158 and thereafter of the Spanish Companies Act, to acquire treasury shares directly or through Group companies, and with express authorization to reduce share capital for the redemption of treasury shares. The board of directors was granted the necessary powers to execute the agreements adopted by the shareholders, rendering ineffective the authorization given by the shareholders at their general meeting held on 30 May 2008, which authorized the Company, where applicable, to apply treasury shares to execute or cover employee benefit systems.

At the board of directors' meeting held on 16 December 2010 the directors agreed to authorize the managing director, when considered appropriate, to negotiate and sign a liquidity contract on Fluidra shares with a credit entity, in the terms that he consider advisable for the Group.

The timing limit and maximum percentage of treasury shares is in line with legal maximum limits.

## e) Recognised income and expense

These include translation differences and changes in the fair value of available-for-sale financial assets, as well as losses or gains on the measurement at fair value of the hedging instrument corresponding to the part identified as the effective hedge, net of tax effect where applicable.

## f) Dividends and restrictions on dividend distribution

At 31 December 2010, the Parent's voluntary reserves, amounting to Euros 42,533 thousand (Euros 39,251 thousand at 31 December 2009), together with the share premium and profit for the year of the Parent, are subject to legal limitations regarding distribution.

In accordance with the decision made by the shareholders in an ordinary general meeting held on 5 June 2009, the Company approved the distribution to shareholders of a dividend totalling Euros 4,000 thousand.

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In accordance with the decision made by the shareholders in an ordinary general meeting held on 2 June 2010, the Company approved the distribution to shareholders of a dividend totalling Euros 4,000 thousand.

On 22 February 2011 the board of directors agreed to propose to the shareholders that dividends of Euros 8,000 thousand be distributed against voluntary reserves.

The proposed distribution of profit included in the annual accounts of the Parent company for 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Basis of allocation:		
Profit / (Loss) for the year	( 5,572 )	8,828
Distribution:		
Legal reserve		883
Voluntary reserves	( 5,572 )	3,945
Dividends		4,000
Total	<u>( 5,572 )</u>	<u>8,828</u>

g) Capital management

The Group's objective when managing capital is to ensure its capacity to continue as a going concern, so that it can continue to provide yield to its shareholders and benefits to other groups of interest and maintain an optimum capital structure to reduce the capital cost.

In order to maintain and adjust its capital structure, the Group can adjust the dividends payable to shareholders, issue shares or sell assets to reduce its debt.

Fluidra, S.A. controls the capital structure based on total leverage ratios and net financial debt as a percentage of EBITDA.

- The total leverage ratio is calculated as total assets dividend by total equity.
- The net financial debt ratio as a percentage of EBITDA is calculated as the quotient between the net financial debt and EBITDA (see note 36). Net financial debt is determined based on the sum of current and non-current financial liabilities with financial institutions less non-current financial assets, less cash and other cash equivalents and less other current financial assets.

During 2010 the strategy has not changed with respect to prior years and has consisted of maintaining the total leverage ratio and net financial debt ratio as a percentage of EBITDA between 2 and 2.5. In both cases, this target is reached. Ratios for 2010 and 2009 have been calculated as follows:

Total leverage ratio:

	Thousands of Euros	
	2010	2009
Total consolidated assets	<u>708,364</u>	<u>650,470</u>
Total consolidated equity	<u>316,445</u>	<u>301,376</u>
Total leverage ratio	<u>2.24</u>	<u>2.16</u>

(Continued)

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Net financial debt as a percentage of EBITDA:

	Thousands of Euros	
	2010	2009
Liabilities with banks	257,170	213,046
Less: Cash and cash equivalents	( 91,589 )	( 35,309 )
Less: Non-current financial assets	( 5,216 )	( 5,226 )
Less: Other current financial assets	( 12,750 )	( 2,991 )
Consolidated Net Financial Debt	147,615	169,520
EBITDA (note 35)	64,936	49,952
% Net financial debt as a percentage of EBITDA	2.27	3.39

g) Minority shares

The movements of the minority shares during 2010 and 2009 have been as follows:

Company	Percentage shares of the Parent Company	
	31.12.2009	31.12.2010
Astral Bazénové Príslusenstvi Spol, S.R.O.	85.00%	100.00%
Fluidra USA, Inc	97.40%	100.00%
Fluidra Polska SP, Z.O.O.	85.00%	95.00%
Fluidra Portugal, LDA	0.00%	90.86%
Marazul, LDA	100.00%	0.00% Merged
Cepex Portugal, LD	80.00%	0.00% Merged
Certikin Italia, S.P.A.	100.00%	94.77%

Derived from the transactions of these variations, an amount of Euro 1,240 thousand has been paid. The effect of the acquisition above mentioned in the profit and loss account has been of Euros -651 thousand (see Shares variation in Consolidated Statements of Changes in Equity).

## 16. Earnings per Share

a) Basic earnings

Basic earnings per share are calculated by dividing consolidated profit or loss for the year attributable to equityholders of the Parent by the weighted average number of ordinary shares issued during the twelve-month periods ended 31 December 2010 and 2009, excluding treasury shares.

Details of the calculation of basic earnings per share are as follows:

	2010	2009
Profit / (loss) attributable to equityholders of the Parent (in thousands of Euros)	15,936	( 6,996 )
Weighted average of ordinary shares in circulation	110,381,575	110,715,823
Basic earnings per share (in Euros)	0.144372	( 0.063189 )

(Continued)

## Fluidra, S.A. and Subsidiaries

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The weighted average number of ordinary shares issued is determined as follows:

	2010	2009
Ordinary shares in circulation at 1 January	112,629,070	112,629,070
Effect of treasury shares	( 2,247,495 )	( 1,913,247 )
Weighted average number of ordinary shares in circulation at 31 December	110,381,575	110,715,823

b) Diluted earnings

Diluted earnings per share are calculated by adjusting profit attributable to equityholders of the Parent entity and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. As there are no potential ordinary shares, this calculation is not necessary.

17. Provisions

Details of provisions are as follows:

	Thousands of Euros			
	2010		2009	
	Non-current	Current	Non-current	Current
Guarantees	-	2,291	-	2,042
Provisions for taxes	4,583	-	4,501	-
Provisions for employee commitments	2,869	-	2,253	-
Litigation and other liabilities	604	-	764	-
Total	8,056	2,291	7,518	2,042

(Continued)

## Fluidra, S.A. and Subsidiaries

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Movement in provisions during 2010 and 2009 is as follows:

	Guarantees	Provisions for employee commitments	Litigation and other liabilities	Provisions for taxes	Total
At 1 January 2009	1,910	1,985	792	3,867	8,554
Charges	579	366	30	782	1,957
Payments	( 345 )	( 97 )	( 59 )	( 148 )	( 849 )
Applications	( 188 )	5	-	-	( 183 )
Translation differences	86	( 6 )	1	-	81
At 31 December 2009	2,042	2,253	764	4,501	9,560
Charges	588	797	53	82	1,520
Payments	( 41 )	( 175 )	-	-	( 216 )
Applications	( 386 )	( 40 )	( 213 )	-	( 639 )
Translation differences	88	34	-	-	122
At 31 December 2010	2,291	2,869	604	4,583	10,347

#### 18. Loans and borrowings

Details of this caption of the consolidated balance sheet are as follows:

	Thousands of Euros	
	2010	2009
Bank loans	111,665	98,325
Finance leases	13,450	13,919
Total non-current	125,115	112,244
Bank loans	51,630	38,632
Credit facilities	77,635	58,012
Discounting facilities	994	2,355
Finance leases	1,796	1,803
Total current	132,055	100,802
Total loans and borrowings	257,170	213,046

At 31 December 2010 and 2009 bank loans and credits and discounting lines accrue interest at an average market rate, except for those extended by public entities which accrue interest at rates of between 0% and 5%. There are no significant differences between the carrying amount of financial liabilities and their fair value at 31 December 2010 and 2009.

(Continued)

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Details of the most significant loans and finance lease operations are as follows:

			Amount due (Thousands of Euros)	
			2010	2009
1	Loan for nominal amount of Euros 10,000 thousand falling due on 31.12.2011 and with floating interest rate based on Euribor at 3 months, plus a margin of 1.25%, requested for the financing of the acquisition of Manufactureras Gre, S.A.	Fluidra, S.A.	10,000	10,000
2	Loan for nominal amount of Euros 10,000 thousand falling due on 30.09.2014 and with fixed interest rate of 4.60%, requested for the restructuring of the current debt to non-current	Fluidra, S.A.	10,000	10,000
3	Loan for nominal amount of Euros 10,000 thousand falling due on 30.03.2015 and with fixed interest rate of 4.87%, requested for the restructuring of a current debt to non-current	Fluidra, SA	10,000	-
4	Loan for nominal amount of Euros 10,000 thousand falling due on 26.02.2013 and with floating interest rate based on Euribor at 12 months, plus a margin of 1.75%, requested for the restructuring of a current debt to non-current	Fluidra, SA	9,000	-
5	Loan for nominal amount of Euros 10,000 thousand falling due on 29.06.2014 and with floating interest rate based on Euribor at 12 months, plus a margin of 2.00%, requested for the restructuring of a current debt to non-current	Fluidra, SA	8,750	10,000
6	Loan for a nominal amount of Euros 12,800 thousand falling due on 16.02.2014 and floating interest rate based on Euribor at 12 months plus a 0.50% spread, requested for the acquisition of Irrigaronne.	Fluidra Commercial, S.A.U.	8,241	9,899
7	Leasing for a nominal amount of Euros 10,700 thousand falling due on 21.01.2020 and fixed interest rate of 3.80% since 2013 and floating interest rate based on Euribor plus a margin if 0.5%.	Fluidra Commercial, S.A.U.	8,126	8,730
8	Loan for a nominal amount of Euros 6,000 thousand falling due on 11.03.2013 and floating interest rate based on Euribor at 3 months plus a margin of 1.40% spread, requested for the restructuring of a current debt to non-current.	Fluidra, SA	6,000	-
9	Loan for a nominal amount of Euros 8,500 thousand falling due on 30.03.2014 and floating interest rate based on Euribor at 12 months plus a 0.50% plus a margin of 0.50%, requested for the acquisition of Aplicaciones Técnicas Hidráulicas, S.A.	Fluidra Industry, S.A.U.	5,482	6,699
10	Loan for a nominal amount of Euros 5,000 thousand falling due on 30.03.2015 and fixed interest rate of 4.400%, requested for the restructuring of the debt from current to non-current.	Fluidra, SA	5,000	-
11	Loan for a nominal amount of Euros 5,000 thousand falling due on 25.05.2013 and fixed interest rate of 3.48%, requested for the restructuring of the debt from current to non-current.	Fluidra, SA	5,000	-
12	Loan for a nominal amount of Euros 5,000 thousand falling due on 11.03.2015 and floating interest rate based on Euribor at 1 month plus a margin of 2.00%, requested for the restructuring of the debt from current to non-current.	Fluidra, SA	4,250	-
13	Loan for a nominal amount of Euros 4,000 thousand falling due on 25.05.2015 and fixed interest rate of 4.37%, requested for the restructuring of the debt from current to non-current.	Fluidra, S.A.	4,000	-
14	Loan for a nominal amount of Euros 10,750 thousand falling due on 20.10.2011 and floating interest rate based on Euribor at 6 months plus a margin of 0.65%, requested for the acquisition of Hurlcon Holding Pty Ltd.	Fluidra Commercial, S.A.U.	4,926	6,458
15	Mortgage loan for a nominal amount of Euros 10,962 thousand falling due on 31.12.2012 and floating interest rate based on Euribor plus a 0.50% spread.	Trace Logistics, S.A.U.	3,202	4,692
16	Loan for a nominal amount of Euros 5,000 thousand falling due on 10.02.2018 and floating interest rate based on Euribor at 3 months plus a margin of 1.50%, requested for the acquisition of Pacific Industries.	Fluidra Industry, S.A.U.	3,775	4,423
17	Loan for a nominal amount of Euros 3,320 thousand falling due on 30.06.2015 and floating interest rate based on Euribor at 3 months plus a margin of 2.00%, requested to finance the productive assets of the subsidiaries.	Fluidra Industry, S.A.U.	2,988	-
18	Loan for nominal amount of Euros 5,000 thousand falling due on 27.08.2012 and with floating interest rate based on Euribor at 3 months, plus a margin of 1.50%, requested for the restructuring of a current debt to non-current	Fluidra, S.A.	2,917	4,583
19	Loan for a nominal amount of Euros 4,500 thousand falling due on 03.05.2014 and floating interest rate based on Euribor at 12 months plus a margin of 0.50%, requested for the acquisition of Master Riego, S.A.	Fluidra España, S.A.U.	2,907	3,488

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The most significant balances in foreign currencies at 31 December 2010 and 2009 are as follows:

**Borrowings:**

	Thousands of Euros	
	2010	2009
US Dollar	10,623	4,129
Australian Dollar	3,851	2,861
Pounds Sterling	4,136	2,426
Other currencies	41	-
	<u>18,651</u>	<u>9,416</u>

The Group has the following credit and discounting facilities at 31 December 2010 and 2009:

	Thousands of Euros			
	2010		2009	
	Drawn down	Limit	Drawn down	Limit
Credit facilities	77,635	159,522	58,012	187,060
Discounting facilities	994	65,825	2,355	60,310
	<u>78,629</u>	<u>225,347</u>	<u>60,367</u>	<u>247,370</u>

The following borrowings are guaranteed as follows (see note 6):

Company with the title to debt	Guarantee	Thousands of Euros	
		2010	2009
Trace Logistics, S.A.	Mortgage guarantee	3,202	4,692
AP Immobilière	Mortgage guarantee	354	630
SCI La Cerisay	Mortgage guarantee	204	269
		<u>3,760</u>	<u>5,591</u>

Bank loans mature as follows:

Maturity	Thousands of Euros	
	2010	2009
Up to 1 year	132,055	100,802
2 years	54,538	41,766
3 years	30,568	24,747
4 years	22,892	18,249
5 years	8,435	14,531
More than 5 years	8,682	12,951
	<u>257,170</u>	<u>213,046</u>

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Details of payments and due dates of finance lease liabilities are as follows:

	Thousands of Euros					
	2010			2009		
	Minimum payments	Interests	Principal	Minimum payments	Interests	Principal
Up to 1 year	2,132	336	1,796	2,378	575	1,803
Between 1 and 5 years	7,640	1,198	6,442	7,301	1,738	5,563
More than 5 years	7,550	542	7,008	9,113	756	8,357
	<u>17,322</u>	<u>2,076</u>	<u>15,246</u>	<u>18,792</u>	<u>3,070</u>	<u>15,722</u>

Finance lease liabilities are effectively guaranteed, with rights over leased assets reverting to the lessor in the event of default.

With the exception of a property lease which accrues fixed interest until 2013, the carrying amount of which at 31 December 2010 stands at Euros 8,126 thousand (Euros 8,730 thousand in 2009) and a leasing that accrues affixed interest since maturity the carrying amount of which at 31 December 2010 stands at Euros 868 thousand, group loan interest rates are renewed quarterly, six-monthly or yearly.

The Group considers that there are no significant differences between the carrying amount and fair value of financial assets and financial liabilities.

#### 19. Trade and other payables

Details of this caption of the consolidated balance sheet are as follows:

	Thousands of Euros	
	2010	2009
Trade payables	63,313	57,999
Other payables	2,675	2,437
Fixed assets suppliers	1,622	7,956
Public entities	10,196	8,929
Current income tax liabilities	2,008	1,872
Salaries payable	8,833	7,188
	<u>88,647</u>	<u>86,381</u>

The most significant balances in foreign currencies at 31 December 2010 and 2009 are as follows:

#### Trade payables:

	Thousands of Euros	
	2010	2009
US Dollar	3,560	1,754
Australian Dollar	5,101	3,934
Pounds Sterling	3,490	3,465
Turkish Pound	251	231
	<u>12,402</u>	<u>9,384</u>

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Payables to public entities are as follows:

	Thousands of Euros	
	2010	2009
Taxation authorities		
VAT	3,326	2,801
Withholdings	2,497	2,358
Social Security	3,594	3,191
Others	779	579
	<u>10,196</u>	<u>8,929</u>

## 20. Other non-Current Liabilities

Details of non-current liabilities are as follows:

	Thousands of Euros	
	2010	2009
Financial investment liabilities from acquisition of business combinations	3,998	5,705
Others	376	278
Total	<u>4,374</u>	<u>5,983</u>

## 21. Risk Management

The Group's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk in the fair value and price risk), credit risk, liquidity risk and interest rate risk in cash flows. The Group focuses its risk management on the uncertainty of the financial markets and aims to minimise possible adverse effects on the Group's financial profitability. The Group uses derivatives to hedge certain risks.

The management of market, liquidity, currency and interest rate risk is controlled by the Group's Central Treasury Department in accordance with the policies approved by the Group. This Department identifies, evaluates and covers financial risk, in close collaboration with the Group's operating units.

Credit risk is managed in a decentralised manner by each of the Group's operating units, based on parameters established by Group policies.

### a) Credit risk

Credit risk arises due to the possible loss as a result of Fluidra, S.A.'s counterparties breaching their contractual obligations, i.e. failing to collect the financial assets under the terms and conditions established.

In the case of the Group, risk is mainly attributable to its trade receivables. This risk is reduced, as the customer portfolio is highly fragmented and no sales are made to any one customer exceeding 10% of total sales.

Counterparty credit risk is duly controlled through various policies and risk limits which establish the following requirements:

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- Contracts are appropriate for the operation carried out.
- Adequate internal or external credit rating of counterparty.
- Additional guarantees where necessary.

In addition, there is a policy for impairment of receivables, which guarantees that the fair values of trade and other receivables do not differ significantly from their carrying amounts. This policy mainly focuses on receivables overdue by more than 120 days.

Details of the concentration of counterparty credit risk of trade and other receivables at 31 December 2010 and 2009 (see note 13) are as follows:

	2010	2009
Non due debt	63%	65%
Due debt	37%	35%
Less than 120 days	17%	21%
More than 120 days	20%	14%

b) Liquidity risk

The liquidity risk is produced if Fluidra, S.A. doesn't have the possibility of liquid funds disposal or access to them, in the enough quantity and with the appropriate cost, to face up its payment obligations.

The Group manages liquidity risk using prudent criteria, based on maintenance of sufficient cash and negotiable securities, availability of financing using a sufficient amount of committed credit facilities and sufficient capacity to liquidate its market positions. Due to the dynamic character of the underlying businesses, the Group's Treasury Department aims to maintain flexible financing through credit facilities.

The Group's exposure to liquidity risk at 31 December 2010 and 2009 is presented below in the table analysing financial liabilities by contractual maturity date:

	2010					
	Thousands of Euros					
	1 year	2 years	3 years	4 years	5 years	More than 5 years
Loans and borrowings	136,702	59,577	34,761	24,003	8,114	2,918
Capital	130,259	52,749	29,060	21,347	6,836	1,673
Interest	6,443	6,828	4,701	2,656	1,278	1,245
Finance lease payables	2,132	2,124	1,819	1,833	1,863	7,551
Capital	1,796	1,789	1,508	1,545	1,599	7,009
Interest	336	335	311	288	264	542
Derivative financial liabilities	42	20	401	938	13	475
Trade and other payables	88,647	-	-	-	-	-
	<u>227,523</u>	<u>61,721</u>	<u>36,981</u>	<u>26,774</u>	<u>9,990</u>	<u>10,944</u>

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	2009					
	Thousands of Euros					More than 5 years
	1 year	2 years	3 years	4 years	5 years	
Loans and borrowings	104,584	44,611	27,950	21,793	18,360	21,183
Capital	98,999	40,233	23,272	16,998	13,227	4,595
Interest	5,585	4,378	4,678	4,795	5,133	16,588
Finance lease payables	2,378	2,020	1,926	1,668	1,688	9,113
Capital	1,803	1,533	1,474	1,251	1,304	8,357
Intereses	575	487	452	417	382	756
Trade and other payables	86,381	-	-	-	-	-
	<u>193,343</u>	<u>46,631</u>	<u>29,876</u>	<u>23,461</u>	<u>20,046</u>	<u>30,296</u>

In forthcoming months, based on cash forecasts and available financing, the Group does not expect any liquidity problems.

c) Currency risk

The Group operates internationally and is therefore exposed to currency risk, especially relating to the US Dollar, Pound Sterling and Australian Dollar. The currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in businesses abroad.

The Group companies enter into forward exchange contracts, negotiated through the Group's Treasury Department, to hedge currency risks on future commercial transactions and recognised assets and liabilities. A currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Company's functional currency. The Group's Treasury Department is responsible for managing the net position in each foreign currency using external forward contracts.

The Group's risk management policy is to hedge, through natural hedging (offsetting of receivables and payables), the excess or shortfall US Dollar risk using forward derivatives. In the case of Pound Sterling, all transactions with the Euro are hedged using forwards. The remaining currencies, except Hungarian forint, are not hedged. The Group has various investments in businesses abroad, the net assets of which are exposed to currency risk. Currency risk on net assets from the Group's operations in the United Kingdom, Australia and USA are mainly managed using financing denominated in the corresponding foreign currencies.

Although future currency purchase contracts entered into by the Group are used to hedge the currency risks incurred, hedge accounting is not used.

At 31 December 2010 had the Euro strengthened 10% against the US Dollar, the Australian Dollar and the Pound Sterling, with the other variables remaining constant, consolidated profit after income tax would have been Euros 502 thousand higher. Had the Euro weakened 10% against the aforementioned currencies, consolidated profit after income tax would have decreased Euros 613 thousand, mainly as a result of translating receivables to foreign currency. The translation differences recognised in income and expenses would have been Euros 1,013 thousand lower had the Euro strengthened by 10%, and Euros 5,280 thousand higher had the Euro weakened by 10%.

At 31 December 2009 had the Euro strengthened 10% against the US Dollar, the Australian Dollar and the Pound Sterling, with the other variables remaining constant, consolidated profit after income tax would have been Euros 165 thousand higher. Had the Euro weakened 10% against the aforementioned currencies, consolidated profit after income tax would have been Euros 176 thousand higher, mainly as a result of translating receivables to foreign currency. The translation differences recognised in income and expenses would have been Euros 2,262 thousand lower had the Euro strengthened by 10%, and Euros 2,764 thousand higher had the Euro weakened by 10%.

The principal balances in foreign currency are described in notes 14, 19 and 20 to these consolidated annual accounts.

(Continued)

d) Cash flow interest rate risks

As the Group does not have a considerable amount of remunerated assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

The Group's interest rate risks arise from other non-current borrowings. Borrowings, all of which are at floating interest rates, expose the Group to cash flow interest rate risks. As can be observed in note 18, the Group's main loans are linked to market interest rates which are updated on a quarterly, six-monthly or yearly basis.

The Group manages interest rate risks in cash flows through floating to fixed interest rate swaps with barriers. These interest rate swaps convert floating interest rates on borrowings to fixed interest rates. Generally, the Group obtains other long-term borrowings with floating interest rates and swaps these for fixed interest rates. These are generally at lower rates than those which would have been obtained had the Group obtained the resources directly with fixed interest rates. Through interest rate swaps, the Group undertakes to exchange the difference between fixed interest and floating interest with other parties periodically (generally quarterly). The difference is calculated based on the contracted notional principal.

Although the majority of swaps contracted by the Group hedge interest rate risks in cash flows, they do not comply with the requirements established in IAS 39 for hedge accounting purposes. Consequently, the variation in the fair value of swaps at each balance sheet date is recognised in consolidated profit and loss for the year. Swaps complying with hedge accounting requirements are recognised as other comprehensive income.

Had interest rates been 25 base points higher at 31 December 2010, with the other variables remaining constant, consolidated profit before income tax would have been Euros 437 thousand (Euros 568 thousand in 2009) lower or higher, mainly because of a higher or lower finance expense for borrowings at floating interest rates.

e) Market risk

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

22. Purchase costs and changes in inventories

This caption of the income statement is as follows:

	Thousands of Euros	
	2010	2009
Raw materials and materials purchased	296,494	243,416
Changes in goods for resale	( 6,326 )	2,958
Changes in inventories of raw materials	( 3,224 )	6,326
Changes in inventories of finished goods and work in progress	6,602	30,343
Impairment	105	3,759
Total	<u>293,651</u>	<u>286,803</u>

23. Services rendered

This caption mainly includes income on sales transport services and other logistics services rendered by the Group.

(Continued)

**24. Other Income**

This caption mainly includes profit on the sale of property, plant and equipment.

**25. Personnel Expenses**

Details of personnel expenses in 2010 and 2009 are as follows:

	Thousands of Euros	
	2010	2009
Wages and salaries	94,653	90,887
Compensation for termination of employment <sup>(1)</sup>	543	252
Social Security	23,140	22,930
Other employee benefits expense	3,430	2,777
	<u>121,766</u>	<u>116,846</u>

(1) This does not include indemnities arising from the process involving the optimisation of production capacity and search for distribution synergies, which as indicated in note 27, have been recognised under Other expenses.

The average headcount in 2010 and 2009, distributed by category, is as follows:

	2010	2009
Management	83	91
Sales, logistics and production	2,685	2,637
Administration and purchasing	586	645
	<u>3,354</u>	<u>3,373</u>

The average headcount with disability higher or equal to 33% during the year ended 31 December 2010 has been 30 employees, the category of 27 of them is "Sales, logistics and production" and the 3 remaining "Administration and purchasing".

The distribution of the Group headcount at the end of the year is as follows:

	2010	
	Males	Females
Management	76	6
Sales, logistics and production	2,033	692
Administration and purchasing	244	315
	<u>2,353</u>	<u>1,013</u>

(Continued)

**26. Other Operating Expenses**

Details are as follows:

	Thousands of Euros	
	2010	2009
Rentals and royalties	18,391	18,851
Repairs and maintenance	6,153	5,753
Independent professional services	8,412	8,181
Temporary employment expenses	6,821	3,752
Commission	3,338	2,733
Sales transport	23,500	22,810
Insurance premiums	2,636	2,683
Banking services	1,666	1,537
Marketing and publicity	6,388	5,366
Supplies	8,950	8,548
Communication	3,020	3,263
Travel expenses	7,502	6,251
Other taxes	2,978	2,971
Changes in trade provisions	5,800	9,595
Others (*)	9,912	12,152
	<u>115,467</u>	<u>114,446</u>

(\*) This includes office supplies, logistics, remuneration to the board of directors, guarantees, R&D expenses and other expenses.

**27. Other Expenses**

This caption mainly includes indemnities for an amount of Euros 2,313 thousand (Euros 7,385 thousand in year 2009) and other expenses for an amount of Euros 528 thousand (Euros 2,674 thousand in year 2009) relating to the reorganisation of the Group's production capacity and search for distribution synergies (see note 1). In addition, it includes the stock losses due to Chile's earthquake for an amount of Euros 136 thousand and the expenses associated to the acquisition of Aquatron and Aqua Products for an amount of Euros 200 thousand. In year 2009, it was included an amount of Euros 5,150 thousand for assets impairment.

**28. Operating Leases**

The Group has various warehouses, premises and industrial facilities leased from third parties under operating lease.

The main operating lease agreements for warehouses and buildings are for a term of 1 to 7 years (considerably lower than the useful lives of the assets) and are at market prices. There are no advantageous purchase options and most of the agreements have renewal options at the termination date of the contracts by mutual agreement by the parties. Lease payments are revised periodically in accordance with a price index established in each agreement.

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Future non-cancellable minimum payments on operating leases are as follows:

	Thousands of euros	
	2010	2009
Up to 1 year	13,683	14,223
Between 1 and 5 years	25,470	32,532
More than 5 years	6,986	7,814
	<u>46,139</u>	<u>54,569</u>

Operating lease instalments recognised as expenses for the year amount to Euros 18,391 thousand (Euros 18,851 thousand in 2009) (see note 26).

## 29. Finance Income and Expenses

Details are as follows:

	Thousands of euros	
	2010	2009
Finance income		
Gains on fair value of financial instruments	-	1,996
Other financial income	4,224	3,127
Total finance income	<u>4,224</u>	<u>5,123</u>
Finance expenses	-	-
Debt interest (leases and loans)	( 5,033 )	( 8,255 )
Interest on credit facilities and discounted notes	( 4,392 )	( 4,990 )
Other finance expenses	( 318 )	( 657 )
Losses on fair value of financial instruments	( 91 )	( 1,785 )
Total finance expenses	<u>( 9,834 )</u>	<u>( 15,687 )</u>
Exchange differences		
Exchange gains	8,573	4,456
Exchange losses	( 7,839 )	( 4,409 )
Total exchange differences	<u>734</u>	<u>47</u>
Net expense	<u>( 4,876 )</u>	<u>( 10,517 )</u>

## 30. Deferred Tax and Income Tax

During 2009 the Group has filed consolidated tax returns through two tax subgroups: Fluidra, S.A. and Swimco Corp S.L. (the latter with the Basque Country taxation authorities). The head of each subgroup is the Parent of this tax consolidation and is responsible for filing the corresponding tax returns with the taxation authorities. Non-resident companies in Spain and resident companies which file individual tax returns: Meip Internacional, S.L., Productos Elastómeros, S.A., ID Electroquímica, S.L., Industrias Mecánicas Lago, S.A. Certikin Pool Ibérica, S.L. and Way fit, S.L. are excluded from the tax consolidated groups at Spanish and Basque tax authority level. Profit calculated in accordance with prevailing fiscal legislation in Spain is subject to a tax rate of 30% of the taxable income for companies located in Spain (excluding Basque Country). The tax rate in the Basque Country is 28%.

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During 2010 the Group has filed consolidated tax returns through three tax subgroups: Fluidra, S.A., Swimco Corp S.L. (with the Basque tax authorities) and Fluidra Services France, S.A.S. (the latter with the French tax authorities). The head of each subgroup is the Parent of this tax consolidation and responsible for filing the corresponding tax returns with the tax authorities. Non-resident companies in Spain and/or France and resident companies which file individual tax returns: Productos Elastómeros, S.A., ID Electroquímica, S.L., Certikin Pool Ibérica, S.L., Pacific Industries, S.A.S., A.P. Immobilière, SCI 11 Rue Denfert Rochereau, SCI La Cerisay, Hydroswin International, S.A.S. and Européenne de Couveteurs Automatiques, S.A.R.L., are excluded from the tax consolidated groups at Spanish, Basque and French tax authority level. Profit calculated in accordance with prevailing fiscal legislation in Spain is subject to tax of 30% of the taxable income for companies located in Spain (excluding Basque Country). The tax rate in the Basque Country is 28% and the tax rate in France is 33.33%.

The Company and the remaining subsidiaries (except Astral Middle East FZE and Certikin Dubai) are obliged to file income tax returns each year.

Details of deferred tax assets and liabilities, by nature, are as follows:

	Thousands of Euros					
	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Finance leases	121	111	1,023	1,284	( 902 )	( 1,173 )
Property, plant and equipment and investment property	677	742	5,251	6,351	( 4,574 )	( 5,609 )
Establishment of companies abroad	-	-	-	270	-	( 270 )
Deferred gains	19	1,237	2,147	3,628	( 2,128 )	( 2,391 )
R&D costs	114	125	-	45	114	80
Exchange differences	-	( 20 )	138	-	( 138 )	( 20 )
Customer portfolio	-	-	3,442	4,906	( 3,442 )	( 4,906 )
Trademarks	-	-	893	999	( 893 )	( 999 )
Patents	-	-	662	1,063	( 662 )	( 1,063 )
Contractual relationships	-	-	57	70	( 57 )	( 70 )
Inventories	2,115	1,971	78	54	2,037	1,917
Provisions	5,352	4,505	87	1	5,265	4,504
Establishment costs	9	40	-	-	9	40
Credit for tax loss carryforwards and deductions	7,946	9,377	-	-	7,946	9,377
Goodwill	-	-	6,849	6,362	( 6,849 )	( 6,362 )
Other items	345	359	8,085	6,006	( 7,740 )	( 5,647 )
	<u>16,698</u>	<u>18,447</u>	<u>28,710</u>	<u>31,039</u>	<u>( 12,012 )</u>	<u>( 12,592 )</u>

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Details of the variation in net deferred tax assets and liabilities are as follows:

	Thousands of Euros				
	31.12.2009	Profit and loss	Equity	Other	31.12.2010
Finance leases	( 1,173 )	255	-	15	( 902 )
Property, plant and equipment and investment property	( 5,609 )	1,051	-	( 15 )	( 4,573 )
Establishment of companies abroad	( 270 )	270	-	-	-
Deferred gains	( 2,391 )	-	-	263	( 2,128 )
R&D costs	80	24	-	10	114
Exchange differences	( 20 )	-	-	( 116 )	( 136 )
Customer portfolio	( 4,906 )	1,464	-	-	( 3,442 )
Trademarks	( 999 )	106	-	-	( 893 )
Patents	( 1,063 )	401	-	-	( 662 )
Contractual relationships	( 70 )	13	-	-	( 57 )
Inventories	1,917	116	-	3	2,036
Provisions	4,504	659	-	103	5,266
Establishment costs	40	( 20 )	-	( 11 )	9
Credit for tax loss carryforwards and deductions	9,377	( 2,604 )	-	1,173	7,946
Goodwill	( 6,362 )	( 428 )	-	-	( 6,849 )
Other items	( 5,647 )	( 1,029 )	( 39 )	( 1,026 )	( 7,741 )
<b>Total</b>	<b>( 12,592 )</b>	<b>279</b>	<b>( 39 )</b>	<b>340</b>	<b>( 12,012 )</b>

	Thousands of Euros				
	31.12.2008	Profit and loss	Equity	Other	31.12.2009
Finance leases	( 1,546 )	356	-	17	( 1,173 )
Property, plant and equipment and investment property	( 6,890 )	948	-	333	( 5,609 )
Establishment of companies abroad	( 539 )	269	-	-	( 270 )
Deferred gains	( 2,116 )	( 142 )	-	( 133 )	( 2,391 )
R&D costs	280	129	-	( 329 )	80
Exchange differences	314	( 26 )	-	( 308 )	( 20 )
Customer portfolio	( 6,749 )	1,796	-	47	( 4,906 )
Trademarks	( 988 )	( 11 )	-	-	( 999 )
Patents	( 1,266 )	290	-	( 87 )	( 1,063 )
Contractual relationships	( 97 )	27	-	-	( 70 )
Inventories	2,274	( 391 )	-	34	1,917
Provisions	3,447	373	-	684	4,504
Establishment costs	26	( 22 )	-	36	40
Credit for tax loss carryforwards and deductions	662	8,808	-	( 93 )	9,377
Goodwill	( 4,999 )	( 1,363 )	-	-	( 6,362 )
Other items	( 285 )	( 3,924 )	( 114 )	( 1,324 )	( 5,647 )
<b>Total</b>	<b>( 18,472 )</b>	<b>7,117</b>	<b>( 114 )</b>	<b>( 1,123 )</b>	<b>( 12,592 )</b>

On 30 March 2006 the Company increased capital through a non-monetary contribution of shares, adhering to the special tax regime included in title VII, chapter VIII of Royal Decree-Law 4 of 5 March 2004, approving the Modified Text of Spanish Income Tax Law.

Initially, the shareholders contributing shares in the aforementioned transaction adhered to this tax exemption, therefore transferring the commitment with the taxation authorities for the corresponding deferred

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tax liability, which amounts to Euros 7,790 thousand, to the Parent. Nevertheless, on 31 March 2006 these shareholders signed a commitment to reimburse the Parent for the total amount of this exemption, which will be required in the event that the associated shares are sold by the Parent or the corresponding tax is directly settled by the contributing shareholders should they sell all or part of the shares received in exchange for this contribution. Consequently, at 31 December 2006 the Company recognised a non-current deferred tax liability and a non-current receivable, both for the aforementioned amount. Should the Company generate a receivable from the contributing shareholders, the amount payable by the contributing shareholders will be set off by future dividends to be distributed by the Company. As a result of the disposal of shares by the shareholders on 31 October 2007 in relation to floating the Company on the stock market, this non-current deferred tax liability and the non-current receivable have been reduced by Euros 1,365 thousand, that are included in Other non-current receivables (see note 13).

Items charged and credited directly to consolidated equity for the year relate to available-for-sale financial assets and derivative financial instruments and amount to Euros (39) thousand in 2010 and Euros (114) thousand in 2009.

Remaining deferred tax assets and liabilities recognised and reversed in 2010 and 2009 have been charged or credited to the income statement, except for those generated by business combinations or other items.

Deferred tax assets and liabilities expected to revert in the next 12 months amount to Euros 2,957 thousand and Euros 12,989 thousand, respectively. (Euros 2,850 thousand and Euros 11,525 thousand, respectively, in 2009).

Details of the income tax expense are as follows:

	Thousands of Euros	
	2010	2009
Current tax expense		
Current year	6,389	6,358
Tax credits	( 142 )	( 126 )
Prior year adjustments	( 175 )	( 246 )
Provision for taxes	-	782
Others	( 35 )	4
Deferred taxes		
Origination and reversal of temporary differences	( 2,778 )	1,691
Credit for tax loss carryforwards and deductions	2,499	( 8,808 )
Total income tax expense	<u>5,758</u>	<u>( 345 )</u>

A reconciliation of the current tax expense with current income tax liabilities is as follows:

	Thousands of Euros	
	2010	2009
Current tax expense	6,247	6,232
Withholdings and payments on account during the year	( 6,447 )	( 5,130 )
Translation differences	82	58
Tax payable 2009	( 345 )	-
Tax payable 2008	-	( 834 )
	<u>( 463 )</u>	<u>326</u>

(Continued)

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

	Thousands of Euros	
	2010	2009
Profit before income tax on continuing operations	23,546	( 6,114 )
Tax at 30%	7,064	( 1,834 )
Effect of application of tax rates in different countries	( 1,001 )	696
Permanent differences	544	2,513
Offset of loss carryforwards not recognised in prior years	( 362 )	( 155 )
Difference in prior years' income tax expense	( 175 )	( 246 )
Provision for taxes	-	782
Tax credits	( 479 )	( 4,179 )
Others	167	2,078
Income tax expense	<u>5,758</u>	<u>( 345 )</u>

Deferred tax assets relating to tax loss carryforwards and deductions not recognised in the Group's consolidated financial statements at 31 December 2010 are as follows:

	Thousands of Euros	
	2010	2009
Deductions	4,320	4,229
Tax losses	<u>3,626</u>	<u>5,148</u>
	<u>7,946</u>	<u>9,377</u>

These assets mainly relate to tax loss carryforwards and deductions generated during 2009 as a result of the tax losses of Spanish companies consolidated for tax purposes. Because 2009 was the first year in which this situation arises and based on forecast future profits, the Group recognized the assets associated with these tax loss carryforwards and deductions in its consolidated balance sheet. In year 2010, it has been applied Euro 1,431 thousand of the tax loss carryforwards and deductions recognized last year.

The reversal amounts and terms of the deductions capitalized at 31 December 2010 are as follows:

Years	Thousands of euros	Final year
2007	1,564	2,017
2009	2,345	2,019
2009	231	No time limit
2010	<u>180</u>	2,025
	<u>4,320</u>	

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The amounts and terms of the reversal of tax loss carryforwards capitalised at 31 December 2010 are as follows:

Years	Thousands of euros	Final year
2007	205	2,022
2009	1,098	2,024
2009	2,323	No time limit
	<u>3,626</u>	

Deferred tax assets, loss carryforwards and deductions not recognised in the Group's consolidated annual accounts are as follows:

	Thousands of Euros	
	2010	2009
Deductions	1,229	1,147
Tax losses	4,832	3,726
	<u>6,061</u>	<u>4,873</u>

Deduction amounts and reversal periods at 31 December 2010 are as follows:

Years	Thousands of euros	Final year
2005-2008	160	2015-2023
2009	746	2019-2024
2009	2	No time limit
2010	55	2,020
2010	266	2,025
	<u>1,229</u>	

Tax loss carryforward amounts and reversal periods are as follows:

Years	Thousands of euros	Final year
2002-2008	2,624	2011-2026
2009	2,549	2013-2029
2010	202	2015
2010	517	2017
2010	697	2018
2002-2010	9,223	No time limit
	<u>15,812</u>	

Exceptionally, Cepex Mexico, S.A. de CV, Fluidra USA, Inc., Cepex, S.A.U. and Fluidra España, S.A.U. are being inspected by the taxation authorities as explained in the notes to their annual accounts, although no significant liabilities for the Fluidra Group are expected to arise as a result of these inspections.

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The Spanish companies have the following years open to inspection:

Tax	Years open
Income tax	2006 to 2010
VAT	2007 to 2010
Personal income tax	2007 to 2010
Business activities tax	2007 to 2010

The directors of the Group companies consider that in the event of inspection the possibility of contingencies materialising is remote, and in any case, the additional tax debt arising would not significantly affect the Group's consolidated financial statements taken as a whole.

### 31. Transactions and Balances with Related Parties

Details of balances receivable from and payable to related parties are as follows:

	Thousands of Euros			
	31.12.2010		31.12.2009	
	Receivables	Payables	Receivables	Payables
Trade receivables	602	-	378	-
Receivables	333	-	1,980	-
Suppliers	-	1,115	-	1,119
Trade payables	-	113	-	167
Total corriente	935	1,228	2,358	1,286

#### a) Consolidated Group transactions with related parties

Operations in force with related parties are part of the Company's ordinary business and have been carried out under market conditions. They mainly include the following transactions:

- Purchases of finished goods, especially spas and accessories from Iberspa, S.L.
- Building rental agreements between the Group and Inmobiliaria Traisa, S.A., Constralsa, S.L. and Stick Inmobiliere, recognised under costs for services received.
- Sales to Iberpsa of components and materials produced by the Group for the manufacture of spas.
- Services rendered by the Group to Iberspa, S.L.

During 2009 a building located in Spain was sold on an arm's length basis at a sales price of Euros 1,400 thousand, for which the Group obtained a profit of Euros 1,100 thousand. This building was sold to Orzanico, S.L.

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

	Thousands of Euros				
	31.12.2010		31.12.2009		
	Associates	Related entities	Associates	Joint ventures	Related entities
Sales	646	970	432	3,968	622
Income on services	12	191	42	247	195
Purchases	-	( 4,630 )	-	( 20 )	( 4,277 )
Expenses on services and others	( 1,013 )	( 3,944 )	( 406 )	( 8 )	( 4,081 )
Sale of buildings	-	-	-	-	1,400
Purchase of businesses/assets	-	-	-	-	( 250 )

**b) Information on Parent directors and key Group management personnel**

No advances or loans have been extended to key management personnel or the directors,

Remuneration received by key management personnel and the Company's directors is as follows:

	Thousands of Euros	
	31.12.2010	31.12.2009
Total key management personnel	1,660	1,606
Total Parent directors	1,255	1,161

The members of the Company's board of directors have received a total of Euros 917 thousand in 2010 (Euros 911 thousand in 2009), respectively, from the consolidated companies in which they are directors. In addition, they have received a total of Euros 338 thousand for executive functions in 2010 (Euros 250 thousand in 2009). They have also received amounts for travel expenses totalling Euros 93 thousand (Euros 71 thousand in 2009).

The Company has a pension commitment with a senior executive consisting of complementary income in the event of permanent disability whilst employed by the Company. This commitment has been externalised through a life insurance policy, for which the Company has recognised an expense of Euros 4 thousand during 2010 (Euros 3 thousand in 2009).

Apart from the above, the Group has no obligations regarding pensions or life insurance with either former or current members of the board of directors or key management personnel and holds no guarantees on their behalf.

In addition, on 2 June 2010 a stock incentive plan was approved targeted at the Chief Executive Officer and at certain Company executives. The first cycle of this Plan was started on 15 July 2010, at 31 December 2010 the amount recognised in the profit and loss account for this concept amounted to Euros 50 thousand (see note 33).

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**(c) Transactions outside ordinary trading or on a non-arm's length basis carried out by Parent directors**

The directors of the Parent have not carried out any transactions outside ordinary trading or on a non-arm's length basis with the Company or with Group companies during 2010 and 2009.

**d) Investments and positions held in other companies by the Parent's directors and related persons to them.**

Details of the investments held by the Parent's directors in companies with a statutory activity that is identical, similar or complementary to that of the Group, and the positions held and duties and activities performed by the directors are provided in Appendix III which forms an integral part of this note to the consolidated annual accounts.

**32. Environmental Information**

The most significant systems, equipment and installations included as property, plant and equipment at 31 December 2010 and 2009, the purpose of which is to minimise the environmental impact and protect and improve the environment, are as follows:

2010			
Thousands of Euros			
	Cost	Accumulated depreciation	Carrying amount
Waste treatment	5,176	( 1,935 )	3,241
Energy saving	663	( 16 )	647
Emissions reduction	571	( 257 )	314
Contamination reduction	488	( 276 )	212
	<u>6,898</u>	<u>( 2,484 )</u>	<u>4,414</u>
2009			
Thousands of Euros			
	Cost	Accumulated depreciation	Carrying amount
Waste treatment	5,742	( 2,543 )	3,199
Energy saving	13	( 4 )	9
Emissions reduction	571	( 199 )	372
Contamination reduction	528	( 254 )	274
	<u>6,854</u>	<u>( 3,000 )</u>	<u>3,854</u>

Expenses incurred to protect and improve the environment during 2010 and 2009 have been as follows:

Description of expenses	Thousands of Euros	
	2010	2009
External services	16	69
Environmental protection	235	307
Ordinary expenses	1	1

(Continued)

The directors consider that no significant contingencies exist concerning the protection and improvement of the environment, and accordingly, no provision has been made for liabilities and charges by any Group company at 31 December 2010 and 2009.

During the years ended 31 December 2010 and 2009 no environmental grants have been received.

### 33. Other Commitments and Contingencies

At 31 December 2010 and 2009 the Group had mortgaged various assets to secure a bank loan, the capital pending repayment of which amounted to Euros 3,760 thousand at 31 December 2010 (Euros 5,591 thousand at 31 December 2009) see note 18.

At 31 December 2010, the Group has guarantees with banks and other entities amounting to Euros 3,299 thousand (Euros 7,256 thousand in 2009).

The Group has a put option on 30% of the share capital of IDEGIS which can be exercised from 1 January 2018 to 31 December 2023. The strike price of this option is subject to the results of the aforementioned company until the option is exercised. The Group also has a call option on 10% of the share capital of IDEGIS which can be exercised from the date the profits after income tax reach Euros 1,650 thousand and will expire on 31 December 2017. The strike price of the call option is subject to the results of the aforementioned company until the option is exercised, with a minimum limit of Euros 1,155 thousand. In the event that this call option is not exercised, the commitment rises to 40% of the share capital of IDEGIS.

The put options on the share capital of Aplicaciones Técnicas Hidráulicas, S.L., Calderería Plástica del Norte, S.L., Certikin Italia, S.p.A. and SSA Fluidra Österreich GmbH are carried as liabilities under Trade payables for non-current assets in the balance sheet at 31 December 2010 for Euros 1,429, 1,801, 325 and 444 thousand respectively (Euros 1,374 and 1,668 thousand for Aplicaciones Técnicas Hidráulicas, S.L. and Calderería Plástica del Norte, S.L., respectively at 31 December 2009).

As of 5 August 2010, the company Int Pacific SAS has been acquired, which owned the 20% of the company Pacific Industries SAS. The put option of this 20% was carried as a liability under Trade payables for current assets on the balance sheet at the moment of the acquisition for an amount of Euros 2,717 thousand.

For this acquisition, an amount of Euros 8,827 thousand has been paid. The fair value of its net assets, excluding the Pacific Industries SAS investment, is Euros 6,190 thousand. The rest of the amount (Euros 2,637 thousand) is the price paid for the put option of the remaining 20% of Pacific Industries SAS.

At the General Meeting held on 2 June 2010 the shareholders approved a share ownership plan for the Company's managing director and those members of the management team belonging to the Group's Executive Committee. Acceptance of this plan implies waiving any right deriving from the plan dated 5 September 2007.

The plan is implemented through two instruments:

Part of the incentive is implemented through the granting of a certain number of restricted share units (RSUs), which will be settled by the issuance of shares once a specified period of time has elapsed.

b) The other part of the incentive is instrumented through share appreciation rights (SARs) settled by the issuance of shares once a certain period of time has elapsed and once the price of the Company's shares have increased within a specified period of time.

This plan comprises three cycles, each of which covers a period of three years. The grant dates for each of the cycles are: 15 July 2010, 15 July 2011 and 15 July 2012, ending on 15 July 2013, 15 July 2014 and 15 July 2015 respectively.

The RSUs and SARs are free and cannot be transferred and grant their holders the possibility of receiving Company shares. Provided that the RSUs and SARs do not convert into Company shares their holders are not shareholders thereof and the beneficiaries are not entitled to receive any more RSUs and/or SARs in the future, as it is a one-off event which does not consolidate or ensure the receipt of RSUs and/or SARs in the future.

The maximum number of RSUs to be granted under the Plan is 220,000.

The maximum number of SARs to be taken as a reference for establishing the variable remuneration to be paid to the beneficiaries will be 660,000.

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At 31 December 2010 the best estimate of the whole Plan amounts to approximately Euros 1,100 thousand. The fair value of the first cycle granted at 15 July 2010 amounts to Euros 325 thousand, Euros 50 thousand of which are recognised in the income statement for 2010.

#### 34. Fees of the Auditor and the Auditor's Group and Related Companies

The audit company KPMG Auditores, S.L. of the Group annual accounts has invoiced net fees for professional services during the years ended 31 December 2010 and 2009, as follows:

	Thousands of Euros	
	31.12.2010	31.12.2009
Audit services	571	724
Other services of accountant verification	6	-
Other services	-	9
Total	577	733

The amounts detailed in the above table include the total professional service fees for years 2010 and 2009, irrespective of the date of invoice.

Other societies of the KPMG Europe, LLP Group have invoiced the Group net fees for professional services during the years ended 31 December 2010 and 2009, as follows:

	Thousands of Euros	
	31.12.2010	31.12.2009
Audit services	70	-
Other services of accountant verification	3	-
Other services	80	-
Total	153	-

On the other hand, other affiliated entities to KPMG international have invoiced the Group net fees for professional services during the years ended 31 December 2010 and 2009, as follows:

	Thousands of Euros	
	31.12.2010	31.12.2009
Audit services	201	255
Other services of accountant verification	8	-
Other services of tax consultancy	-	1
Other services	86	1
Total	295	257

#### 35. Information on deferred payments to suppliers

As indicated in note 2.b) "Comparative information" in accordance with the ruling issued by the Spanish Institute of Accountants and Auditors (ICAC) on 29 December 2010, and because 2010 is the first year of adoption of Law 15/2010 of 5 July 2010 which establishes measure to combat payment default on trade transactions, the Company is under the obligation to exclusively provide information relating to balances payable to suppliers at 31 December 2010 which exceed the legal payment term.

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Fluidra has analysed the terms for outstanding balances to suppliers in accordance with the criteria included in the Law:

- i. Balances outstanding at 31 December 2010 relating to suppliers and trade payables included under current liabilities for payables to trade suppliers and service providers on the balance sheet.
- ii. The maximum legal term has been calculated based on the date the services were rendered by a third party or merchandise was received by Fluidra, or from the date that the Law entered into force (7 July 2010), if subsequent to these dates.
- iii. In accordance with the transitional regime established by Law 15/2010, the deferral period has been 85 days.

From the balances payable at 31 December 2010 relating to suppliers and trade payables included under current liabilities, payments deferred by more than 85 days amount to 8,367 thousand.

### 36. EBITDA

The consolidated income statement shows the EBITDA, which for the purpose of these consolidated annual accounts is defined as follows:

Sales of goods and finished goods + Services rendered (see note 23) + Work performed by the Group and capitalised – Changes in inventories of finished goods and work in progress and raw materials used – Personnel expenses – Other operating expenses + Share of profit/loss of equity accounted investees.

#### Calculation of EBITDA for 2010 and 2009

	Thousands of Euros	
	31.12.2010	31.12.2009
Sale of goods for resale and finished goods	581,245	550,425
Services rendered	11,487	14,013
Work performed by the Group and capitalised	3,012	3,571
Changes in inventories of finished goods, work in progress and raw material supplies	( 293,651 )	( 286,803 )
Personnel expenses	( 121,766 )	( 116,846 )
Other operating expenses	( 115,467 )	( 114,446 )
Share of profit/(loss) of equity accounted investees	76	38
EBITDA	<u>64,936</u>	<u>49,952</u>

### 37. Subsequent events

On 11 February 2011 a purchase agreement has been signed stipulating that the Fluidra Group will receive 100% of the share capital of Aquatron Inc. and Aqua Products Inc, and acquire the production assets of the Israeli company Aquatron Robotic Systems Ltd.

Aqua Products and Aquatron develop, manufacture and distribute electronic cleaners for the bottom of private and public swimming pools. Both these companies have their head offices in the USA.

Annual consolidated sales for the group of companies to be purchased amount to US dollars 44.9 million, and their main markets are USA and Europe.

The agreement signed stipulates an initial payment of US dollars 44 million, with future payment obligations linked to the results obtained by the acquired companies.

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After having complied with a series of procedures which are normal in this kind of transaction, the aforementioned purchase was completed on 17 March 2011.

In addition, on 18 February 2011 the Company has signed a liquidity contract for the purpose of improving the liquidity of transactions and regularising the price of its shares.

The contents of this liquidity contract are in line with Circular 3/2007 of 19 December 2007 and its main characteristics are as follows:

- i. Financial intermediary: Riva y García – 1877, Sociedad de Valores, S.A.
- ii. Market on which trading will take place: Electronic stock market, Madrid, Barcelona, Bilbao and Valencia stock exchanges.
- iii. Duration: The contract was signed on 18 February 2011 and entered into force on 22 February 2011 with an initial duration of 12 months. The contract is understood to be tacitly renewable for the same period, unless indicated to the contrary by the parties.
- iv. Number of shares destined to the securities account associated with the contract: 100,000 shares.
- v. Amount destined to the cash account associated with the contract: Euros 250,000.

(Continued)

### Overview of business performance

During year 2010 Fluidra Group's sales increased in 5.6% compared to the same period of last year. The growth per quarter has been: first quarter 0.3%, second quarter 7.7%, third quarter 3.4% and closing the year, a fourth quarter of 11.7%. Despite the slow first quarter, in the sales evolution the second and fourth quarter have increased more than average, and the third quarter lower than average. This evolution shows a better performance of pre campaign sales. The sales in the Spanish market contributed to the positive trend (+3.1%), recovering part of the descent of last year (-27.8%). We can also point out the growth in the Asia & Australia markets (26.0%) and RoW (+20.1%) following the geographic diversification, reducing the weight of sales in european markets. The exchange rate with the euro with other currencies has also had a positive effect. If we isolate the exchange rate effects, the growth would have been of 3.0%.

The growth in Business segment shows a growth in Pool and Water Treatment and Irrigation of 6.4%, 5.7% and 4.7% respectively, showing a slow down in Fluid Handling (-0.4%).

The growth in sales had a direct effect on the results, making EBITDA rise from 50.0 million Euros as of 31 December 2009 to 64.9 million Euros as of 31 December 2010.

The growth of EBITDA of 30.0%, from 9.1% of sales to 11.2% of sales, has two fundamental causes:

Firstly, the better performance of the sales (+5.6%) mentioned above, as also the better Gross Margin (1.6 percentage points), recovering after the fall in 2009, due to the reduction in finished product inventories.

Secondly, the percentage of sales of the Net Operating Expenses (calculated as sum of Personnel expenses plus other operating expenses minus Services rendered, Self-constructed assets and doubtful debt provisions) has shown a stable evolution consolidating the cost cutting actions taken during 2009 (37.3% versus 37.1%). This effect is more important in Personnel expenses where the fix component is higher, (21.2% versus 20.9%) with an increase of 4.2% in absolute terms.

If we analyse the evolution of the Net Operating Expenses in absolute terms, from the growth of 12.8 million Euros, 5.2 million are due to the increase of production in our industrial plants due to higher sales and compensated with the better Gross Margin; 4.3 million Euros are due to the devaluation of the euro, and 1.2 caused by the increase of variable distribution costs. The rest is an increase of 2.1 million Euros once all other effects have been isolated, which represents 1.1%

Net finance expense show a positive performance from -10.6 last year to -4.9 million Euros in 2010, due to the rate exchange gains caused by the devaluation of the euro (0.7 million Euros), and also due to the reduction of the average net financial debt that has shown a reduction of 23.0% in 2010 compared to 2009. The average cost of debt has also shown a positive evolution (decrease 1,3 percentage points).

Net profit grew 22.9 million Euros compared with last year, caused by the better sales, gross margin, net operating expenses and finance expenses, and also to the reduction of 8.9 million Euros in restructuring expenses. During 2010 the restructuring process initialized end of 2008, has come to an end. The full cost of the restructuring program has been 22,4 million Euros.

In the Balance Sheet of the Group, there is a growth of the Net Working Capital lower than sales (1.9%), caused mainly by the increase in Inventories (+4,9%) to prepare for the growth in sales expected in the beginning of 2011. Accounts Receivables have been reduced in 0.2% despite a growth in sales in the last quarter of 11.7%.

Investments amounted to 17,6 during 2010, maintaining continued investment in R&D (2,9 million euros), and including 9,3 million euros investments in production plants and 3,4 million euros invested in the distribution net.

The better results, combined with a reduction in the Net Working Capital, has made it possible to continue reducing the Net Financial Debt, 147.6 million Euros as of 30 December 2010 in comparison with 169.5 last year.

In the beginning of 2011, the Group has signed a purchase agreement of 100% of Aquaproducts group. "This agreement is good news for our customers and shareholders. The value created with this operation is very high. It positions Fluidra as the world leader in pool cleaning robot technology and at the same time it opens a door for the residential market in NorthAmerica", assures Eloi Planes, CEO of Fluidra.

(Continued)

The Group's headcount was reduced by 20 employees. At 31 December 2010 the average number of employees stood at 3,353, of which 69% were male and 31% were female.

Fluidra's ongoing commitment to the environment is reflected in the optimisation of the natural resources used in its production processes and its heightened use of alternative energies. Additionally, one of the core priorities of the Company's R&D projects is the responsible use of water.

The information regarding transactions with related parties is disclosed in section 18. Transactions with related parties in the six-monthly financial report sent to the CNMV (Spanish Securities Market Commission).

### Overview of risk policy

The Group focuses its risk management on the uncertainty of the financial markets (exchange rates and interest rates) and aims to minimise possible adverse effects on the Group's financial profitability.

The Group operates internationally and is therefore exposed to the risk of exchange-rate fluctuations when operating in foreign currencies, especially the US Dollar (USD), Pound Sterling (GBP) and Australian Dollar (AUD).

Thousands of Euros	Sales	Purchases
USD	23,693	46,190
AUD	38,176	18,007
GBP	33,770	18,664

The Group's risk management policy is to hedge, through natural hedging (offsetting receivables and payables), the excess or shortfall US Dollar risk using forwards. In the case of Pounds Sterling and Australian Dollars, all transactions with the Euro are hedged using forwards.

The Group mitigates the interest rate risk affecting its cash flows using floating-to-fixed barrier swaps with fixed rates of between 1.65% and 6.40% and barriers at an interval ranging from 2.85% to 6.75%. At the closing date approximately 50% of loans and borrowings are hedged.

The Group is not exposed to significant credit risk and prudently manages liquidity risk, with the central treasury department ensuring that the Group's financing is sufficiently flexible to meet the needs of the business.

### Treasury shares

During 2010 the Company has carried out several purchase transactions (980,289 shares) involving treasury shares and sales transactions (3,000 shares). At year end the Company held 2,604,842 treasury shares, representing 2.31% of its share capital and with a total cost of Euros 8,037 thousand.

### Research, development and innovation

Investments in research, development and innovation have amounted to Euros 2,927 thousand during 2010.

### Subsequent events

On 11 February 2011 a purchase agreement has been signed stipulating that the Fluidra Group will receive 100% of the share capital of Aquatron Inc. and Aqua Products Inc, and acquire the production assets of the Israeli company Aquatron Robotic Systems Ltd.

Aqua Products and Aquatron develop, manufacture and distribute electronic cleaners for the bottom of private and public swimming pools. Both these companies have their head offices in the USA.

Annual consolidated sales for the group of companies to be purchased amount to US dollars 44.9 million, and their main markets are USA and Europe.

(Continued)

## Fluidra, S.A. and Subsidiaries

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The agreement signed stipulates an initial payment of US dollars 44 million, with future payment obligations linked to the results obtained by the acquired companies.

After having complied with a series of procedures which are normal in this kind of transaction, the aforementioned purchase was completed on 17 March 2011.

In addition, on 18 February 2011 the Company has signed a liquidity contract for the purpose of improving the liquidity of transactions and regularising the price of its shares.

The contents of this liquidity contract are in line with Circular 3/2007 of 19 December 2007 and its main characteristics are as follows:

- i. Financial intermediary: Riva y García – 1877, Sociedad de Valores, S.A.
- ii. Market on which trading will take place: Electronic stock market, Madrid, Barcelona, Bilbao and Valencia stock exchanges.
- iii. Duration: The contract was signed on 18 February 2011 and entered into force on 22 February 2011 with an initial duration of 12 months. The contract is understood to be tacitly renewable for the same period, unless indicated to the contrary by the parties.
- iv. Number of shares destined to the securities account associated with the contract: 100,000 shares.
- v. Amount destined to the cash account associated with the contract: Euros 250,000.

(Continued)

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In accordance with Article 116 bis of the Securities Market Act 24/1988 of July 28th, introduced by the Act 6/2007 of April 12, the Board of Directors of Fluidra, S.A. has prepared an explanatory report on those aspects of the Management Report that are provided for in the aforementioned Act. This report will be submitted to the shareholders' approval at the Company's general meeting.

- a) Share capital structure, including securities which are not traded on a regulated European market, stating the various classes of shares, the rights and obligations conferred by each class of share, and the percentage of share capital they represent, as appropriate.**

As at December 31st 2010 the share capital of Fluidra, S.A. (hereinafter called "Fluidra") amounted to 112,629,070 Euros is divided into 112,629,070 ordinary shares of the same class and series, with a nominal value of one euro each, fully subscribed for and paid up. The shares confer the same rights on their holders.

- b) Restrictions on the transferability of shares.**

The Company's Articles of Association do not impose any restrictions on the transferability of shares.

Article 6 of the Articles of Association provides that the Company's shares are represented by means of book entries. Shares may be transferred by any means permitted by law, depending on the nature of the shares, and subject to the legal requirements applicable to the transfer of shares represented by book entries.

Notwithstanding the foregoing, in accordance with Article 81.2. LMV and Article 4 of the Internal Code of Conduct, those persons that hold insider information are to refrain from preparing or performing, directly or indirectly, on their own behalf or on behalf of a third party, any transaction on the Company's negotiable securities or financial instruments. In addition, those subject to the Internal Code of Conduct of Fluidra are to refrain from buying or selling the Company's negotiable securities or financial instruments during the following periods of restricted action:

- (i) during the fifteen days prior to the estimated date of publication of quarterly, six-monthly and annual interim results that the Company is required to submit to the Comisión Nacional del Mercado de Valores ("CNMV") and to the Stock Exchanges' Governing Bodies up until their general publication;
- (ii) upon receiving information on proposals for the distribution of dividends, capital increases or reductions, or the issue of convertible Company shares, up until their general publication; and
- (iii) upon receiving any other relevant information, as defined in the Internal Code of Conduct, until such information is disclosed or made available to the public.

In accordance with the provisions of Article 5.3 of the Internal Code of Conduct, negotiable securities cannot be sold by the Persons Subject to the Internal Code of Conduct of Fluidra on the same day that the purchase is completed.

- c) Significant direct or indirect shareholdings.**

Below is a list of significant interests held in the share capital of Fluidra, which have been notified to the Company for an amount equal to or greater than 3% of the share capital or voting rights as at December 31st 2010:

(Continued)

## Fluidra, S.A. and Subsidiaries

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Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights.*	% of total voting rights
DISPUR, S.A	13,673,714	10,000	12.149
Don Juan Planes Vila	10,000	13,685,534	12.160
EDREM, S.L.	15,204,914	0	13.500
Don Bernat Corbera Bros	99,213	15,204,914	13.588
BOYSER, S.R.L	15,905,405	0	14.122
ANIOL, S.L.	10,198,892	0	9.055
Don Robert Garrigós Ruiz	0	10,198,892	9.055
BANSABADELL INVERSIÓ I DESENVOLUPAMENT, S.A.	10,891,053	0	9.670
GRUPO CORPORATIVO EMPRESARIAL DE LA CAJA DE AHORROS Y M.PIEDAD DE NAVARRA	9,009,064	0	7.999
CAJA DE AHORROS Y M. PIEDAD DE NAVARRA	0	9,009,064	7.999
BESTINVER GESTIÓN, S.A. SGCIIC	0	5,315,054	4.719
AVIVA INTERNATIONAL, HOLDING LIMITED (AIHL)	0	3,386,650	3.007
Don Albert Costafreda Jo	0	3,477,399	3.087

\*Through:

(Continued)

Name or company name of the indirect shareholder	Name or company name of the direct shareholder	Number of direct voting rights	% of total voting rights
Don Juan Planes Vila	DISPUR, S.L.	13,685,534	12.151
Don Bernat Corbera Bros	EDREM, S.L.	15,204,914	13.500
Don Robert Garrigós Ruiz	ANIOL, S.L.	10,198,892	9.055
BANC DE SABADELL	BANSABADELL INVERSIÓ I DESENVOLUPAMENT, S.A.	10,891,053	9.670
CAJA DE AHORROS Y MONTE DE PIEDAD DE NAVARRA	GRUPO CORPORATIVO EMPRESARIAL DE LA CAJA DE AHORROS Y M.PIEDAD DE NAVARRA	9,009,064	7.999

**d) Restrictions on voting rights.**

There are currently no statutory or company by-law restrictions on the exercise of voting rights.

**e) Shareholder agreements.**

Fluidra is aware of the existence of a shareholder agreement entered into by its majority shareholders, i.e. Dispur, S.L., Aniol S.L., Boyser, S.L., Edrem S.L. and Bansabadell Inversió Desenvolupament, S.A.U. on September 5th 2007, in order both to define their control over Fluidra with regard to their voting rights and to syndicate a number of share transfers between them. The shareholder agreement is for a maximum term of 7 years from the date of admission to listing of Fluidra's shares, but the provisions relating to the syndication of votes are valid for a period of 4 years from the above-mentioned date.

The most significant provisions of the shareholder agreement are listed below:

- (i) Syndication of votes: The parties to the shareholder agreement undertake to exercise their voting rights in Fluidra's general meetings in the direction set by the syndicate body designated in the agreement, under the name of 'assembly'.

Any resolution adopted by the assembly requires the affirmative vote of syndicated shareholders representing 50% or more of the voting rights of syndicated shares. Notwithstanding the above, certain resolutions require a reinforced majority (70%) or unanimity (a specially reinforced majority).

A reinforced majority (i.e. the affirmative vote of at least 70% of the voting rights of syndicated shares) is required to pass resolutions in the following areas among others: (i) amendments to the articles of association resulting in a capital increase or reduction, except those requiring a specially reinforced majority as set out below; creation of shares without voting rights; modifying the nominal value of the shares; replacing or altering the Company's corporate objects, etc.; (ii) changes to the management system, or in the number, appointment, removal or membership of Board members; (iii) issue of bonds and any other debt instruments or securities that can be converted into shares; (iv) creation of stock option plans for Fluidra directors or employees; and (v) authorising the Company to carry out transactions with its own shares, up to a maximum limit of 2%.

A specially reinforced majority (i.e. unanimity of the voting rights of syndicated shares) is required to pass resolutions in the following areas among others: (i) amendments to the articles of association resulting in a capital increase of more than 10% of Fluidra's share capital on the date immediately preceding the date of the capital increase; (ii) transformation, merger, spin-off, etc.; (iii) exclusion from public listing of Fluidra's shares; and (iv) approval of transactions with Fluidra's own shares above the 2% limit.

- (ii) Restrictions on the transfer of shares: The agreement prevents shareholders from selling or otherwise transferring the shares covered by the agreement for a period of 4 years from the date of admission to

(Continued)



## Fluidra, S.A. and Subsidiaries

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listing of Fluidra's shares, subject to certain exceptions to this limitation.

On expiry of the said 4-year period and until the termination of the agreement, the non-transferring syndicated shareholders have a right of first refusal in the event of sale of the shares subject to the agreement.

- (iii) **Membership of governing bodies:** The agreement includes a clause relating to the number of members and the membership of some of Fluidra's governing bodies.
- (iv) **Non-competition:** The agreement imposes a non-compete obligation on syndicated shareholders, whereby these undertake not to compete with Fluidra during a period of 4 years from the date of admission to listing of Fluidra's shares, unless they receive prior written consent from Fluidra.

These majority shareholders, i.e. Dispur, S.L., Aniol S.L., Boyser, S.L., Edrem S.L. and Bansabadell Inversió Desenvolupament, S.A.U. owners of more than 53% of shares in Fluidra, S.A. have agreed the extension of the shareholders agreement mentioned in this paragraph. The amendment and extension of that agreement states the will of these shareholders to define jointly its position not only when exercise their voting rights but in any transfer of shares as well.

**f) Rules applicable to the appointment and removal of the members of the management body and amendments to the articles of association.**

• *Appointment and removal of the members of the Board of Directors*

*Members of the management board are appointed by the General Meeting or, on a temporary basis, by the Board of Directors, as provided for by the Spanish Companies Act and the Articles of Association.*

*Article 17.1 of the Regulations of the Board of Directors provides that directors are appointed (i) upon proposal by the Appointments and Remuneration Committee in the case of independent directors, and (ii) upon submission of a report by the Appointments and Remuneration Committee in the case of other directors; by the Shareholders in General Meeting or by the Board of Directors in accordance with the requirements of the Spanish Companies Act.*

With respect to external directors, Article 18 of the Regulations of the Board of Directors of the Company requires the Board of Directors to ensure that all external directors have excellent track records, skills and experience, and that special care is taken when covering the independent director positions as provided for in Article 6 of these Regulations.

The period of time for which Directors are appointed may not exceed six years. Directors may be re-elected once or more times for successive terms of equal length.

*According to Article 19 of the Regulations of the Board of Directors of the Company, the Board of Directors must evaluate, with the interested parties' abstention, the quality of the work and commitment of the proposed directors during their previous term of office before making any recommendations to the Shareholders in General Meeting in relation to the re-appointment of Directors.*

Article 21.1 of the Regulations of the Board of Directors requires that Directors be removed upon expiration of the term of office for which they were appointed or when so ordered by the Shareholders in General Meeting, in exercise of the powers granted to them by law or by the Articles of Association.

In accordance with Article 21.2 of the Regulations of the Board of Directors, directors are required to offer their resignation to the Board of Directors and, if the Board considers it appropriate, resign from their post in any of the following cases: a) Upon termination of any executive employment linked to their appointment as directors; b) When affected by any of the causes of incompatibility or legal prohibition established by law; c) If they are severely reprimanded by the Board of Directors for having breached their obligations as directors; d) If their remaining on the Board is likely to pose a risk or harm the best interests, credit rating or reputation of the Company or when the reasons for which they were initially appointed no longer apply; e) The maximum term for independent directors is 12 consecutive years, after which time they shall resign their positions; f) In the case of representatives of major shareholders (i) when the shareholder in question sells its equity stake; and similarly (ii) If the number of shares held by the relevant shareholder is reduced to the extent that the number of Directors representing major shareholders must also be reduced.

Article 21.3 of the Regulations of the Board of Directors provides that any director resigning for any reason prior to the expiration of their term of office shall provide all members of the Board with the reasons for their resignation in writing.

(Continued)

The Board of Directors shall propose the removal of an independent director prior to the expiration of their term of office for just cause, as reflected in a report prepared by the Appointments and Remuneration Committee. Particularly, just cause shall be understood to exist if the director fails to comply with the obligations inherent in his position or is subject to any of the causes of incompatibility described in the definition of independent director as established in the applicable recommendations of good corporate governance.

- Amendments to the Articles of Association

In accordance with Article 5 of the Regulations of the Company's General Meeting of Shareholders, the General Meeting, among others, has the power to amend the Articles of Association.

**g) Powers delegated to members of the Board of Directors and, in particular, those relating to the power to issue or buy back shares.**

*Mr Eloy Planes Corts, a director, has been given all of the powers conferred on the Board by the Articles of Association, except for those which cannot be delegated by Law.*

Furthermore, the Company's Ordinary General Meeting of Shareholders held on June 2th 2010 authorised the Board of Directors to carry out, according to the article 75 and other linked articles of the Spanish Companies Act, directly or indirectly, the derivative acquisition of its own shares, with express authorisation of reducing the share capital to amortize own shares, granting to the Board of Directors the necessary faculties for the execution of the agreements taken by the General Meeting of Shareholders in this respect, leaving without effect the authorisations agreed by the Company's General Meeting held in June 5<sup>th</sup>. 2009 and also authorised the Board of Directors to use its own shares to comply and execute the retribution plan designed for members of management.

The Board of Directors agreed in his meeting held in April 27<sup>th</sup>. 2010 authorise to the Managing Director, Mr. Eloy Planes Corts, to carry out the derivative acquisition of its own shares up to a maximum number of shares that can not reach the 4% of the share capital of the company.

**h) Significant agreements entered into by the Company and which come into force or are amended or terminated as a result of a change of control of the company following a public takeover bid, and its effects, except where the disclosure of such agreements may cause serious harm to the company. This exception will not apply where the company is legally obliged to publicise this information.**

*The Company has not entered into any agreements that come into effect or are amended or terminated as a result of a public takeover bid.*

**i) Agreements entered into between the company and directors, managers or employees that are entitled to compensation if they resign or are dismissed unfairly or if their employment relationship is terminated as a result of a public takeover bid.**

Except for the Managing Director and General Managers, the Company has not made any arrangements other than those provided for in the Workers' Statute or the Senior Management Decree 1382/1985, which provide for the payment of compensation where a senior manager resigns or is dismissed unfairly, or where the employment relationship is terminated as a result of a public takeover bid.

In the case of the Managing Director and General Managers, has been granted a compensation package for an amount greater than that provided for by the above-mentioned regulations, including among others, in the event of unfair dismissal.

**A. OWNERSHIP STRUCTURE****A.1 Complete the following table on the company's share capital.**

Last update	Share capital (€)	Number of shares	Number of voting rights
30.3.2006	112,629,070.00	112,629,070.00	112,629,070

There is only one class of share and, therefore, none of the shares have additional rights.

**A.2 Specify the direct and indirect holders of significant shares in your company at the closing date of the financial year, excluding the Directors:**

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights.*	% over the total voting rights
BOYSER S.R.L	15.905.405	0	14,122
Bernat Corbera Bros	99.213	15.204.914	13,588
EDREM S.L	15.204.914	0	13,500
DISPUR S.L	13.673.714	10.000	12,149
ANIOL S.L	10.198.892	0	9,055
Robert Garrigós Ruiz	0	10.198.892	9,055
BESTINVER GESTION SA SGIC	0	5.315.054	4,719
AVIVA INTERNATIONAL HOLDING LIMITED (AHL)	0	3.386.650	3,007
ALBERT COSTAFREDA JO	0	3.477.399	3,087

\*Through :

Name of the indirect shareholder	Name or corporate name of the direct shareholder	Number of direct voting rights	% over the total voting rights
BERNAT CORBERA BROS	EDREM S.L	15.204.914	13,500
ROBERT GARRIGOS RUIZ	ANIOL S.L	10.198.892	9,055

Specify the most significant transactions that have taken place during the year in the shareholding structure:

(Continued)

A.3. Complete the following tables regarding the members of the company's Board of Directors who hold shares in the company.

Name or corporate name of the director	Number of direct voting rights	Number of indirect voting rights *	% over the total voting rights
Juan Planes Vila	10.000	13.685.534	12,160
Eloy Planes Corts	61.121	0	0,054
Bansabadell Inversió Desenvolupment, S.A. represented by Mr. Carlos Ventura Santamans	10.891.053	0	9,670
Bernardo Corbera Serra	202.243	0	0,180
Grupo Corporativo Empresarial de la Caja de Ahorros y M.Piedad de Navarra	9.009.064	0	7,999
Bernat Garrigós Castro	13.254	0	0,012
Richard J. Cathcart	13.450	0	0.012

Through\*:

Name or corporate name of the direct shareholder	Number of direct voting rights	% over the total voting rights
DISPUR, SL	13.685.534	12,151

% of total voting rights held by the Board of Directors	30,086
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Complete the following tables regarding the members of the company Board of Directors who own rights over company shares:

Name or corporate name of the director	Number of direct option rights	Number of indirect rights	Number of equivalent shares	Total % of voting rights
ELOY PLANES CORTS	13.333	0	13.333	0.012

(Continued)

A.4. If applicable, state whether there are any relationships of a family, commercial, contractual or business nature between the significant shareholders that are known to the Company, unless such relationships are of little relevance or are the result of the ordinary line of business.

Name or company name related	Relationship	Briefly description
EDREM S.L and BOYSER S.R.L.	Familiar	

A.5. If applicable, state whether there are any relationships of a family, commercial, contractual or business nature between the significant shareholders and the the Company and/or the group, unless such relationships are of little relevance or are the result of the ordinary line of business.

N/A

A.6. Specify whether the company has been notified of any agreements made by shareholders that may affect it in accordance with the provisions of Article 112 of the Spanish Stock Market Act. If applicable, give a brief description and list the shareholders related to the agreement.

On September 5<sup>th</sup> 2007 a syndication agreement was signed. It had the following features:

Intervening parties in the shareholders' agreement	% of capital affected	Brief description of the agreement
Mr Juan Planes Vila on behalf of Dispur, S.L; Mr Robert Garrigós Ruiz on behalf of Aniol, S.L; Mr Óscar Serra Duffo on behalf of Boyser, S.L; Mr Bernardo Corbera Serra on behalf of Edrem, S.L; Mr Carles Ventura Santamans on behalf of Bansabadell Inversió Desenvolupament, S.A.U	<hr/> <p>Total 54.5000%</p> <hr/> <hr/>	<p>It aims to regulate voting rights over four (4) years as of the date Fluidra shares are listed on the market. It likewise aims to regulate the limitations imposed on the free transfer of Syndicated Shares.</p> <p>In accordance with the law, all of the terms that must be adopted at the Fluidra General Shareholders Meeting are excluded from this Agreement.</p>

The shareholders Boyser, Edrem, Dispur, Aniol and Bidsa, owners of more than 53% of the shares in Fluidra, have agreed the extension of the abovementioned agreement. This extension express the will of those shareholders to define jointly its position in relation to their voting rights and the transfer of shares in Fluidra.

This Shareholders' Agreement has been notify to the CNMV as "acción concertada"

(Continued)

**A.7. Specify whether any individual or legal entity exists that exercises or has the power to exercise control over the company in accordance with Article 4 of the Stock Market Act. If applicable, please specify:**

YES

NO ☒

**A.8. Fill in the following tables regarding the company's treasury stock:**

**At the close of the financial year:**

Number of directly owned shares	Number of indirectly owned shares	Total % of share capital
2.604.842	0	2,313

**Specify any significant variations that have taken place during the year, under the provisions of Royal Decree 1362/2007:**

Plusvalua / Minusvalía=-3

**A.9. Detail the conditions and deadline of authorisation by the Board of Directors to execute acquisitions or transfers of own shares:**

At the Annual General Meeting held on 2<sup>nd</sup> June 2010, the resolution authorising the Company to carry out the derivative acquisition of own shares, directly or through group companies, was unanimously approved with the express power to reduce share capital in order to redeem own shares, delegating to the Board of Directors the powers necessary for the implementation of the resolutions adopted by the General Meeting regarding this matter (leaving the previous authorisation ineffective) and authorisation to (if applicable) apply the portfolio of own shares to cover the execution or coverage of payment systems.

During the meeting of the Board of Directors held on 27<sup>th</sup> April 2010, the Board decided to empower the Managing Director to acquire treasury stock up to a limit of 4% of the share capital.

**A.10. Specify, if applicable, the legal and statutory restrictions pertaining to exercising voting rights, as well as any legal restrictions on the acquisition or transfer of shares in the share capital:**

**Specify whether there are any legal restrictions on the exercise of voting rights:**

YES ☐NO ☒

The Share Syndication Agreement signed on September 5<sup>th</sup> 2007 reflects the wish of the Syndicated Shareholders to define their overall position of control over Fluidra, both in terms of exercising their voting rights and in syndicating certain share transfer operations between themselves.

None of the Syndicated Shareholders may sell, transfer, assign, encumber or in any other way dispose of the Syndicated Shares. The same applies to the transfer of the inherent political and economic rights of the Syndicated Shares during the initial four- (4) year Syndication Period.

(Continued)

Specify whether there are any legal restrictions on the purchase or transfer of shares in the share capital:

☒ YES

☐ NO

**Description of the legal restrictions on the purchase or transfer of shares in the share capital**

Under the provisions of Article 81.2 of the Stock Market Act, any Liable Individuals that are party to any kind of Privileged Information, "may not prepare or perform, directly or indirectly, whether in person or through third parties, any kind of transaction on the Company's Negotiable Securities and Financial Instruments".

Liable Individuals may not purchase or sell Negotiable Securities or Financial Instruments while the restriction periods are in force, that is:

- (iv) In the fifteen days prior to the estimated date of publication of the quarterly, six-monthly and annual forecast statements that the Company is obliged to submit to the Spanish Securities Commission and the Governing Bodies of the Stock Exchange, and until its general publication.
- (v) From the time that any information is made available until its general publication about proposals on the distribution of dividends, capital increases or decreases, of the issue of the Company's convertible securities.
- (vi) From the time any other Relevant Information is made available until it is officially released or becomes public knowledge.

In accordance with the provisions of Article 5.3 of the Internal Regulations on Conduct, negotiable securities may not be sold on the same day on which a purchase transaction takes place.

Subsequent to approval by the CEO, the Director of the Company's Legal Department may decide to either prohibit Liable Individuals from entering into transactions involving Negotiable Securities and Financial Instruments or to make such transactions mandatorily subject to his prior authorisation over the time that he sees fit, when circumstances so require. Under these circumstances, the CEO will be responsible for authorising any personal transactions the Director of the Legal Department may wish to conduct that involve Negotiable Securities and Financial Instruments.

**A.11. Specify whether at the General Shareholders Meeting it was agreed to adopt neutralisation measures with regard to a takeover bid as provided for under Act 6/2007.**

YES

☐

NO

☒

**COMPANY MANAGEMENT STRUCTURE****B****B.1. Board of Directors****B.1.1. Specify the maximum and minimum number of directors foreseen in the articles of association:**

Maximum number of directors	15
Minimum number of directors	5

**B.1.2. Fill in the table below with the appropriate information about the members of the Board: \_**

Name or company name of the director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
Mr Joan Planes		Chairman	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Eloy Planes		CEO and Member	31.10.06	31.10.06	Unanimous decision at General Shareholders Meeting.
Mr Bernat Garrigós		Deputy Secretary	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Oscar Serra Duffo		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.

(Continued)



Mr Bernardo Corbera Serra		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Bansabadell Inversio Desenvolupament, SA	Mr Carles Ventura Santamans	Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Richard Cathcart		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Kam Son Leong		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Juan Ignacio Acha-Orbea Echeverría		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Grupo Corp. Emp. de la Caja de ahorros y Mont Piedad de Navarra	Mr. Eduardo Milagro López	Member	05.06.09	05.06.09	Unanimous decision at General Shareholders Meeting.

Total number of Board Members	10
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Specify the resignations tendered from the Board of Directors over the last year:

B.1.3. Fill in the tables below with the appropriate information about the members of the Board and their positions.

EXECUTIVE DIRECTORS

Name or company name of the director	Authority by which appointment made	Position on the company organisation chart
Eloy Planes Corts	N/A	CEO

Total number of Executive Directors:	1
% of the Board	10.00%

EXTERNAL DIRECTORS REPRESENTING CONTROLLING SHAREHOLDERS

Name or company name of the director	Authority by which appointment made	Name or company name of the significant shareholder represented or that proposed the appointment
Mr Juan Planes	N/A	DISPUR, S.L.
Mr Bernat Garrigós	N/A	ANIOL, SL.
Mr Oscar Serra Duffo	N/A	BOYSER, SL
Mr Bernardo Corbera Serra	N/A	EDREM, SL

(Continued)

Bansabadell Inversio Desenvolupament, SA	N/A	BANSABADELL DESENVOLUPAMENT, SAU
Grupo Corp. Emp. de la Caja de ahorros y Monte de Piedad de Navarra	N/A	Grupo Corp. Emp. de la Caja de ahorros y Monte de Piedad de Navarra

Total number of external directors representing controlling shareholders	6
% of the Board	60,000%

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the director	Profile
Mr Richard J. Cathcart	<p>Born in Washington (USA) on 28 September 1944. He became a pilot with an engineering degree in the United States Air Force.</p> <p>From 1975 to 1995, he held a number of management positions in Honeywell Inc.</p> <p>In 1996 he was appointed manager head of Pentair Water Businesses (Minneapolis, USA), within the company Pentair.</p> <p>From 2005 until the current year, 2007, he held the post of deputy chairman of the Board of Directors of Pentair (Minneapolis, USA), where he handled international operations and business development.</p> <p>In September 2007, Mr. Cathcart was appointed to the Board of Directors of Watts Water Technology where he continues to serve.</p>
Mr Kam Son Leong	<p>Born in Selangor (Malaysia), on 27 January 1955. Graduated with Master Degree in mechanical engineering from Iowa State University in the United States.</p>

(Continued)

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	<p>In the year 2000 he was appointed president of Asia/ Pacific of York International Corp., a Fortune 500 company listed at the NYSE. He performed said post until end 2004, handling the strategies of finance, business development and execution of business plan..</p> <p>From 2005, he joined J. W. Childs, a private equity company headquartered in Boston.</p> <p>He is a also board member in the following companies: Vast Lava, Pro-Logic, HL Partners, Deluxe International, and Chairman of Henan ADD Electric Power Equipment, LTD.</p>
Mr Juan Ignacio Acha-Orbea Echeverría	<p>Born in San Sebastián on 1 July 1956. He graduated in Economic Sciences from the Universidad Complutense of Madrid and earned a Masters in Business Administration from IESE Business School.</p> <p>From 1982 until 1986 he was the Manager of the company Chemical Bank, in Madrid and in New York.</p> <p>From 1986 until 1989, he carried out the post of Director of Variable Income and Investment Funds for the entity Bankinter.</p> <p>From 1989 until 2003 he was General Manager and Chairman of BBVA Bolsa, S.V.</p> <p>From 2003 until 2006 he formed part, as independent director, of the Board of Directors of the listed company TPI Páginas Amarillas.</p> <p>Furthermore, in the year 2003, he was appointed Chairman of the company Equity Contraste Uno, post which he continues to exercise at present.</p>

Total number of independent Directors	3
% of the Board	30,000 %

OTHER EXTERNAL DIRECTORS:

NONE

If applicable, specify the changes that have occurred over the past year in the duties performed by each director:

Not applicable

(Continued)

**B.1.4.: Explain, if applicable, the reasons why external directors representing controlling shareholders were appointed at the request of the shareholders who own less than 5% of the capital: Not applicable.**

**Specify whether any formal requests to attend board meetings have been ignored if such requests have been made by shareholders who own the same number or more shares as others and at whose request external directors representing controlling shareholders directors would have been appointed. If applicable, explain why these requests were ignored.**

YES ☐ NO ☒

**B.1.5: Specify whether any directors have resigned from their posts before the end of their mandate. Give the reasons that were given for doing so and through which means of communication. If such resignations were tendered in writing to the Board, set out the reasons given for doing so below.**

NOT APPLICABLE

**B.1.6. If applicable, specify the duties that are delegated to the CEO.**

The current CEO, Mr Eloy Planes, has delegated all duties on a permanent basis that are delegable according to the Law.

**B.1.7 If applicable, specify the members of the Board who act as directors in other companies that form part of the group if the listed company.**

**NAME OF THE DIRECTOR: ELOY PLANES CORTTS**

Company	Position
Astral Nigeria, Ltd.	Director
Astral Italia, S.P.A.	Director
Astral Bazenove Prislusentsvi, S.R.O.	Director
Astral India Private, Limited	Director
Fluidra Singapore, Pte Ltd.	Director
Certikin International, Limited	Director
AP Immobiliere	Director
Turcat Polyester Sanayi Ve Ticaret Anonim Sirketi	Director
Cepex USA, Inc.	Director
Zao Astral, SNG	Director
Fluidra Polska, S.A.	Director
Astral Pool México, S.A. de C.V.	Director
Astral Scandinavia AS/	Director
Fluidra Magyarország Kft.	Director
Fluidra USA, Inc.	Director
Fluidra Chile, Sociedad Anónima Cerrada	Director
Fluidra Deutschland GmbH	Director

(Continued)

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Company	Position
Fluidra Hellas	Director
Fluidra Balkans JSC	Director
Moderne Wassertechnik AG (MTH)	Director
Catpool, S.A. de C.V.	Director
Astral pool UK, Limited	Director
Fluidra Tr Sv Ve Havuz Equipmanlari AS	Director
Fluidra Industry, S.A.U.	Director
Fluidra Commercial, S.A.U.	Director
Inmobiliaria Swim 38, S.L.U.	Director
Swimco Corp, S.L.U.	Director
Fluidra Cyprus, Ltd	Director
Inquide Italia, SRL	Director
Cepex, S.R.L.	Director
Certikin Italia, Spa	Director
Astral Pool Thailand, Co., Ltd	Director
Fluidra Thailand, Co., Ltd	Director
Fluidra South Africa, Pty, Ltd	Director
Fluidra Malaysia	Director
Astral Pool Switzerland, S.A.	Director
Dispreau, G.I.E.	Director

**B.1.8. If applicable, provide details about the directors of the company who sit on the Board of Directors of other officially listed companies in Spain that do not belong to your group and about which the company has been officially notified: N/A**

**B.1.9. Specify and, if applicable, provide details about whether the company has established rules on the number of boards on which your directors may sit:**

Yes X      No

It is not necessary to limit the number of boards on which directors may be a member. The evaluation of his duties as Directors is enough control.

- In case of no conflict the Director will notify to the Secretary of the Board his intention of being a member of another board. The Secretary will inform the President of the Board, CEO and the Legal Department of Fluidra.
- In case of conflict, to be able to be appointed as Director of another Company it will be necessary to ask for the consent of Fluidra through the Secretary of the Board.

(Continued)

B.1.10. With regard to recommendation number 8 in the Unified Code of Corporate Governance, describe the company's general policies and strategies that may only be approved at plenary Board meetings.

	YES	NO
Investment and financing policies* unless they correspond to the General Shareholders' Meeting	x	
The definition of the group's corporate structure	x	
Corporate governance policies	x	
Policies on corporate liability	x	
The strategic or business plan, management goals and annual expenditure	x	
Policies on remuneration and the assessment of the performance of senior management	x	
Policies on risk management, the regular monitoring of internal information and control systems	x	
Policies on dividends and treasury stock, with particular regard to the thresholds of such	x	

B.1.11 Fill in the tables below with details about the aggregate remuneration of the Board members accrued over the year:

In the company that is the subject of this report:

Remuneration category	Figures in thousands of euros
Fixed remuneration	1,043
Variable remuneration	132
Travelling expenses	80
Statutory business	0
Stock options and/or other financial instruments	0
Other	0
<b>TOTAL:</b>	<b>1,255</b>

Other benefits	Figures in thousands of euros
Advances	-
Loans granted	-
Pension Funds and Plans: Contributions	-
Pension Funds and Plans: obligations incurred	-
Life insurance premiums	4
Guarantees provided by the company to the directors	-

(Continued)

b) In other companies in which the directors sit on the board and/or in other companies in the group in which they perform senior management tasks:

Remuneration category	Figures in thousands of euros
Fixed remuneration	--
<b>Variable remuneration</b>	--
Travelling expenses	-
Statutory business	-
Stock options and/or other financial instruments	-
Other	-
<b>TOTAL:</b>	--

Other benefits	Figures in thousands of euros
Advances	-
Loans granted	-
Pension Funds and Plans: Contributions	-
Pension Funds and Plans: obligations incurred	-
Life insurance premiums	-
Guarantees provided by the company to the directors	-

c) Total remuneration by category of director:

Category of director	By company	By group
Executive	432	
External directors representing controlling shareholders	547	
External Independent	276	
Other External	0	
<b>Total</b>	<b>1.255</b>	<b>0</b>

d) In comparison with the profits derived from the parent company:

Total remuneration for directors (in thousands of euros)	1.255
Total remuneration for directors/profits derived from the parent company (expressed in %)	7,9%

B.1.12 Name the members of the senior management that are not executive directors, and state their total accrued remuneration over the year:

Name or company name	Post
Mr Jaume Carol	General Manager for Operations
Mr Xavier Tintoré	General Manager for Corporate and Financial Affairs
Mr Pere Ballart	Business Unit Manager
Mr Amadeu Serra	Business Unit Manager
Mr Carles Franquesa	Business Unit Manager
Mr Ignacio Elburgo	Business Unit Manager

Total remuneration for senior management (in thousands of euros)	1.322
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(Continued)



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B.1.13 In aggregate terms, state whether there are any guarantee or protection clauses in the case of dismissal or changes of control for senior management, including executive directors, of the company or the group. State whether the company or the group's governing bodies must be notified and/or approve such contracts:

<b>Number of beneficiaries</b>	<b>7</b>	
	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body that approves the clauses</b>	<b>YES</b>	
	<b>YES</b>	<b>NO</b>
<b>Is the General Meeting informed about the clauses?</b>		<b>x</b>

B.1.14 Describe the process for establishing the remuneration of the members of the Board of Directors and the related clauses in the articles of association:

<p>Process for establishing the remuneration of the members of the Board of Directors and the related clauses in the articles of association</p>
<p>Article 44 of the Articles of Association establishes that the remuneration of the members of the Board will consist of a specific annual emolument and a fee for attending the meetings of the Board of Directors and of its delegate and consulting committees. The maximum amount the Company may pay in remunerations to the Board members as a whole for the two items shall be determined by the General Shareholders Meeting. This amount may not be modified unless approved by the latter. The exact amount to be paid within this limit, its distribution to the various Board members and the payment schedule shall be set by the Board of Directors as it deems fit. The amount to be paid to the individual Board members shall be based on their actual professional performance.</p> <p>In addition to the remuneration set out in the above section, systems are to be put in place whereby remunerations are either linked to Company's share price or the various Directors are given shares or share purchase options. The application of these remuneration systems must be approved by the General Shareholders Meeting, which, if applicable, shall determine the value of the shares that are to be taken as a reference, the number of shares to be given to each Board member, the strike price, the length of time this remuneration system is to be in place and other conditions it may deem fit.</p> <p>The remunerations described in the above sections that apply to the Board members shall be compatible with other professional fees and earnings to which they are entitled for any other executive or consultancy duties they may perform for the Company other than those of a supervisory and decision-making nature that are inherent to their status as Board members, which shall be subject to the legal framework that applies.</p>

State whether the following decisions are taken at plenary Board meetings:

	<b>Yes</b>	<b>No</b>
<b>At the proposal of the company's most senior executive, appointments and dismissals of senior management, and the conditions of severance pay.</b>	<b>x</b>	
<b>The remuneration of directors and, in the case of executives, bonuses for carrying out their executive duties and other contractual conditions that must be respected.</b>	<b>x</b>	

B.1.15 State whether the Board of Directors approves a detailed breakdown of retributions and specify the matters on which it has a say:

Yes ☒ xNo ☐

(Continued)

	Yes	No
Amount of fixed expenditure, with a breakdown, if applicable, of expenses for Board and Committee members, and an estimate of the fixed annual remuneration to which they give rise.	x	
Remuneration items of a variable nature.	x	
Main characteristics of payment forecast systems, with an estimate of the amount involved or the annual equivalent cost.	x	
Conditions that must be met by the contracts of senior managers, such as executive directors.	x	

B.1.16 State whether a report on the remuneration policy for company directors is put to the vote by the Board at the General Meeting as a separate item on the agenda and for the purposes of consultation. If applicable, explain the aspects in the report that deal with the remuneration policy that has been passed by the Board for future application, the most significant changes to such policies over the past year and a general summary of how the remuneration policy was applied during the year. Give details of the role played by the Remuneration Committee and state whether external advice has been sought and name the external consultants who have provided such services:

Yes x

No ☐

Matters dealt with in the report on the remuneration policy
General principles of the remuneration policy
General principles of the remuneration policy for Board Members
Remuneration system for Executive Directors
Remuneration system for Non-executive Directors

Role played by the Remuneration Committee
Drawing up of the Remunerations Report

	Yes	No
Has external advice been sought?		
Name of external consultants		

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B.1.17 If applicable, name the members of the Board who are Directors of Boards, senior managers or employees of other companies and who also hold significant shares in the listed company and/or other organisations in the group:

Name or company name of the Board member	Company name of the significant shareholder	Post
MR JUAN PLANES VILA	DISPUR, S.L.	PRESIDENT
MR ELOY PLANES CORTS	DISPUR, S.L.	DIRECTOR
MR ELOY PLANES CORTS	ESTAM-HARITZ, S.L.U.	DIRECTOR
BANSABADELL INVERSIÓ I DESENVOLUPAMENT, S.A. (Mr. Carles Ventura)	BANSABADELL INVERSIÓ I DESENVOLUPAMENT, S.A.	POWER OF ATTORNEY GRANTED
MR BERNAT CORBERA SERRA	EDREM, S.L.	CEO
MR OSCAR SERRA DUFFO	BOYSER, S.L.	EXECUTIVE PRESIDENT
MR BERNAT GARRIGÓS CASTRO	ANIOL, S.L.	CEO
GRUPO CORP. EMP. DE LA CAJA DE AHORROS Y M.P. DE NAVARRA (Mr. Eduardo Milagro López)	GRUPO CORP. EMP. DE LA CAJA DE AHORROS Y M. P. DE NAVARRA	Resp. Análisis de la corporación empresarial

If applicable, describe any relevant relationships, other than those specified in the above section, that the members of the Board of Directors may have with any of the significant shareholders and/or organisations in the group:

(Continued)

**B.1.18. State whether any changes have been made to the Board's regulations over the past year:**

Yes

No X

**B.1.19. Describe the procedures for the appointment, re-election, assessment and removal of directors. Provide details about the responsible bodies, the procedures to be followed and the criteria to be applied in each of the procedures.**

Article 36 of the Articles of Association sets out the following:

The Board of Directors shall be composed of a number of members, which shall not be less than five (5) or greater than fifteen (15). The members shall be determined by the General Meeting.

The General Meeting of shareholders is responsible for setting the number of directors. For this purpose, it shall proceed directly to set said number by means of an express decision or indirectly by the filling of vacancies or the naming of new directors, within the maximum limit set in the preceding paragraph.

The General Meeting must ensure that, insofar as is possible, the number of outside or non-executive members on the Board is a substantial majority with respect to the number of executive members. The number of executive members must likewise be the minimum necessary and must take into account the group's complexity and the proportion of the Company's capital that is held by the executive members. Finally, the Meeting must ensure that the number of independent members represents at least one-third (1/3) of the total number of members.

The definitions of the various categories of members shall be those set forth in the corporate-governance recommendations that are applicable at any time.

In the event that there is any outside member who cannot be considered to represent the controlling shareholders or to be independent, the Company shall explain this circumstance and the relationship that this member has, whether that be with the Company, its executives or its shareholders.

The nature of each member must be explained by the Board before the General Meeting of Shareholders that is to appoint them or ratify their appointment.

**Appointment of Directors:**

- Pursuant to Article 17.1 of the Board's Regulations, directors shall be put forward (i) at the suggestion of the Appointments and Remuneration Committee, in the case of independent directors; and (ii) subsequent to a report by the Appointments and Remuneration Committee in the case of all other directors. Directors shall be appointed by the General Meeting or the Board of Directors in accordance with the provisions of the Public Limited Companies Act.

- With regard to external directors, Article 18 of the Board's Regulations sets out that the Board of Directors must endeavour to ensure that candidates are solvent, competent and have proven experience. These conditions will be strictly upheld in the case of calls to cover the position of independent director, as provided for under Article 6 of the Regulations.

**Re-election of Directors:**

- Article 19 of the Board's Regulations only establishes that before proposing the re-election of directors to the General Meeting, the Board shall assess the quality of work and the dedication the proposed candidates have displayed in their previous mandates. Pursuant to Article 22, the assessment shall be made in the absence of the candidates.

**Assessment of Directors:**

- Article 19 of the Board's Regulations establishes that before proposing the re-election of directors to the General Meeting, the Board shall assess the quality of work and the dedication the proposed candidates have displayed in their previous mandates. Pursuant to Article 22, the assessment shall be made in the absence of the candidates.

(Continued)

Removal of Directors:

- Article 21.1 of the Board's Regulations sets out that directors shall step down from their posts when the period for which they were appointed has terminated, or when the General Meeting so decides should it exercise its legal or statutory powers. This is in accordance with the terms and conditions set out in Article 132 of the Public Limited Companies Act.

**B.1.20. State the circumstances in which directors must step down.**

Pursuant to Article 21.2 of the Board's Regulations, the directors must place their posts at the disposal of the Board of Directors and formalise, if it deems this appropriate, the corresponding resignation in the following cases:

- a) When they step down from the posts as executives that were related to their appointment as directors.
- b) When involved in any legally established circumstances of incompatibility or prohibition.
- c) When seriously warned by the Board of Directors due to having infringed their obligations as directors.
- d) When their permanence on the Board might endanger or prejudice the interests, credit or reputation of the company or when the reasons for which they were appointed disappear (for example, when an external director representing controlling shareholders disposes of their participation in the company);
- e) In the case of independent directors, they may not remain as such for a continuous period of more than twelve years, and therefore once such period has elapsed, they must place their post at the disposal of the Board of Directors and formalise the corresponding resignation.
- f) In the case of external directors representing controlling shareholders; (i) when the shareholder they represent sells in full their shareholding stake, and furthermore (ii) in the number which corresponds, when such shareholder reduces their shareholding stake to a level which requires a reduction in the number of external directors representing controlling shareholders.

- In addition, Article 21.3 sets out that in the case that a director steps down, whether due to resignation or any other reason, before the end of his mandate period, the reasons for doing so must be given in a letter that must be sent to all of the members of the Board.

The Board of Directors may only propose the removal of an independent director before the end of the statutory period if there is a good reason for doing so, which must be assessed by the Board subsequent to submitting a report to the Appointments and Remuneration Committee. It shall specifically be understood that a director may be justifiably removed should he fail to fulfil the duties inherent to his post or should he for any reason become involved in any of the circumstances that independent directors are barred from as described in the recommendations on good corporate governance that are in force at any time.

**B.1.21. Explain whether the duties of chief executive of the company are assigned to the office of the Chairman of the Board of Directors. If so, state the measures that have been taken to limit the risks of accumulation of powers by a sole person:**

Yes

No X

Measures to limit risks

(Continued)

State and, if appropriate, explain whether rules have been established to empower one of the independent directors to call a meeting of the Board or to include new items on the agenda, to co-ordinate and express the concerns of the external directors and to direct the evaluation by the Board of Directors.

Yes X

No

Measures to limit risks
Article 15.4 of the Regulations of the Board of Directors foresee that, in the event of the Chairman of the Board also being the chief executive of the Company (which does not arise in this case), the Board of Directors will empower one of the independent directors to be able to call a meeting of the Board or include new items on the agenda, and thus be able to co-ordinate and express the concerns of the independent directors and direct evaluation of the Chairman by the Board. Should one or several Vice-Chairmen of the Company have independent director status, the Board will empower any of them so they may perform the duties to which this section refers.

**B.1.22. Are higher majorities required, other than those required by law in any decision making processes?**

Yes

No X

State how the resolutions by the Board of Directors are passed, stating at least the minimum attendance quorum and the type of majorities to adopt the resolutions:

- Pursuant to article 16.4 of the Regulations of the Board of Directors, all the decisions by the Board must be passed by an absolute majority, except in the cases in which the Law, the Articles of Association or those Regulations specifically establish other voting quorums, the resolutions will be passed by absolute majority of the parties attending the meeting. In the event of a draw in the votes, the Chairman will cast the deciding vote.
- Article 16.1 of the Regulations of the Board of Directors establishes that the Board will be validly constituted when attended by at least half plus one of its members, who are present or represented. The directors will do everything possible to attend the meetings of the Board and when unable to attend personally, will grant their representation in writing, specifically for each meeting, to another member of the Board, including the appropriate instructions and a notification to the Chairman of the Board of Directors.

**B.1.23 Explain whether there are specific requisites, other than those concerning the directors, to be appointed as Chairman.**

Yes

No X

Description of the requisites

**B.1.24 State whether the Chairman has a deciding vote:**

Yes X

No

Matters in which there is a deciding vote
In all matters in the event of a draw

**B.1.25 State whether the Articles of Association or regulations of the Board establish any limit on the age of the directors.**

Yes

No X

Limit on the Chairman's age

Limit on the age of a CEO

Limit on the age of a Director

(Continued)

**B.1.26 State whether the Articles of Association or regulations of the Board establish a limited term of office for independent directors:**

X Yes

No

Maximum number of years of term of office	12
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**B.1.27 If the number of female members of the board is scarce or null, explain the reasons and the initiatives adopted to correct that situation.****Explanation of the reasons and initiatives**

Fluidra's **Criteria for the Selection and Appointment of Independent Directors**, which were approved by the Board of Directors, state that the Company "in the selection of directors, will take into account gender diversity in order to safeguard Equal Opportunities, as set out in the Equal Opportunities Act (22 March 2007). Likewise, Fluidra shall endeavour to ensure that the members of the Board of Directors are not only chosen on the basis of gender diversity, but also on the basis of diversity in origin, age and professional experience".

**In particular, state whether the Appointments and Remuneration Committee has established procedures so the selection procedures do not suffer from an implicit bias that hinders the selection of female board members, deliberately seeking female candidates who meet the required profile:**

Yes ☐No ☒

State the main procedures

**B.1.28 State whether there are formal processes for the delegation of votes on the Board of Directors. If so, describe briefly.**

Article 42 of the Articles of Association sets out the following:

The Board shall be validly constituted when one-half plus one of its members, present or represented, attends the meeting. Representation by proxy shall be made in writing through a letter addressed to the Chairman for each particular meeting and must be in favour of another Board member.

Decisions shall be taken by an absolute majority of those attending the meeting, except in those cases in which the law, these Articles of Association or the Regulations of the Board of Directors have set higher majorities. In the event of a tie, the Chairman's vote shall decide.

Minutes shall be kept of the meetings of the Board of Directors and shall be signed at least by the Chairman or the Vice-chairman and the Secretary or the Deputy Secretary, and shall be transcribed or compiled according to law in a special book of Board minutes.

The minutes shall be approved by the Board of Directors at the end of the meeting or at a subsequent one.

Article 16.1 of the Regulations of the Board of Directors sets out the following:

Meetings of the Board of Directors shall be validly constituted when at least one half plus one of its members is present or represented. The directors shall make every endeavour to attend all Board meetings and when unable to do so shall designate a proxy in writing. Such proxies shall be members of the Board, specifically designated for one meeting only and issued with instructions for the meeting. The Chairman of the Board of Directors shall be notified of such circumstances.

(Continued)

**B.1.29** State the number of meetings the Board of Directors has held during the financial year. If applicable, also state the number of times the Chairman has not attended Board meetings:

Number of Board meetings	7
Number of Board meetings not attended by the Chairman	0

State the number of meetings of the different committees of the Board held during the year:

Number of meetings of the Executive or Delegate Committee	6
Number of meetings of the Audit Committee	6
Number of meetings of the Appointments and Remuneration Committee	6
Number of meetings of the Appointments Committee	6
Number of meetings of the Remunerations Committee	6

**B.1.30** State the number of meetings the Board of Directors has held during the financial year without it being attended by all its members. The calculation will consider representation without specific instructions as non-attendance:

Number of non-attendances by directors during the financial year	Ø
% non-attendance out of total votes during the financial year	Ø

**B.1.31.** State whether the consolidated individual annual accounts presented to the Board for approval are previously certified:

YES                      NO X

**B.1.32.** Explain, if any, the mechanisms established by the Board of Directors to avoid the individual and consolidated accounts prepared by it being presented to the General Meeting of Shareholders with qualifications in the auditor's report.

No formal procedure has been established, despite the fact that the Audit Committee must notify the Board of Directors prior to the drawing up of Individual and Consolidated Accounts to ensure they are presented without reservations.

**B.1.33.** Is the Secretary to the Board a director?

No, the Secretary to the Board is not a director.

**B.1.34.** Explain the procedures for the appointment and severance of the Secretary to the Board, stating whether his appointment and removal are reported by the Appointments Committee and approved by the plenary Board meeting:

Appointment and severance procedure
Article 5.1 of the Regulations of the Board of Directors establishes that it will be the remit of the Board to appoint and renew the positions on it.
Pursuant to Article 10 of the Regulations of the Board of Directors and in order to safeguard independence, impartiality and professionalism of the Secretary, his appointment and severance will be reported by the Appointments and Remuneration Committee and approved by the plenary meeting of the Board.
The current Secretary to the Board was appointed by the meeting of the Board of Directors held on September 17 <sup>th</sup> 2007 at the same time as the Remunerations and Appointments Committee was created. His curriculum vitae, which proves his objectivity and professionalism, are included in the Information Prospectus of the Public Offer for the Sale of Shares by Fluidra, S.A. on October 11 <sup>th</sup> 2007.

(Continued)



## Fluidra, S.A. and Subsidiaries

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	YES	NO
Does the Appointments Committee report on appointments?	X	
Does the Appointments Committee report on severance?	X	
Does the Meeting of the Board approve the appointment?	X	
Does the Meeting of the Board approve severance?	X	

**Is the Secretary to the Board specifically entrusted with the recommendations of good governance?**

YES X NO

Remarks
Article 10.3 of the Regulations of the Board of Directors establishes that the Secretary, among other duties, shall specifically ensure that the actions by the Board take into account the recommendations on the good governance of the Company.

**B.1.35 State, if any, the mechanisms established by the Company to ensure the independence of the auditor, the financial analysts, merchant banks and rating agencies.**

To ensure the independence of the auditor:

Article 46 of the Articles of Association establishes that the Audit Committee must:

- Propose the appointment of the external accounts auditors, as set out in article 204 of the Public Limited Companies Act, to the Board of Directors for submission to the General Shareholders Meeting, as well as their conditions of hire, the scope of their professional mandate and, as appropriate, the revocation or renewal of their contracts.
- Deal directly with the external auditors so that any information received on matters that may jeopardise the independence of the latter may be tackled. It must likewise deal with all matters related to the account auditing process, any notices that have to be issued under the provisions in the legislation on account auditing and ensure compliance to auditing standards.

Article 54 establishes that auditors will be appointed by the General Shareholders Meeting before the end of the period to be audited, for a specific period of time that may not be less than three years or exceed nine. Moreover, the Meeting may appoint one or several individuals or corporations to act jointly. The General Shareholders Meeting may not dismiss the auditors before the end of the period for which they were appointed, unless there is a fair reason.

Moreover, the Regulations of the Company's Board of Directors, and more specifically article 13, establishes that the Audit Committee must:

- Receive regular information from the external auditor on the audit plan and the results of its execution, and verify that senior management takes its recommendations into account.
- Ensure the independence of the external auditor and, therefore, (i) it will be responsible for the Company reporting a change of auditor to the Spanish Securities Commission (CNMV) as a relevant fact and for backing up such reports with a statement on disagreements, if any, that have arisen with the outgoing auditor and their nature; (ii) it will ensure that the Company and auditor abide by the regulations in force on the provision of services other than auditing and, in general, that they abide by all other regulations established to ensure the independence of auditors; and (iii) in the event of an external auditor resigning, it must examine the circumstances behind the resignation.
- Ensure that the auditor takes full liability for the audits of each company in the group in the case of group audits.

To ensure the independence of financial analysts, merchant banks and rating agencies:

The Company must maintain a relationship with financial analysts and merchant banks that safeguards the transparency, non-discrimination, veracity and reliability of all information supplied. The Manager for Corporate Finance, through the Manager for Investor Relations, coordinates the processing and management of all requests for information from private and institutional investors. The mandates to merchant banks are granted by the General Manager for Corporate Finance. The Manager for Development grants any mandates for advice that may be deemed necessary from merchant banks in their field of operations and in coordination with the General Manager for Corporate Finance.

The Company does not have a credit rating and, therefore, does not have a relationship with credit rating agencies. The independence of financial analysts is safeguarded through the Manager for Investor Relations, whose specific remit is to deal with investors in an objective, fair and non-discriminatory way.

In compliance with the regulations set out by the Securities Commission, the Company has several channels of communication in order to safeguard the principles of transparency and non-discrimination:

(Continued)

- Personalised customer services for analysts and investors.
- Publication of information relative to the quarterly results, relevant facts and other notices.
- Publication of press releases.
- E-mail on the website ([investor\\_relations@fluidra.com](mailto:investor_relations@fluidra.com)) and a shareholders' helpline (+34902026039).
- List of presentations either made in person or over the phone.
- Visits to the Company's facilities.

All of the above information is available on the Company's website ([www.fluidra.com](http://www.fluidra.com)).

**B.1.36. State whether during the financial year, the Company has changed external auditor. If so, identify the incoming and outgoing auditor.**

The external auditors were not changed by the Company in 2009.

**B.1.37. State whether the firm of auditors performs other work for the company and/or its group other than those of auditing. If applicable, state the fees paid for that work and the percentage in terms of the overall fees that were billed.**

	COMPANY	GROUP	TOTAL
Amounts for work other than auditing (thousands of euros) * includes fees for Market listing	165	17	182
Amount for work other than auditing/total amount billed by the auditing firm in %	90,350	2,200	230,090

**B.1.38. State whether the audit report on the Annual Accounts of the previous financial year has reservations or qualifications. If appropriate, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.**

YES                      NO X

**B.1.39 State the number of years the current auditing firm has uninterruptedly performed the auditing of the annual accounts of the Company and/or Group. Likewise, state in percentage terms the number of years the current auditing firm has been responsible for auditing the accounts.**

	Company	Group
Number of uninterrupted years	7	9
	Company	Group
Number of years audited by the current auditing firm/number of years the company has been audited (%)	100%	100%

(Continued)

## Fluidra, S.A. and Subsidiaries

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**B.1.40** State the shares held by members of the Company's Board of Directors in the capital of firms that carry out the same, similar or complementary activities to those that are the corporate object of both the company and its group, and that have been reported to the Company. Likewise, state the posts held or duties performed at those companies:

Name or company name of Director	Name of the subject company	% share	Post or duties
Mr Juan Planes Vila	Dispur, S.L.	51,340%	PRESIDENT
Mr Eloy Planes Corts	Dispur, S.L.	10%	DIRECTOR

**B.1.41.** State and, if appropriate, specify whether there is a procedure for the directors to be able to obtain external advice:

YES X

NO

Details about the procedure
<p>Pursuant to Article 21 of the Regulations of the Board of Directors, all the directors, in order to be aided in exercise of their duties, may obtain the necessary advice from the Company to perform their duties. To that end, the Company will provide the adequate channels that, under special circumstances, may include external advice at the Company's expense.</p> <p>In any case, the commission must necessarily concern the specific problems that are of a certain nature and complexity that arise in the performance of duties.</p> <p>The decision to hire must be reported to the Chairman of the Company and may be vetoed by the Board of Directors if the following is accredited:</p> <ol style="list-style-type: none"> <li>That it is not necessary for the full performance of the duties with which the external directors are entrusted.</li> <li>That its cost is not reasonable with regard to the importance of the problem and the assets and revenue of the company.</li> <li>That the professional advice obtained may be adequately dealt with by experts and technicians in the Company.</li> </ol>

**B.1.42** State, and if appropriate, specify whether there is a procedure for directors to obtain the necessary information to prepare the meetings of the governing bodies with sufficient time in advance:

YES X

NO

Details about the procedure
<p>Article 23 of the Regulations of the Board of Directors establishes the following mechanism:</p> <ol style="list-style-type: none"> <li>1. Directors may request information on any matter for which the Board is responsible and to this end may examine the books, records, documents and other documentation. The right to information includes investees, whenever this is possible.</li> <li>2. The request for information must be addressed to the Secretary of the Board of Directors, who will convey it to the Chairman of the Board and the appropriate contact at the Company.</li> <li>3. The Secretary will advise the director of the confidential nature of the information requested and received and of his duty to maintain confidentiality under the terms in the Regulations of the Board.</li> <li>4. The Chairman may refuse to provide information if he considers (i) that it is not necessary for the full performance of the duties with which the director is entrusted or (ii) that its cost is not reasonable in view of the importance of the problem and the assets and revenue of the Company.</li> </ol>

(Continued)

**B.1.43** State and, if appropriate, specify whether the company has established rules that oblige the directors to notify, and if appropriate resign, in cases in which they may damage the credibility and reputation of the company:

YES X

NO

Explain the rules
Article 26 of the Regulations of the Board of Directors establishes, among other obligations of directors, that they must notify the Appointments and Remuneration Committee of their other professional obligations, in case they interfere with the dedication required.
Article 28 of the same Regulations establishes that directors may not hold office as administrators or executives of companies that compete with the Company, with the exception of the posts they might hold, if applicable, in a company in the group. Likewise, although they may provide professional services to firms that have a corporate object that is totally or partially similar to that of the company, they must previously inform the Board of Directors, which may provide justified refusal to authorise such activities.
Article 34.2 of the same Regulations establishes the obligation of directors to inform the Company of posts held on the Board of Directors of other listed companies and, in general, of facts, circumstances or situations that may be relevant to their management activities. Likewise, all directors must inform the Company in cases in which they may damage the credibility and reputation of the company and, in particular, they must inform the Board of criminal cases in which they are charged as accused, as well as the subsequent result of such proceedings.
Lastly, that same article establishes that, in the event of a director being prosecuted, or a court order being handed down to take trial proceedings against him for any of the offences stated under Article 124 of the Stock Company Act, the Board shall examine the case as soon as possible and, depending on the specific circumstances, will decide whether or not it is appropriate for the director to remain in office.

**B.1.44** State whether any member of the Board of Directors has notified the company that he has been prosecuted or had trial proceedings ordered against him, for any of the offences pursuant to Article 124 of the Stock Company Act:

YES

NO X

**B.2.1** List all of the committees pertaining to the Board of Directors and their members:

#### EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Type
Mr Eloy Planes Corts	Chairman	Executive director
Mr Oscar Serra Duffo	Member	External directors representing controlling shareholders
Mr Bernardo Corbera Serra	Member	External directors representing controlling shareholders
Bansabadell Inversió Desenvolupament, S.A.U.	Member	External directors representing controlling shareholders
Mr Juan Ignacio Acha-Orbea Echeverría	Member	Independent director
Mr Bernat Garrigós Castro	Non-member secretary	External directors representing controlling shareholders

#### AUDIT COMMITTEE

Name	Position	Type
Mr Juan Ignacio Acha-Orbea Echeverría	Chairman	Independent director
Bansabadell Inversió Desenvolupament, S.A.U.	Secretary	External directors representing controlling shareholders
Mr Juan Planes Vila	Member	External directors representing controlling shareholders

(Continued)

**APPOINTMENTS AND REMUNERATION COMMITTEE**

Name	Position	Type
Mr Richard J. Cathcart	Chairman	Independent director
Mr Bernat Garrigós Castro	Member	External directors representing controlling shareholders
Mr Kam Son Leong	Member	Independent director

**B.2.2 State whether the Audit Committee is responsible for carrying out the following:**

	Yes	No
Supervising the drawing up and integrity of the company's and, if applicable, the group's financial statements. Ensuring that regulations are complied with, that the scope of consolidation is abided by and that accounting standards are properly applied.	X	
Regularly reviewing internal control and risk management systems in order to ensure that the main risks are properly identified, managed and made known.	X	
Ensuring that internal auditing systems are objective and efficient. Proposing the selection, appointment, re-election and dismissal of the head of the internal auditing department. Proposing the budget for this department. Receiving regular information about the department's activities. Checking that senior management takes the conclusions and recommendations in reports into account.	X	
Establishing and monitoring a system whereby employees are able to supply confidential or anonymous information about irregularities that they have detected in the company, which have potentially serious consequences, particularly with regard to financial and accounting practices.	x	
Presenting the Board with proposals for the selection, appointment, re-election and replacement of the external auditor and suggesting amendments to the auditor's contract.	x	
Receiving regular information from the external auditor about its auditing policy and the results of its application. Checking that senior management takes the auditor's recommendations into account.	X	
Ensuring the objectivity of the external auditor.	X	
Encouraging auditor to take responsibility for all of the audits that are carried out in the companies that make up the group, if applicable.	X	

**B.2.3. Describe the rules governing the organisation, functions, and responsibilities of each of the Board committees.**

The Board of Directors may appoint one or more Delegate Directors. Moreover, it may delegate, totally or partially, temporarily or permanently, all the powers which are subject to delegation pursuant to Law. In order to be valid, the delegation and appointment of the members of the Board to occupy such posts will require the favourable vote of two thirds of the members of the Board. Such posts will not come into effect until they have been recorded in the Company Registry.

**Delegate Committee:**

Without prejudice to the delegation of powers in favour of one or more delegate directors and powers of attorney that may be granted to any individual, the Board of Directors, in the same way as described in the point above, may appoint a Delegate Committee that will be made up of five directors. In as far as is possible, the Delegate Committee shall reflect the make-up of the Board in terms of the quality and balance between executive, external directors representing controlling shareholders and independent directors.

**Audit Committee:**

An Audit Committee has been set up within the Board of Directors. It is made up of a minimum of three directors, non-executives and who are appointed by the Board of Directors.

The Audit Committee will exercise, notwithstanding any other duties it might be assigned by the Board of Directors from time to time, the following basic duties:

(Continued)

- Inform in the General Shareholders' Meeting of matters raised therein by the shareholders in matters that fall within the scope of their responsibility.
- Propose to the Board of Directors the appointment of the external accounts auditors referred to in article 204 of the Spanish Public Limited Liability Companies Act, as well as their contracting conditions, the scope of their professional mandate and, where applicable, their revocation or non-renewal, which shall subsequently be submitted to the General Shareholders' Meeting.
- Supervise the internal auditing systems.
- Review the accounts of the Company, ensure the fulfilment of the legal requirements and the correct application of the generally accepted accounting principles, with the direct collaboration of the external and internal auditors to do so.
- Supervise the policy on control and risk management involved in the achieving of the corporate objectives.
- Be familiar with the processes for financial information, the internal control systems of the Company, verify the suitability and integral nature of the same and review the appointing or replacing of those responsible.
- Take care of and supervise the relationships with the external auditors.
- Supervise compliance with the auditing agreement, ensuring that the opinion regarding the annual accounts and the main contents of the auditing report are drawn up clearly and precisely, and evaluate the results of each audit.
- Examine the fulfilment of the Internal Code of Conduct, of these Regulations and, in general, of the rules of management of the Company, and make the proposals necessary for their improvement.
- Receive information and, where applicable, issue reports on the disciplinary measures which they intend to impose on members of the senior executive team of the Company.

Furthermore, the following corresponds to the Audit Committee:

- In relation to the information and internal control systems:
  - (a) Supervise the preparation process and integral nature of the financial information regarding the Company and, where applicable, the group, reviewing the fulfilment of the regulation requisites, the appropriate delimiting of the scope of consolidation of the accounts and the correct application of the accounting criteria.
  - (b) Review periodically the internal control and risk management systems, so that the main risks are identified, handled and recognised suitably.
  - (c) Ensure the independence and efficacy of the internal auditing function; propose the selection, appointment, re-election and removal of the head of the internal auditing service; propose the budget of the service; receive periodical information on its activities; and verify that the senior executive team takes into account the conclusions and recommendations of their reports.
  - (d) Establish and supervise a mechanism which enables the employees to communicate confidentially and, if deemed appropriate, anonymously, any irregularities of potential transcendence, especially financial and accounts information, which they might notice within the Company.
- In relation to the external auditor:
  - (a) Raise before the Board the proposals of the selection, appointment, re-election and replacement of the external auditor, as well as the conditions of their contracts.
  - (b) Receive regularly from the external auditor information regarding the auditing plan and the results of the execution thereof, and verify that the senior executive team takes into account its recommendations.

(Continued)

- (c) Ensure the independence of the external auditor and, to such end: (i) that the Company informs as a relevant event to the CNMV any change in auditor and accompanies this with a statement regarding the possible existence of disagreements with the outgoing auditor and, should these have existed, of their content; (ii) that it is ensured that the Company and the auditor respect prevailing norms on the provision of services other than those on auditing and, in general, all other established norms in order to ensure the independence of the auditors; and (iii) that in the event of the resignation of the external auditor, that it examines the circumstances giving rise thereto.
- (d) In the case of groups, encourage the auditor of the Group to assume responsibility for the auditing of the companies comprising it.
- In relation to policy and risk management:
  - (a) Identify the various different types of risk (operational, technological, financial, legal, reputation-related) which the Company faces, including the financial or economic, contingent liabilities and other risks beyond the balance sheet.
  - (b) Identify the establishing of the level of risk the Company considers acceptable.
  - (c) Identify the measures envisaged in order to mitigate the impact of the risks identified, should they materialise.
  - (d) Identify the information and internal control systems to be used to control and manage said risks, including contingent liabilities and other risks beyond the balance sheet.
- In relation to the obligations inherent in listed companies:

Inform the Board of Directors, prior to the latter adopting the corresponding decisions regarding:

- (a) The financial information which, due to it being listed, the Company must make public periodically. The Audit Committee must ensure the interim accounts are prepared using the same accounting criteria as the annual accounts and, to such end, consider the appropriateness of a limited review of the external auditor.
- (b) The creation or acquisition of participations in special purpose entities or those domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, might be detrimental to the transparency of the Group.
- (c) Any connected operations, unless this duty of prior reporting has been attributed to another Committee for supervision and control.
- (d) Any operations that involve or may involve conflicts of interest.

The Audit Committee shall be held accountable for its activities and be answerable for its work at the first plenary meeting of the Board of Directors that is held after it has met. The Audit Committee shall likewise keep minutes of its meetings, a copy of which must be sent to all of the members of the Board. The Audit Committee shall draw up an annual report, in which it shall highlight the main incidents that have occurred, if any, in relation to the performance of its normal duties. Furthermore, whenever the Audit Committee deems fit, it shall include proposals in its report to improve the Company's governance regulations. The Audit Committee's report shall be attached to the Company's annual report on corporate governance and shall be made available to shareholders and investors on the Company's website.

#### *Appointments and Remuneration Committee:*

An Appointments and Remuneration Committee has also been set up within the Board of Directors. It is made up of a minimum of three external directors, the majority of whom are independent and who are appointed by the Board of Directors.

The Appointments and Remuneration Committee, notwithstanding any other duties which might be assigned to it by the Board of Directors, will carry out the following basic duties:

- Formulate 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.
- Evaluate the competence, knowledge and experience necessary on the Board, define, as a result, the

(Continued)

duties and aptitudes necessary in the candidates to cover each vacancy, and evaluate the time and dedication needed in order for them to carry out their duties properly.

- Inform, and raise before, the Board of Directors of the appointments and removals of senior executives and managers that the chief executive proposes, in order for the Board to appoint them.
- Inform the Board on matters of gender diversification and qualifications of directors, as set forth in article 6.2 of the Board of Directors' Regulations.
- It will propose to the Board of Directors: (i) the remuneration policy for the directors and senior executives; (ii) the individual remuneration of the senior executives and any other conditions of their agreements; (iii) the contract policies and basic conditions of the senior executives agreements of the Company.
- Examine or organise, so that it is suitably understood, the succession of the Chairman and of the chief executive and, where applicable, make proposals to the Board so that such succession takes place in an orderly, well-planned manner.
- Ensure the observance of the payment policy established by the Company and the transparency of payments.

The Committee must give an account of its activity and be answerable for the work carried out before the first plenary session of the Board of Directors subsequent to its meetings. Furthermore, the Committee must record Minutes of its meetings, of which it will send copies to all members of the Board.

The Committee must consult the Chairman and chief executive of the Company, especially when dealing with matters relating to the executive directors and senior executives.

The Board of Directors must discuss the proposals and reports presented to it by the Committee.

**B.2.4. State, if applicable, the advisory powers and, if applicable, powers that have been delegated to each of the committees: SEE THE ABOVE POINT**

**B.2.5. State, if applicable, whether there are regulations to which the Board's committees are subject, and if so, where they are available for consultation and any amendments made to them during the financial year. Likewise, state whether any non-mandatory annual reports have been issued concerning the activities of each committee.**

**Committee Name**

APPOINTMENTS AND REMUNERATION COMMITTEE

**Brief Description**

Committees are regulated by the Regulations of the Board of Directors, which is published both by the CNMV and on the Company's website.

The Company has voluntarily prepared an annual report regarding the Appointments and Remuneration Committee.

**Committee Name**

DELEGATE COMMITTEE

**Brief Description**

Committees are regulated by the Regulations of the Board of Directors, which is published both by the CNMV and on the Company's website.

**Committee Name**

AUDIT COMMITTEE

**Brief Description**

Committees are regulated by the Regulations of the Board of Directors, which is published both by the CNMV and on the Company's website.

The Company has voluntarily prepared an annual report regarding the Audit Committee.



**B.2.6. State whether the make-up of the executive committee reflects the Board Member's responsibilities according to their posts:**

Yes.

**C TRANSFER PRICING**

**C.1 State whether subsequent to a favourable report by the Audit Committee or any other body entrusted to draw one up, the Board reserves the right to approve the transactions that the Company carries out with its directors, significant shareholders or shareholders represented by the Board, or individuals related to them at its plenary sessions:**

☒ Yes

☐ No

**C.2 Describe any relevant transactions that entail a transfer of resources or obligations between the Company or its subsidiaries, and the Company's significant shareholders:**

Name or company name of the significant shareholder	Name or company name of the company or organisation in the group	Nature of the relationship	Type of transaction	Amount (thousands of Euros)
BOYSER, S.L.	ASTRAL PISCINE SAS	Commercial, Boyser together with Dispur, Edrem and Aniol through Iberspa	Sale of tangible, intangible and other assets	815
BOYSER, S.L.	EUROPEENNE DE COUVERTURE AUTOMATIQUE E.C.A., S.A.R.L.	Contractual, Boyser together with Dispur, Edrem and Aniol through Stick Immobiliere	Leases	619
BOYSER, S.L.	FLUIDRA ESPAÑA, SAU	Commercial, Boyser together with Dispur, Edrem and Aniol through Iberspa, SL	Purchase of goods (finished or in progress)	1,439
BOYSER, S.L.	METALAST, SAU	Contractual, Boyser together with Dispur, Edrem and Aniol through Constralsa	Leases	805

**C.3 Describe any relevant transactions that entail a transfer of resources or obligations between the Company or its subsidiaries, and the Company's administrators or directors:**

Name or company name of the administrators or directors	Name or company name of the company or organisation in the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
BANC SABADELL INVERSIO I DESENVOLUPAMENT, S.L	Fluidra	Remuneration	Other expenses	97
BERNAT CORBERA SERRA	Fluidra	Remuneration	Other expenses	89
BERNAT GARRIGOS CASTRO	Fluidra	Remuneration	Other expenses	87
ELOY PLANES CORTS	Fluidra	Remuneration	Other expenses	432
GRUPO CORPORATIVO EMPRESARIAL DE CAJA DE AHORROS Y M DE PIEDAD DE NAVARRA	Fluidra	Remuneration	Other expenses	69
JUAN IGNACIO ACHA-ORBEA ECHEVERRIA	Fluidra	Remuneration	Other expenses	99

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JUAN PLANES VILA	Fluidra	Remuneration	Other expenses	113
KAM SON LEONG	Fluidra	Remuneration	Other expenses	87
OSCAR SERRA DUFFO	Fluidra	Remuneration	Other expenses	89
RICHARD J CATHCART	Fluidra	Remuneration	Other expenses	89

**C.4 Describe any relevant transactions that the Company performed with other companies belonging to the group, provided they are not cancelled out in the consolidated financial statements and that they do not form part of the Company's normal scope of business operations:**

Company name of the organisation in the group	Brief description of the transaction	Amount (thousands of euros)
---	--------------------------------------	-----------------------------

**C.5 State, if applicable, any circumstances in which company directors were involved that may constitute a conflict of interest, pursuant to the provisions of Article 127.3 of the Limited Companies Act.**

☐ Yes ☒ No

- To be consistent with the information stated in the paragraph C.2 above this paragraph does not report transactions that do not exceed significant amounts (i.e. above 0.1% of the sale of merchandise and finished products: approximately €650,000).

Name or company name of the director	Description of the circumstance of the conflict of interest
--------------------------------------	---

Pending the completion of the notification and acknowledgement of receipt process.

**C.6 Describe the mechanisms in place to detect, determine and resolve possible conflicts of interest between the Company and/or its group and its directors, managers and significant shareholders.**

. In accordance with the provisions in the Regulations of the Board of Directors, members must notify the Board of Directors of any cases of conflict of interest and refrain from attending or intervening in deliberations that affect affairs in which they may have a personal interest.

It is also considered that a director has a personal interest when a matter affects any of the following individuals: spouse or person with whom there is a similar relationship; ascendants, descendants and siblings and their respective spouses or persons with whom there is a similar relationship; and individuals, companies or organisations over which any of the persons mentioned above may have a significant influence.

In the case of directors that are corporate entities, it shall be understood that they are individuals related to the following: shareholders who find themselves in any of the situations described in Article 4 of Act 24/1988 on Stock Markets, of 28 July; de facto or de jure directors, receivers and proxies with general power of attorney for directors who are corporate entities; the companies and their shareholders that belong to the group, as defined in Article 4 of Act 24/1988 on Stock Markets, of 28 July; the individuals that are considered to be related to proxies and directors that are corporate entities. The Directors may not use the Company's name or act in their capacity as Directors to carry out transactions on their own behalf or for related individuals.

Directors may not directly or indirectly carry out professional or trading transactions with the Company unless prior notice has been given of a possible conflict of interest and the Board approves the transaction.

Transactions that are part of the Company's ordinary business and that are of a habitual and recurring nature may be carried out providing the Board of Directors has issued a general authorisation to do so.

In accordance with Article 10 of the Internal Regulations on Conduct, the following is set out with regard to conflicts of interest:

Liable Individuals subject to conflicts of interest must abide by the following general principles of conduct:

(Continued)

**Independence:** Liable Individuals must at all times act fairly and loyally to the Company and its shareholders, regardless of their own interests or those of third parties. Therefore, they shall abstain from placing their own interests before those of the Company or other investors at the expense of others.

**Abstention:** They must abstain from intervening in or influencing any decisions taken that may affect individuals or organisations with which there are conflicts of interest and from accessing any Relevant Information that may have a bearing on such conflicts.

**Notification:** Liable Individuals must notify the Director of the Company's Legal Department of any possible conflicts of interest to which they may be subject as a result of their activities outside the Company, their family ties, their personal assets, or any other interests they may have in:

- (i) The Company or any of the companies that belong to the Fluidra Group.
- (ii) The suppliers or major customers of the Company or any of the companies that belong to the Fluidra Group.
- (iii) Organisations that are devoted to the same line of business or that are competitors of the Company or any of the companies that belong to the Fluidra Group.

Any doubts as to a possible conflict of interest must be addressed to the Director of the Company's Legal Department and the final decision will rest with the Audit Committee.

A conflict of interest arises if Liable Individuals fulfil any of the following conditions with regard to the organisations mentioned in this article.

- (i) They are directors or senior managers.
- (ii) They have a significant shareholding (the latter being understood, in the case of listed companies on any official secondary market in Spain or abroad, as that defined in article 53 of the LMV (Stock Exchange Act) and any other legislation that may apply, and in the case of unlisted Spanish or foreign companies, any direct or indirect holding over and above twenty per cent of the equity issued).
- (iii) They have a family tie to the second degree of affinity or to the third degree by blood with the directors, significant shareholders or senior managers.
- (iv) They have a relevant contractual relationship, either directly or indirectly.

#### C.7. Is more than one of the Group's companies listed in Spain?

YES

NO X

D

#### RISK CONTROL SYSTEMS

**D.1 General description of the risk policy of the company and/or its group. Provide details and assess the risks covered by the system. Justify the adequacy of these systems with regard to the profile of each kind of risk.**

The Company has updated its analysis of the identification and assessment of the group's business risks related to its activities and current environment as well as the controls associated with each of them. The risk assessment took into account strategic, financial, operational and fortuitous risks. Based on it, the Company identified the main business risks and prioritized them according to the likelihood of their occurrence and the impact they might have on the company. At the same time, it also identified the controls that the Company has over these risks, rated by level of effectiveness and identified those that should be strengthened in order to provide a better risk profile. And based on this analysis, the risk map was updated and the analysis was focused particularly on the risks classified as high risk and / or those with weak controls.

A schedule was agreed on with the Management for continuing work on the project during the business years 2010 and 2011 and for updating the map of risks for the business year 2011. In accordance with this schedule, work continues on the analysis of IT systems and internal controls that monitor and manage the risks identified, the measures envisaged to mitigate their impact if they materialize to ensure an acceptable level of risk and the identification of contingent liabilities and / or off-balance sheet risks.

(Continued)

Additionally, the company decided to perform a diagnosis of the Financial Information Control Systems during the first quarter of 2011 in order to identify possible weaknesses and needs, based on the new rules and recommendations of the CNMV.

It is important for the Company to identify improvements to these measures and these controls in order to make the existing risk management practices more effective and more efficient.

**D.2 State whether any of the different types of risks have materialised (operational, technological, financial, legal, reputation, tax, etc.) that affect the company and/or its group:**

☐ Yes ☒ No

If affirmative, state the circumstances that have given rise to these and whether the control systems established have worked.

Risk materialised in the financial year	Circumstances that gave rise to it	Operation of the control systems
-	-	-

**D.3 State whether there is any committee or other governing body responsible for establishing and monitoring these control devices:**

☒ Yes ☐ No

If affirmative, detail what their duties are.

**Name of the committee or body:**

Audit Committee

**Description of duties:**

The responsibilities that arise from the Company's risk management control mechanism are as follows:

- Related to risk policies and management:
  - Identifying the various types of risk (operational, technological, financial, legal, reputational) that the Company faces, including contingent liabilities and other off-balance sheet risks.
  - Identifying the set level of risk that the Company considers acceptable.
  - Identifying the measures foreseen to mitigate the impact of the risks identified should they actually arise.
  - Identifying the information and internal control systems that monitor and manage these risks, including contingent liabilities and off-balance sheet risks.
- Related to the obligations of a listed company:
  - Giving the Board prior notice that it should adopt the corresponding decision on transfer pricing operations and any transactions that involve or may involve a conflict of interest.

**Name of the committee or body:**

Body Responsible for the Fulfilment of Regulations

**Description of duties:**

- Fulfilment of regulations on obligations as a listed company
- Management of risks derived from the listing

**D.4 Identification and description of the processes to comply with the various regulations that affect the company and/or its group.**

All the processes and controls that are essential to ensuring compliance with the various regulations that significantly affect the group have been implemented. The processes are set out in detail in the Regulations of the General Shareholders Meeting, the Regulations of the Board of Directors and the Internal Code of Conduct, about which comments have been made in Section B of this report. At the close of this report, no incidents had been detected.

(Continued)

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**GENERAL SHAREHOLDERS MEETING**

**E.1 State, and if applicable describe, whether the quorum required to hold a General Shareholders' Meeting differs in any way to the provisions set out in the Limited Companies Act (LSA).**

YES

x NO

	Difference in % of the quorum compared to Art. 102 of the LSA for general budget meetings	Difference in % of the quorum compared to Art. 103 of the LAS for special budget meetings
Quorum required for the 1 <sup>st</sup> call	N/A	N/A
Quorum required for the 2 <sup>nd</sup> call	N/A	N/A

Description of differences
NOT APPLICABLE

**E.2 Explain the system for adopting corporate resolutions. Describe any differences with regard to the system provided for in the Limited Companies Act (LSA):**

YES

X NO

Describe how the system differs to that in the LSA.

	Different supermajority to that provided for in Art. 103.2 of the LSA	Other instances of a supermajority
% established by the organisation for adopting agreements		
Describe the differences		

**E.3 List any of the shareholders' rights at general meetings that are different to those provided for in the LSA.**

N/A

**E.4 If applicable, state the measures adopted to encourage shareholders to attend the general meetings.**

N/A

(Continued)

**E.5 State whether the post of chairman for the General Shareholders' Meeting is held by the Chairman of the Board of Directors. If applicable, provide details about the measures in place to insure the objectivity and smooth running of the General Meeting:**

X YES

NO

Describe the measures
<p>According to Article 16 of the Regulations of the General Shareholders' Meeting, it shall be chaired by the chairman of the Board of Directors or, in his absence, by the Vice-chairman, and in the absences of both, by a member of the Board of Directors that the General Meeting designates.</p> <p>Measures for guaranteeing the objectivity and smooth running of the General Meeting:</p> <p>The Regulations of the General Shareholders' Meeting were approved at the meeting held on September 5<sup>th</sup> 2007. A set of measures were included in these regulations to ensure the objectivity and smooth running of General Meetings. These Regulations are available on the Company's website.</p>

**E.6 Describe, if any, the amendments made over the year to the regulations that govern General Shareholders' Meetings.**

At the Annual General Meeting held on 5 June 2009, articles 12 and 24 of the Regulations of the Annual General Meeting were amended. Their wording now stands as follows:

**'Article 12: Voting by proxy**

Notwithstanding the attendance of legal shareholder entities through a proxy, all shareholders who are entitled to attend may be represented at the Annual General Meeting by any individual, whether a Company shareholder or not.

Proxies may be revoked at any time and the attendance in person of a represented individual shall be deemed as the revocation of the proxy. As a general rule, and providing there is a reliable record of the date, the last action taken by a shareholder prior to the Annual General Meeting shall be taken as valid. Should there be no such record, the shareholder's vote shall take precedence over that of the proxy. In any event, the attendance in person of a represented individual shall be deemed as the revocation of the proxy.

Representation by proxy must be specifically granted for each General Shareholders Meeting, either in writing or through distance means of communication that have been expressly provided for by the governing body in the call to the meeting, providing the set requirements of each call are met and, in any event, the identities of the represented individual and the proxy must be duly proven.

Notwithstanding the provisions of article 108 of the Limited Companies Act, voting by proxy must be specifically granted in writing for each General Meeting.

Distance communication may be made by post, providing the Company is sent an attendance card issued by the organisation or organisations responsible for recording the entry of shares in the corresponding registers duly filled in and signed by the shareholder. Other written means may be used that have been approved by the Board of Directors, and providing prior permission to do so has been obtained. If such other means are used, it must be possible to check the identity of the shareholder who votes by proxy in this way.

In order to be valid, voting by proxy granted by post must reach the Company at least twenty-four hours before the first call of the Annual General Meeting is due to be held. The Board of Directors may set a shorter deadline pursuant to the provisions of the Articles of Association.

Likewise, the documents certifying proxy votes that are submitted to the General Meeting must contain the following information:

- (i) Date of the General Meeting and its agenda.
- (ii) The identity of the person represented and the proxy. In the event that no proxy is specified, it shall be understood that voting rights have been granted to either the Chairman of the Board of Directors, the Managing Director or the Secretary of the Board of Directors, or any other member of the governing body who has been specifically assigned for each call.
- (iii) The number of shares held by the shareholder who votes by proxy.
- (iv) The instructions as to how the proxy should vote for each of the items on the agenda.

(Continued)

The Chairman of the General Meeting, or the individuals acting on his behalf, shall be understood to have the powers to determine the validity of the representation granted and the performance of the General Meeting's attendance requirements.

The provisions set out in the above paragraphs shall not apply if the proxy is the spouse, ascendant or descendant of the individual represented. The same shall apply if the proxy is appointed by means of a public instrument that grants powers to administer all of the represented individual's assets in the national territory.

#### Article 24: Voting by means of distance communication

Shareholders who are entitled to attend any class of General Meeting may cast their vote on the proposals contained on the agenda by post, providing the Company is sent an attendance and vote card issued by the organisation or organisations responsible for recording the entry of shares in the corresponding registers duly filled in and signed by the shareholder. Other written means may be used that have been approved by the Board of Directors, and providing prior permission to do so has been obtained. If such other means are used, it must be possible to check the identity of the shareholder who votes by proxy in this way.

Votes cast by post shall only be valid if they reach the Company at least twenty-four hours before the first call of the Annual General Meeting is due to be held. Notwithstanding the foregoing, the Board of Directors may set a shorter deadline for the reception of distance votes.

Shareholders who cast distance votes under the terms set out in this article shall be deemed to be attendees for the purposes of the General Meeting in question. Therefore, previously appointed proxies shall be deemed to be revoked and those subsequently appointed shall be understood to be null and void.

The distance votes cast as described in this article shall be deemed null and void under the following circumstances:

(i) The subsequent express revocation of the vote via the same means used to cast it, providing it reaches the Company within the set deadlines.

(ii) The shareholder who casts a distance vote attends the General Meeting in person.

(ii) The sale of shares with voting rights about which the Company has been notified at least five days before the date on which the General Meeting is due to be held.

The Board of Directors shall have the powers to put the above provisions in place and to establish the proper rules, means and procedures to cast votes and to delegate voting rights by post, in compliance with any legal rules that may apply under this system and with the provisions in the Articles of Association and these Regulations. Such means and procedures must be posted on the Company's website. The Board of Directors shall adopt the measures required to ensure that whomever casts a vote or delegates voting rights by post is duly entitled to do so as provided for in the Articles of Association and these Regulations.

The addition of postal voters to the list of attendees shall be carried out by combining the electronic data file on which they are registered with the file that contains the rest of the list. Should the list be drawn up by means of an attendance card file, the addition of voters shall take place by generating a document on paper in which the same information as appears on the card is shown for each of the shareholders who have voted by post, notwithstanding the right to store the electronic data file through which the vote was cast as a permanent record.

#### E.7 Provide attendance figures for the general meetings held over the year to which this report refers:

	Attendance figures				
Date of General Meeting	% physically present	% by proxy	% Distance voting		Total
			Electronic votes	Other	
2.06.2010	8.553%	73.420	0	0	81.973

N/A

#### E.8 Give a brief description of the agreements adopted at the general shareholders' meetings held over the year to which this report refers and the percentage of votes cast for the adoption of each vote.

At the Annual General Meeting held on 2nd June 2010 the following resolutions were passed:

**First Point:** The examination and approval (if applicable) of the annual accounts and the directors' report for both the Company and its consolidated group of companies, corresponding to the business year ending 31st December 2009. Votes in favour: 90,389,763 - 100%.

**Second Point:** Application of the result of the business year ending 31st December 2009. Votes in favour: 90,389,763 - 100%.

(Continued)

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**Third Point:** The examination and approval (if applicable) of the management carried out by the Board of Directors during business year 2009. Votes in favour: 90,384,785 - 99.994 %.

**Fourth Point:** Re-election or appointment of the accounting auditor of both the Company and its consolidated group of companies. Votes in favour: 90,389,763 - 100%.

**Fifth Point:** Presentation of the Report on the Policy for the Remuneration of Directors. Votes in favour: 88,976,648 - 98.437%.

**Sixth Point:** Establishment of an incentive scheme based on shares for the executives of Grupo Fluidra, S.A. Votes in favour: 87,909,754 - 97.256 %.

**Seventh Point:** Authorization for the Company to proceed with the derivative acquisition of own shares, directly or through Group Companies, with the express power to reduce share capital in order to redeem own shares, delegating to the Board of Directors the powers necessary for the implementation of the resolutions adopted by the General Meeting regarding this matter (leaving the previous authorisation ineffective) and authorisation to (if applicable) apply the portfolio of own shares to cover the execution or coverage of payment systems. Votes in favour: 90,030,449 - 99.602%.

**Eighth Point:** Approval of the take-over merger of Fluidra Services, S.A.U. by Fluidra, S.A. and approval of the merger balance sheets. Votes in favour: 90,389,763 - 100%.

**Ninth Point:** Delegation of powers to formalise, interpret, complement, develop, correct and execute the resolutions adopted by the General Meeting of Shareholders. Votes in favour: 90,389,763 - 100%.

**E.9 State whether any of the articles of association set out a minimum number of shares as a requirement to attend the General Shareholders' Meeting:**

Negative reply

No. of shares required to attend a General Meeting	Minimum of one share
--	----------------------

**E.10 Describe and justify the policies followed by the Company with regard to voting by proxy at the General Shareholders' Meeting.**

All shareholders who are entitled to attend General Meetings may vote by a proxy, who does not necessarily have to be a shareholder, at the General Meetings. Votes cast by proxy must be done so in accordance with the requisites and formalities set out in the act, in Article 29 of the Articles of Association and in Article 12 of the Regulations of the General Shareholders' Meeting.

All votes cast by proxy shall be certified by means of an attendance card or a letter, which in both cases must bear the original signature of the person represented. The document that certifies voting by proxy must contain the following information: the date of the General Meeting and its agenda; the identity of the person represented and the proxy, although in the event that no proxy is specified, it shall be understood that voting rights have been granted to either the chairman of the Board of Directors, the managing director or the secretary of the Board of Directors; the number of shares the shareholder has and instructions as to how the proxy should vote for each of the items that are on the agenda.

Should public requests be made to be represented by proxy, in addition to the items mentioned in the paragraph above, the document that designates the proxy must contain an indication as to how the proxy should vote if precise instructions are not provided.

Voting by proxy may also be granted by post providing the Company is sent an attendance and vote card that must have been obtained from and issued by the organisation or organisations responsible for recording the entry of shares in the corresponding register. Other written means may be used that have been approved by the Board of

(Continued)



Directors, and providing prior permission to do so has been obtained. If other such means are used, it must be possible to check the identity of the shareholder who votes by proxy in this way.

**E. 11 State whether or not the Company is aware any policies of institutional investors to participate or in Company decisions:**

Negative reply

**E.12 State the address and access route to the contents the corporate governance regulations of your Website.**

[www.fluidra.com](http://www.fluidra.com)

Go to the SHAREHOLDERS AND INVESTORS section and a CORPORATE GOVERNANCE submenu will appear.

<b>F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS</b>
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Indicate the company's degree of compliance with the recommendations given in the unified code of good governance.

In the event of failure to comply with any such recommendations, explain the recommendations, standards, practices or criteria applied by the company.

1. The articles of association of listed companies should not limit the maximum number of votes that can be issued by the same shareholder or contain other restrictions that prevent the company from being taken over through the purchase of its shares on the market.

See epigraphs: A.9 , B.1.22, B.1.23 and E.1, E.2.

Complies ☒ Explain ☐

2. When the parent company and the subsidiary are listed, they must both publicly define the following in detail:

a) Their respective activity areas and possible business relations between them, as well as those of the listed subsidiary with the other companies in the group;

b) The mechanisms laid down to solve possible conflicts of interests as they arise.

See epigraphs: C.4 and C.7

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☒

3. Although it is not expressly required in mercantile legislation, they should submit the transactions that involve a modification to the company's structure for approval by the General Shareholders Meeting, especially the following:

a) The change of listed companies into holding companies through "subsidiarisation" or the incorporation into entities dependent on essential activities carried out until then by the company itself, even though the said company maintains full control over them;

b) The acquisition or transfer of essential operating assets when there is an actual modification of the corporate purpose;

c) The transactions whose effect is equivalent to that of the company's liquidation.

(Continued)

Complies x      Complies partially ☐      Explain ☐

4. The detailed proposals of the agreements to be adopted by the General Shareholders Meeting, including the information referred to in recommendation 28, should be published with the publication of the announcement of the call to the meeting.

Complies x      Explain ☐

5. In the General Shareholders Meeting, the matters that are substantially independent must be voted separately so that shareholders can exercise their voting preferences separately. And the said rule should be applied, in particular:

a) On the appointment or ratification of the members of the board, which should be voted individually;

b) In the case of modifications to the articles of association, each article or group of articles that is substantially independent.

See epigraph: E.8

Complies x      Complies partially ☐      Explain ☐

6. The companies should allow the division of the vote so that the financial brokers legitimated as shareholders but acting on behalf of different clients can issue their votes in accordance with the instructions given by the said clients.

See epigraph: E.4

Complies x      Explain ☐

7. The board should carry out its functions on the basis of a unified purpose and independence, giving the same treatment to all the shareholders and following the company's interest, understood as maximising the company's economic value in a sustained manner.

It should also ensure that, in its relations with the stakeholders, the company observes legislation and regulations; fulfils its duties and contracts in good faith; observes the uses and good practices of the sectors and territories in which it operates; and observes the additional principles of corporate liability it has voluntarily accepted.

Complies x      Complies partially ☐      Explain ☐

8. As the core of its mission, the board should adopt the company's strategy and the organisation required for its implementation, as well as supervising and controlling the management's fulfilment of targets and observance of the company's corporate interest and purpose. Accordingly, in its plenary session, the board reserves the power to adopt the following:

a) The company's general strategies and policies, in particular:

i) The strategic or business plan, as well as management targets and annual budgets;

ii) The investment and finance policy;

iii) The definition of the structure of the group of companies;

iv) The corporate governance policy;

(Continued)

- v) The corporate liability policy;
- vi) The salary policy and appraisal of senior management performance;
- vii) The risk management and control policy, as well as the regular monitoring of internal information and control systems.
- viii) The dividend policy, as well as the treasury stock policy and, in particular, its limits.

See epigraphs: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i) On the proposal of the company's chief executive, the appointment and removal of senior managers, as well as their severance clauses.

See epigraph: B.1.14.

- ii) The salaries for the members of the board, as well as, in the case of executives, the additional payment for their executive functions and other conditions to be observed in their contracts.

See epigraph: B.1.14.

- iii) The financial information which, due to its status as a listed company, it has to publish on a regular basis.

- iv) The investments or transactions of all kinds which, owing to their high amount or special characteristics, are of a strategic nature, unless their approval corresponds to the General Shareholders Meeting;

- v) The creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered as tax havens, as well as whatsoever other similar transaction or operation which, owing to its complexity, could undermine the group's transparency.

- c) The transactions completed by the company with members of the board, important shareholders or shareholders represented on the board or with related individuals ("related transactions").

However, this authorisation by the board should not be considered necessary for the related transactions that meet the following three conditions:

1. They are carried out by virtue of contracts whose terms and conditions are standardised and applied generally to many clients;
2. They are carried out at prices or rates generally established by the person acting as the supplier of the good or service in question;
3. Their amount does not exceed 1% of the company's annual revenue.

It is recommended that the board should approve the related transactions after a favourable report has been issued by the Audit Committee or, where applicable, any other party to which that function has been commissioned; and, besides not exercising or delegating their right to vote, the members of the board who are affected should leave the meeting room while the board deliberates and votes on the matter.

(Continued)

It is recommended that it should not be possible to delegate the powers attributed to the board here, except for those mentioned in paragraphs b) and c), which may be adopted in emergencies by the Delegate Commission and subsequently ratified by the board in its plenary session.

See epigraphs: C.1 and C.6

Complies x      Complies partially ☐      Explain ☐

9. The board should have the necessary size for effective, participatory operation, which means that it should not have fewer than five or more than fifteen members.

See epigraph: B.1.1

Complies x      Explain ☐

10. The external directors representing controlling shareholders and independent directors should represent a broad majority of the Board and the number of executive directors should be the required minimum, taking into account the complexity of the corporate group and the percentage of interest of the executive directors in the company's capital.

See epigraphs: A.2, A.3, B.1.3 and B.1.14.

Complies x      Complies partially ☐      Explain ☐

11. If there is an external director who cannot be considered as either an external director representing controlling shareholders or an independent director, the company should explain the said circumstance and his association either with the company or its managers, as well as with its shareholders.

See epigraph: B.1.3

Complies x      Explain ☐      Not applicable ☐

12. Among the external directors, the ratio between the number of external directors representing controlling shareholders and the independent directors should reflect the proportion between the company's share capital represented by the external directors representing controlling shareholders and the rest of the share capital.

This criterion of strict proportionality could be reduced as the weight of the external directors representing controlling shareholders is greater than that which would correspond to the total percentage of the share capital they represent:

1. In companies with a high level of capitalisation, when the shares that are legally considered as significant are zero or low-level, but where shareholders exist, with blocks of shares of high absolute value.

2. When it is a question of companies in which there is a plurality of shareholders represented on the Board who are not related between them.

See epigraphs: B.1.3, A.2 and A.3

Complies x      Explain ☐

13. The number of independent directors should represent at least one third of the total number of directors.

See epigraph: B.1.3

**Complies**      **Explain** ☐ The number of independent directors are 3 of the total 10 members of the Board of Directors.

14. The nature of each director must be explained by the Board before the General Shareholders Meeting that is to carry out or ratify his appointment, which should be confirmed or reviewed annually, as appropriate, in the annual report on corporate governance, with prior confirmation by the Appointments Committee. The said report should also explain the reasons why external directors representing controlling shareholders have been appointed at the request of shareholders whose holding is less than 5% of the share capital; and reasons should be given for the rejection, where applicable, of formal requests for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose request external directors representing controlling shareholders have been appointed.

See epigraphs: B.1.3 and B.1.4

**Complies x**      **Complies partially** ☐      **Explain** ☐

15. When the number of female directors is zero or almost zero, the board should explain the reasons and the initiatives adopted to correct the said situation; in particular, the Appointments Committee should ensure that, when new vacancies arise:

a) The selection process does not involve implicit bias that prevents the selection of female directors

b) The company should deliberately look for and include among potential candidates women that comply with the professional profile being sought.

See epigraphs: B.1.2, B.1.27 and B.2.3.

**Complies x**      **Complies partially**      **Explain** ☐      **Not applicable** ☐

No gender discrimination practices are carried out. The directors are chosen according to the opportunities that arise among external directors representing controlling shareholders and according to professional experience in the case of independent shareholders. It has been planned to deal with this issue in 2008.

16. As the person responsible for the effective operation of the Board, the Chairman should ensure that the directors receive sufficient information beforehand; stimulate debate and the active participation of the directors during the board's sessions, safeguarding his free standpoint and opinion; and organise and coordinate with the chairmen of the relevant commissions the regular assessment of the board, as well as that of the CEO or chief executive, where applicable.

See epigraph: B.1 42

**Complies x**      **Complies partially** ☐      **Explain** ☐

17. When the Chairman of the Board is also the company's chief executive, one of the independent directors should be empowered to request the call to meeting of the Board or the inclusion of new matters on the agenda; coordinate and echo the concerns of the external directors; and direct the Board's assessment of its Chairman.

See epigraph: B.1.21

**Complies** ☐      **Complies partially** ☐      **Explain** ☐      **Not applicable x**

18. The Secretary of the Board should make sure, in particular, that the board's actions:

(Continued)

- a) Comply with the content and spirit of legislation and the corresponding regulations, including those adopted by the regulating bodies;
- b) Comply with the company's articles of association and with the regulations of the General Shareholders Meeting, the Board and other company regulations;
- c) Take into account the recommendations on good governance laid down in the unified code accepted by the company.

And, in order to safeguard the Secretary's independence, impartiality and professionalism, his appointment and removal must be reported by the Appointments Committee and approved by the Board in its plenary session; and the said appointment and dismissal procedure must be laid down in the Board regulations.

See epigraph: B.1.34

Complies x      Complies partially ☐      Explain ☐

19. The board should meet as regularly as necessary to carry out its functions effectively, following the schedule of dates and business laid down at the beginning of the year, where each director may propose other business for the agenda not considered initially.

See epigraph: B.1.29

Complies x      Complies partially ☐      Explain ☐

20. The non-attendance of the directors should be reduced to essential cases and quantified in the annual corporate governance report. And if representation is essential, it must be designated with instructions.

See epigraphs: B.1.28 and B.1.30

Complies x      Complies partially ☐      Explain ☐

21. When the directors or the Secretary express concern for any proposal or, in the case of the directors, for the company's progress and the said concern is not resolved by the board, it should be recorded in the minutes of the meeting at the request of the person expressing the said concern.

Complies x      Complies partially ☐      Explain ☐      Not applicable ☐

22. In its plenary session, the board should assess the following once a year:

- a) The quality and efficiency of the board's operations;
- b) Based on the report issued by the Appointments Committee, the functions carried out by the Chairman of the Board and the company's chief executive;
- c) The running of its Committees, based on the reports they issue.

See epigraph: B.1.19

Complies x      Complies partially ☐      Explain ☐

23. All the directors should be able to exercise the right to compile any additional information they consider necessary on business that falls within the remit of the Board. And, unless the articles of association or the regulations of the board lay down otherwise, they should address their requirement to the chairman or secretary of the board.

(Continued)

See epigraph: B.1.42

Complies ☒ Explain ☐

24. All the directors have the right to obtain the advice they need for the fulfilment of their functions from the company. The company should lay down the appropriate ways of exercising this right, which, under special circumstances, could include external advisory services on the company's account.

See epigraph: B.1.41

Complies ☒ Explain ☐

25. The company should establish a guidance programme to provide new directors with rapid and sufficient knowledge of the company, as well as its rules on corporate governance. They should also offer directors programmes for updating their knowledge when circumstances so recommend.

Complies ☒ Complies partially ☐ Explain ☐

26. The company should require the directors to devote the time and effort necessary for carrying out their function effectively and, consequently:

a) The directors should report to the Appointments Committee on their other professional duties in case they interfere with the required devotion;

b) The companies should lay down rules on the number of boards on which their directors can sit.

See epigraphs: B.1.8, B.1.9 and B.1.17

Complies ☒ Complies partially ☐ Explain ☐

27. The proposal for the appointment or re-election of directors raised by the Board to the General Shareholders Meeting, as well as their provisional appointment by co-optation, should be approved by the board:

a) At the proposal of the Appointments Committee, in the case of independent directors.

b) After a report issued by the Appointments Committee, in the case of the other directors.

See epigraph: B.1.2

Complies ☒ Complies partially ☐ Explain ☐

28. The companies should publish the following information about their directors on their website and keep the said information up-to-date:

- a) Professional and biographical profile
- b) Other boards on which they sit, whether the companies are listed or not;
- c) Indication of the category of director to which they belong, where applicable, indicating, in the case of the external directors representing controlling shareholders, the shareholder they represent or with whom they are related.
- d) Date of their first appointment as a director of the company, as well as of the subsequent appointments; and
- e) The shares they own in the company and the stock options over the said shares.

☒ Complies ☐ Explain

29. The independent directors should not remain as such for a continued term of more than 12 years.

See epigraph: B.1.2

(Continued)

Complies x      Explain ☐

30. The external directors representing controlling shareholders should present their resignation when the shareholder they represent sells all his shares in the company. They should also present their resignation, in the corresponding number, when the said shareholder lowers his shares in the company to a level that requires a reduction in the number of his external directors representing controlling shareholders.

See epigraphs: A.2, A.3 and B.1.2

Complies x      Complies partially ☐      Explain ☐

31. The Board of Directors should not propose the removal of any independent director before the fulfilment of the statutory term for which he has been appointed, except when there is just cause, understood as such by the Board after a report issued by the Appointments Committee. In particular, just cause shall be understood as applicable when the director is in breach of the duties inherent to his post or has entered into any of the circumstances laid down in epigraph 5 of section III on definitions in this code.

The removal of independent directors resulting from takeover bids, mergers or other similar corporate transactions that represent a change to the company's share capital structure could be proposed when the said changes to the structure of the board are brought about by the criterion of proportionality indicated in Recommendation 12.

See epigraphs: B.1.2, B.1.5 and B.1.26

Complies x      Explain ☐

32. The company should establish rules that oblige the directors to report and, where applicable, resign in cases that can damage the company's reputation and credit and, in particular, oblige them to inform the board of the criminal cases in which they appear as an accused party, as well as their subsequent procedural events.

If a director is tried or a sentence is issued against him for the commencement of a hearing for any of the crimes laid down in article 124 of the Spanish Public Limited Companies Act, the Board should examine the case as soon as possible and, in view of the specific circumstances, decide whether or not it is fitting for the director to continue in his post. And, the Board should give a reasoned account of all the events in the Annual Corporate Governance report.

See epigraphs: B.1.43, B.1.44

Complies x      Complies partially ☐      Explain ☐

33. All the directors should clearly express their opposition when they consider that any proposed decision submitted to the Board may be contrary to the company's interests. And this should apply especially to the independent directors and other directors not affected by the potential conflict of interest in the case of decisions that may damage the shareholders not represented on the Board.

When the Board adopts significant or reiterated decisions on which the director has formulated serious reservations, the said director should draw the corresponding conclusions and, if he decides to resign, explain the reasons in the letter referred to in the following recommendation.

The scope of this recommendation also includes the Secretary of the Board, even though he does not have the status of director.

Complies x      Complies partially ☐      Explain ☐      Not applicable ☐

(Continued)



34. When, either due to resignation or any other reason, a director abandons his post before the end of his mandate, he should explain the reasons in a letter sent to all the members of the Board. And, without prejudice to the said resignation being notified as a relevant event, the reason for the resignation should be accounted for in the Annual Corporate Governance report.

See epigraph: B.1.5

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☒ X

According to internal standards, there is no obligation to include the reason for the resignation in the Annual Report.

35. The salary policy approved by the Board should indicate at least the following:

a) The amount of the fixed components, with a breakdown, where applicable, of the expenses for participation in the board and its commissions and an estimate of the annual fixed salary resulting therefrom;

b) Variable salary concepts, including, in particular:

i) Classes of directors to which they are applied, as well as an explanation of the relative importance of the variable salary concepts with regard to the fixed salary concepts.

ii) Results assessment criteria on which any right to payment in shares, stock options or any variable component is based;

iii) Fundamental parameters and basis of any annual premium system (bonus) or other benefits not paid in cash; and

iv) An estimate of the absolute amount of the variable salary payments arising from the proposed salary plan in accordance with the level of fulfilment of the hypotheses or objectives taken as reference.

c) Main characteristics of the company pension plans (e.g. top-up schemes, life insurance policies and similar), with an estimate of their amount or equivalent annual cost.

d) Conditions to be observed in the contracts of those who exercise senior management functions as executive directors including:

i) Term;

ii) Terms of notice; and

iii) Any other clauses related to contracting premiums, such as severance payments or golden parachutes for early termination or cancellation of the contractual relations between the company and the executive director.

See epigraph: B.1.15

Complies x ☒ Complies partially ☐ Explain ☐

36. The payments made through shares in the company or companies in the group, stock options or instruments referenced to the value of the share, variable payments associated with the company's performance or company pension plans should be limited to the executive directors.

This recommendation will not cover the provision of shares when it is conditioned to the directors  
(Continued)

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maintaining them until their resignation as a director.

See epigraphs: A.3, B.1.3

Complies ☒ Explain ☐

37. The salary payments of the external directors must be the amount necessary for compensating the devotion, qualification and responsibility required by the post; but not so high as to compromise their independence.

Complies ☒ Explain ☐

38. The salary payments related to the company's results should take into account the possible exceptions included in the external auditor's report, which may reduce the said results.

Complies ☐ Explain ☐ Not applicable ☒

39. In the case of variable salary payments, the salary policies should incorporate the necessary technical precautionary measures to ensure that the said salary payments are related to the professional devotion of the beneficiaries and do not result simply from the general evolution of the markets or the company's activity sector or other similar circumstances.

Complies ☐ Explain ☐ Not applicable ☒

40. The Board should submit a report on the directors' salary policy to vote at the General Shareholders Meeting, as a separate, consultative matter on the agenda. The said report should be made available to the shareholders either separately or in any other way the company considers appropriate.

The said report should focus particularly on the salary policy approved by the Board for the present year, as well as, where applicable, the policies anticipated for future years. It shall include all the matters referred to in Recommendation 35, except for circumstances that may suppose the revelation of sensitive commercial information. It shall underline the most significant changes in the said policies with regard to that applied during the past year to which the General Shareholders Meeting refers. It shall also include an overall summary of how the salary policy was applied during the past year.

The Board should also report on the role played by the Remunerations Committee in the preparation of the salary policy and, if external consultancy services are used, on the identity of the external consultants providing the service.

See epigraph: B.1.16

Complies ☐ Complies partially ☐ Explain ☒

Not applicable last year. Applicable this year.

41. The Report should give details of the individual salaries paid to directors during the year and include:

- a) The individualised breakdown of the salary of each director, which shall include, where applicable:
  - i) The allowances for attendance or other fixed payments as a director;
  - ii) The additional remuneration as chairman or member of one of the board's committees;

(Continued)

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- iii) Any payments for profit sharing or premiums and the reason why they were made;
  - iv) Contributions in the director's favour to fixed-contribution pension schemes; or the increase of the director's consolidated rights in the case of contributions to fixed-benefit plans;
  - v) Any severance payments agreed or paid in the case of the termination of his functions;
  - vi) The payments received as a director of other companies in the group;
  - vii) Payments for carrying out the senior-management functions of the executive directors;
  - viii) Any other salary concepts other than the above, regardless of their nature or the entity of the group making the payment, especially when they are considered as related transactions or their omission distorts the fair view of the total salary payments received by the director.
- b) The individualised breakdown of the shares, stock options or any other instrument referenced to the value of the share eventually awarded to directors, with details on the following:
- i) Number of shares or options awarded during the year and the terms and conditions of their exercise;
  - ii) Number of options exercised during the year, indicating the number of shares affected and the price of the exercise;
  - iii) Number of pending options at the end of the year, indicating their price, date and other exercise requirements;
  - iv) Whatsoever modification during the year to the conditions for exercising the options already awarded.
- c) Information about the ratio during the said past year between the salary obtained by the executive directors and the results or other measurements of the company's performance.

Complies x      Complies partially ☐      Explain

Not applicable last year. Applicable this year.

42. When there is a Delegate or Executive Committee (hereinafter called "Delegate Committee"), the participation structure of the various categories of directors should be similar to that of the Board itself and its secretary should be the Secretary of the Board.

See epigraphs: B.2.1 and B.2.6

Complies x      Complies partially ☐      Explain ☐      Not applicable ☐

The Vice-secretary of the Board performs the duties of Secretary on the Delegate Committee.

43. The Board should always be aware of the matters dealt with and the decisions adopted by the Delegate Committee and all the members of the Board should receive a copy of the minutes of the meetings of the Delegate Committee.

Complies x      Explain ☐      Not applicable ☐

44. The Board of Directors should constitute not only the Audit Committee required by the Stock Exchange Act, but also one or two separate Committees: the Appointments Committee and the Remuneration Committee.

(Continued)

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remuneration Committee or Committees should be recorded in the regulations of the Board and include the following:

a) The board should appoint the members of these Committees, bearing in mind the know-how, skills and experience of the directors and the missions of each Committee; it should deliberate on its proposals and report; and it should report on its activities and respond for the work carried out during the first plenary session of the Board after its meetings.

b) The said Committees should be made up exclusively of a minimum of three external directors. The above is understood as without prejudice to the attendance of executive directors or senior managers when so agreed expressly by the members of the Committee.

Their Chairmen should be independent directors.

d) They should be able to seek external consultancy services when they consider it necessary for their functions.

e) Minutes should be recorded of their meetings and a copy of the said minutes should be sent to all the members of the Board.

See epigraphs: B.2.1 and B.2.3

Complies x      Complies partially ☐      Explain ☐

45. The supervision of compliance with the internal code of conduct and the rules of corporate governance should be the responsibility of the Audit Committee, the Appointments Committee or, if they exist separately, the Corporate Governance or Fulfilment Committees.

x Complies      ☐ Explain

46. The members of the Audit Committee and, in particular, its chairman should be appointed on the basis of their know-how and experience in bookkeeping, audits and risk management.

x Complies      ☐ Explain

47. The listed companies should have an internal audit function which, under the supervision of the Audit Committee, should monitor the correct functioning of the internal control and information systems.

xComplies      ☐ Explain

48. The person responsible for the internal audit function should present his annual work plan to the Audit Committee; he should inform it directly of the incidents occurring during its development; and, at the end of each year, submit an activities report.

x Complies      ☐ Complies partially      ☐ Explain

49. The risk management and control policies should identify at least:

a) The different types of risk (operative, technological, financial, legal, reputational, etc.) facing the company, where the financial or economic risks should include the contingent liabilities and other off-balance-sheet risks.

b) The level of risk considered acceptable by the company;

c) The measures laid down to reduce the impact of the risks that are identified should they occur;

(Continued)

d) The internal control and information systems that will be used to control and process the said risks, including the contingent liabilities or off-balance-sheet risks.

See epigraph: D

☐ Complies      ☒ Complies partially      ☐ Explain

The Company has updated its analysis of the identification and assessment of the group's business risks related to its activities and current environment as well as the controls associated with each of them, focusing particularly on the risks classified as high risk and / or those with weak controls.

A schedule was agreed on with the Management for continuing work on the project during the business years 2010 and 2011. It is important for the Company to identify improvements to these measures and these controls in order to make the risk management practices more effective and more efficient.

## 5. The Audit Committee should be responsible for the following:

### 1. In relation to the internal control and information systems:

a) Supervising the preparation process and integrity of the financial information related to the company and, where applicable, the group, reviewing compliance with the standard requirements, the appropriate definition of the consolidation perimeter and the correct application of the bookkeeping criteria.

b) Regularly reviewing the internal control and risk management systems so that the main risks can be identified, processed and appropriately publicised.

c) Ensuring the independence and effectiveness of the function of the internal audit; proposing the selection, appointment, re-election and dismissal of the person responsible for the internal audit service; proposing the budget of the service; receiving regular information on its activities; and ensuring that senior management takes into account the conclusions and recommendations put forward in its report.

d) Setting up and supervising a mechanism that enables employees to communicate any significant irregularities, especially those related to finance and bookkeeping, and to do so in a confidential manner.

### 2. In relation to the external auditor:

a) Raising the selection, appointment, re-election and substitution proposals concerning the external auditor to the Board, as well as the terms and conditions of his contract.

b) Regularly receiving information from the external auditor on the audit plan and the results of its implementation and ensuring that senior management takes into account the corresponding recommendations.

c) Guaranteeing the independence of the external auditor and, accordingly:

i) The company should report the change of auditor to the Spanish National Securities Market Commission as a relevant event and accompany the said report with the declaration on the existence of disagreements with the departing auditor and, where applicable, the corresponding content.

ii) It should be ensured that the company and the auditor observe current standards on the provision of services other than auditing services, the limits to the auditor's business concentration and, in general, the other standards established to guarantee the independence of auditors;

iii) In the case of the resignation of the external auditor, it should examine the circumstances leading to the said resignation.

d) In the case of groups, it should favour the group's auditor assuming the responsibility for the audits of the companies in the group.

See epigraphs: B.1.35, B.2.2, B.2.3 and D.3

☐ Complies      ☒ Complies partially      ☐ Explain

The point that was not put into practice in the 2008 tax year and that will be applied in 2009 is as follows:

In the 2008 tax year, the external auditor was appointed for a one-year term by virtue of the agreement adopted by the General Shareholders Meeting on 30/05/08. With regard to 2009, the Audit Committee will be informed so that is able to make recommendations to the Board on the selection, appointment, re-election and replacement of the external auditor, and the terms and conditions of the latter's contract.

51. The Audit Committee should be able to call any of the company's employee or manager and also have them appear without the presence of any other manager.

☒ Complies      ☐ Explain

(Continued)

**52. The Audit Committee should report to the Board before the Board adopts the corresponding decisions on the following matters indicated in Recommendation 8:**

a) The financial information which, due to its status as a listed company, must be published by the company on a regular basis. The committee should ensure that the interim accounts are prepared under the same bookkeeping criteria as the annual accounts and, accordingly, consider the appropriateness of a limited review by the external auditor.

b) The creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered as tax havens, as well as whatsoever other similar transaction or operation which, owing to its complexity, could undermine the group's transparency.

c) The related transactions, unless the preliminary report function has been attributed to another control and supervision Committee.

See epigraphs: B.2.2 and B.2.3

☒ Complies      ☐ Complies partially      ☐ Explain

**53. The Board of Directors should seek to present the accounts to the General Shareholders Meeting without any reservations or qualifications in the audit report and, in whatsoever exceptional case, both the Chairman of the Audit Committee and the auditors should clearly explain to the shareholders the content and scope of the said reservations or qualifications.**

See epigraph: B.1.38

☒ Complies      ☐ Complies partially      ☐ Explain

Historically, we have had consolidated audit reports without reservations or qualifications. The external auditors stand before the Audit Committee before the presentation of the Annual Accounts to the Board of Directors to explain the conclusions drawn from their audit.

**54. Most of the members of the Appointments Committee (or the Appointments and Remuneration Committee, if there is only one Committee) should be independent directors.**

See epigraph: B.2.1

Complies ☒      Explain ☐      Not applicable ☐

**55. Besides the functions indicated in the above recommendations, the following responsibilities should correspond to the Appointments Committee:**

a) Assessing the skills, know-how and experience required of the Board and, consequently, defining the functions and skills required of the candidates to cover each vacancy; and assessing the time and devotion necessary for them to carry out their task correctly.

b) Examining or organising, as considered appropriate, the succession of the Chairman and the chief executive and, where applicable, making proposals to the Board so that the said succession occurs in an orderly and well-planned manner.

c) Reporting the appointments and resignations of senior executives as proposed to the Board by the chief executive.

d) Reporting to the Board on matters of gender diversity as per Recommendation 14 of this code.

See epigraph: B.2.3

Complies ☒      Complies partially ☐      Explain ☐      Not applicable ☐

**56. The Appointments Committee should consult the company's Chairman and chief executive, especially with regard to business concerning the executive directors.**

(Continued)

And any director should be able to ask the Appointments Committee to consider potential candidates for the vacancy of director if they consider them to be ideal.

Complies x      Complies partially ☐      Explain ☐      Not applicable ☐

57. Besides the functions indicated in the above recommendations, the following responsibilities should correspond to the Remuneration Committee:

a) Proposing to the Board of Directors:

i) The salary policy for directors and senior managers;

ii) The individual salaries of the executive directors and the other terms and conditions of their contracts.

iii) The basic terms and conditions of the senior managers' contracts.

b) Ensuring the observance of the salary policy laid down by the company.

See epigraphs: B.1.14, B.2.3

Complies x      Complies partially ☐      Explain ☐      Not applicable ☐

58. The Remuneration Committee should consult the company's Chairman and chief executive, especially with regard to business concerning the executive directors.

Complies x      Explains ☐      Not applicable ☐

## G. OTHER INFORMATION OF INTEREST

If you consider that there is any important principle or aspect regarding the corporate governance practices applied by your company which have not been covered in this report, please explain below.

Negative reply.

More specifically, indicate whether your company is subject to any corporate governance legislation other than Spanish law, and if so, include any information that is mandatory and different from that requested herein.

Negative reply.

Binding definition of independent director:

Indicate whether or not any of the independent directors has or has had any relationship with the company, its significant shareholders or managers which, if sufficiently significant or important, would have meant that the director could not be considered as independent in accordance with the definition laid down in section 5 of the unified code of good governance:

Negative reply.

This Annual Report was approved at the meeting held on March 28<sup>th</sup> 2011 by the Board of Directors.

Fluidra, S.A. and Subsidiaries

Consolidated Annual Accounts

On 28 March 2011 the board of directors of Fluidra, S.A. prepared the consolidated annual accounts in conformity with International Financial Reporting Standards as adopted by the European Union (including the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated annual accounts) for the year ended 31 December 2010. All the members of the board of directors sign this sheet as a sign of conformity and the non-executive Secretary to the Board, Mr. Albert Collado Armengol has signed each of the pages of the aforementioned documents for identification purposes.

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Mr Juan Planes Vila (signed)

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Bansabadell Inversió Desenvolupament, S.A.  
Mr Carlos Ventura Santamans (signed)

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Mr Eloy Planes Corts (signed)

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Mr Richard Cathcart (signed)

---

Mr Bernat Garrigós Castro (signed)

---

Mr Kam Son Leong (signed)

---

Mr Oscar Serra Duffo (signed)

---

Mr Juan Ignacio Acha-Orbea Echevarría (signed)

---

Mr Bernat Corbera Serra (signed)

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



FLUIDRA, S.A.  
AND SUBSIDIARIES

Details of the statutory activity  
of subsidiaries, associates  
and jointly controlled entities in which the Group holds direct and indirect interests

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

Fully consolidated subsidiaries

- Fluidra Commercial, S.A.U. (merged with Fluidra Commercial Services, S.L.U. and ADBE Cartera, S.A.U.), with registered offices in Sabadell (Barcelona), dedicated to the holding and use of stocks and shares and advising, managing and administering the companies in which it has an interest.
- Fluidra España, S.A.U., with registered offices in Polinyà (Barcelona), dedicated to the manufacture, sale and purchase and distribution of all types of machinery, equipment, components and parts of machinery, instruments, accessories and specific products for swimming pools, irrigation, and water treatment and purification systems.
- SCI 11 Rue Denfert Rochereau, with registered offices in Saint Dennis (France), operates in the real estate sector.
- Astral Piscine, S.A.S., with registered offices in Perpignan (France), the statutory activity of which involves the manufacture, sale and purchase, distribution, commercialisation, export and import of all types of swimming pool-related products.
- Astral Pool Belgique, S.R.L. with registered offices in Carcelles (Belgium), the statutory activity of which is the manufacture, sale and purchase, distribution, commercialisation, export and import of all types of swimming pool-related products.
- Astral UK, Ltd., with registered offices in Hants (England), the statutory activity of which involves the manufacture, sale and purchase, distribution, commercialisation, export and import of all types of swimming pool-related products.
- Fluidra Deutschland, GMBH (before named Astral Pool Deutschland, GMBH – merged with Cepex GmbH), with registered offices in Hirschberg (Germany), the statutory activity of which involves the manufacture, sale and purchase, distribution, commercialisation, export and import of all types of swimming pool-related products.
- Astral Italia, S.P.A., with registered offices in Brescia (Italy), the statutory activity of which involves the manufacture, sale and purchase, distribution, commercialisation, export and import of all types of swimming pool-related products.
- Fluidra Services Italia, S.R.L. with registered offices in Brescia (Italy), the statutory activity of which involves rendering services and conducting real estate activities.
- Astral Pool Switzerland, S.A., with registered offices in Bedano (Switzerland), the principal activity of which is the commercialisation of swimming pool-related materials.
- Astral Export, S.A., with registered offices in Sabadell (Spain) is dedicated to trading all type of products and goods on both domestic and foreign markets, whilst its principal activity involves the commercialisation of swimming pool-related products, basically acquired from related companies.
- Fluidra Middle East, Fze. (before named Astral Middle East, Fze.), with registered offices in Jebel Ali (Dubai), dedicated to the commercialisation of equipment for swimming pools and water treatment and related accessories.
- Fluidra Tr Su Ve Havuz Ekipmanlari AS (before named Astral Havuz Ekipmanlari, S.V.T.A.), with registered offices in Kartal (Turkey), dedicated to the import of equipment, chemical products and other accessories for swimming pools, for their subsequent distribution.

FLUIDRA, S.A.  
AND SUBSIDIARIES

Details of the statutory activity  
of subsidiaries, associates  
and jointly controlled entities in which the Group holds direct and indirect interests

- Fluidra Maroc, S.A.R.L. (before named Maghrebine Des Equipements d'Eau, S.A.R.L.), with registered offices in Casablanca (Morocco), the statutory activity of which is the import, export, manufacture, commercialisation, sale and distribution of parts for swimming pools, irrigation and water treatment systems.
- Astral Bazénové Příslušenství Spol, S.R.O., with registered offices in Praha-Vychod (the Czech Republic), the principal activity of which is the commercialisation of swimming pool-related accessories.
- Astral Scandinavia, A/S, with registered offices in Roedekro (Denmark), importer of technical components and equipment for all types of water treatment processes.
- Zao "Astral Sng", with registered offices in Moscow (Russia), the principal activity of which is the purchase of swimming pool-related materials for their subsequent sale on the domestic market.
- Fluidra Magyarország, kft. (before named Magyar Astral Pool, Kft.), with registered offices in Budapest (Hungary), the principal activity of which is the commercialisation and assembly of machinery and accessories for swimming pools, irrigation and water treatment and purification systems.
- Fluidra Polska SP, Z.o.o. (before named Astral Pool Polska SP, Z.o.o.), with registered offices in Wrocław (Poland), the principal activity of which is the commercialisation of swimming pool-related accessories.
- Fluidra Chile, S.A., with registered offices in Santiago de Chile (Chile), the principal activity of which is the distribution and commercialisation of products for swimming pools, irrigation and water treatment and purification systems.
- Astral Pool México, S.A. de C.V., with registered offices in Tlaquepaque (Mexico), the principal activity of which is the commercialisation of swimming pool-related materials.
- Fluidra USA, Inc. (before named Astral Products, Inc.), with registered offices in Jacksonville (USA), dedicated to the commercialisation of swimming pool-related products and accessories.
- Astral India PVT LTD, with registered offices in Mumbai (India), the principal activity of which is the commercialisation of swimming pool-related materials.
- Fluidra Portugal, LDA (before named Marazul Importação, Exportação, Comércio e Indústria Limitada), with registered offices in São Domingo da Rana (Portugal), dedicated to the manufacture, sale and purchase, distribution commercialisation, export and import of all types of swimming pool-related products.
- Pool Supplier, S.L.U., with registered offices in Polinyà (Barcelona), dedicated to the sale and purchase of swimming pool-related products and the distribution of these products among group companies.
- Fluidra Hellas, S.A. (before named Astral Pool Hellas, S.A.), with registered offices in Aspropyrgos (Greece), the principal activity of which is the distribution of swimming pool-related materials.
- Ya Shi Tu (Ningbo Water Treatment Equipment, LTD), with registered offices in Donquiao Town (China), the principal activity of which is the commercialisation of swimming pool-related products.
- Catpool SA de C.V., with registered offices in Mexico DF (Mexico), the principal activity of which is the purchase, sale and distribution of chemical products related with the maintenance of swimming pools and water systems.

FLUIDRA, S.A.  
AND SUBSIDIARIES

Details of the statutory activity  
of subsidiaries, associates  
and jointly controlled entities in which the Group holds direct and indirect interests

- Astral Holdings Australia PTY LTD, with registered offices in Melbourne (Australia), the principal activity of which is the purchase, sale, production and distribution of machinery, equipment, products and special equipment for the maintenance of swimming pools and water systems.
- Astral Pool Hongkong CO. LTD, with registered offices in Hong Kong (Hong Kong), the principal activity of which is the commercialisation of swimming pool accessories.
- Fluidra Singapore PTE LTD (before named Astral Pool Singapore PTE LTD), with registered offices in Singapore (Singapore), the principal activity of which is the commercialisation of swimming pool accessories.
- Fluidra Balkans JSK (before named Astral Pool Balkans JSK), with registered offices in Plovdiv (Bulgaria), the principal activity of which is the purchase, sale and distribution of machinery, equipment, materials, products and special equipment for the maintenance of swimming pools and water systems.
- Ya Shi Tu Swimming Pool Equipment (Shanghai) Co. Ltd., with registered offices in Tower E, Building 18, num. 238, Nandandong Road, Xu Hui District (Shanghai), the principal activity of which is the commercialisation of swimming pool products.
- MTH Moderne Wassertechnik AG, with registered offices in Gilching (Germany), the principal activity of which is the purchase, sale, production and distribution of machinery, equipment, products and special equipment for the maintenance of swimming pools and water systems.
- Blue Water Parts, S.A.S., with registered offices in Villeurbanne (France), mainly dedicated to selling replacement materials for swimming pools.
- Fluidra Cyprus LTD (before named Astral Pool Cyprus LTD), with registered offices in Limassol (Cyprus), the principal activity of which is the distribution of swimming pool-related products.
- Metalast, S.A.U., with registered offices in Polinyà (Barcelona), dedicated to the manufacture of metal products, piping and street furniture, and the wholesale of accessories.
- Poltank, S.A.U., with registered offices in Tortellà (Girona), the statutory activity of which involves the manufacture and commercialisation of swimming pool filters by injection-moulding, projection or lamination.
- Sacopa, S.A.U., with registered offices in Sant Jaume de Llierca (Girona), the principal activity of which is the transformation and commercialisation of plastic materials.
- Unistral Recambios, S.A.U., with registered offices in Massanet de la Selva (Girona), the statutory activity of which involves the manufacture, sale and purchase and distribution of machinery, accessories, spare parts, components and specific products for the treatment and purification of water.
- Talleres del Agua, S.L., with registered offices in Polígono Industrial de Barros, Ayuntamiento de los Corrales de Buelna (Cantabria), the statutory activity of which involves the construction, sale, installation, conditioning and maintenance of swimming pools, as well as the manufacture, sale and purchase, import and export of all types of swimming pool-related tools.
- Maber Plast, S.L., with registered offices in Sant Joan les Fonts (Girona), the principal activity of which is the transformation of plastic materials.
- Togama, S.A., with registered offices in Villareal (Castellón), the statutory activity of which is the manufacture of ceramic insulators and insulating parts for electrical installations.

FLUIDRA, S.A.  
AND SUBSIDIARIES

Details of the statutory activity  
of subsidiaries, associates  
and jointly controlled entities in which the Group holds direct and indirect interests

- Llerca Naus, S.A., with registered offices in Sant Jaume de Llerca (Girona), rents its industrial buildings to several group companies.
- Fluidra Industry, S.A.U. (merged with Fluidra Industry Services, S.L.), with registered offices in Polinyà (Barcelona), dedicated to the holding and use of shares and advising, managing and administrating the companies in which it has an interest.
- Productes Elastomers, S.A. with registered offices in Sant Joan Les Fonts (Girona) is dedicated to the manufacture of rubber moulded parts and all kinds of natural rubber and synthetic products; the development of techniques for the maintenance of pressure cylinders; their repair and modification and in general, the preparation, manufacture and transformation of all kinds of rubber and plastic products.
- Ningbo Linya Swimming Pool & Water Treatment Co. (merged with Ningbo Xipei Valves and Fittings), with registered offices in Ningbo (China), the statutory activity of which is the design, research and development and manufacture of equipment for swimming pools and water disinfection, pumps, dehumidifiers, metallic products, plastic products and vitreous linings.
- Turcat Polyester Sanayi Ve Ticaret A.S., with registered offices in Istanbul (Turkey), the statutory activity of which is the production, import, export and commercialisation of products and accessories, purification filters and chemical products.
- Europeenne de Couverteurs Automatiques, S.A.R.L., with registered offices in Perpignan (France), the statutory activity of which is the manufacture of motorised swimming pool covers.
- Rotoplastics, S.L., with registered offices in Saint Antonin Noble Val (France), the statutory activity of which is the manufacture of material for swimming pools and water treatment.
- Aquant Trading Co. LTD, with registered offices in Shanghai (China), the statutory activity of which is the commercialisation, import and export of swimming pool equipment, accessories and other swimming pool sector-related components, together with the rendering of services related to its statutory activity.
- Ningbo Dongchuan Swimmingpool, with registered offices in Ningbo (China), the statutory activity of which is the manufacture and installation of swimming pool equipment, brushes, plastic and aluminium products, industrial thermometers, water disinfection equipment and water testing equipment. It also imports and exports technology for its own use or as an agent
- ID Electroquímica, S.L., with registered offices in Alicante (Spain), the statutory activity of which is the sale of all kinds of machinery for the development of electrochemical processes and reactors.
- Pacific Industries, S.A.S. with registered offices in Boulazac (France), the statutory activity of which is the manufacture and warehousing of material for water treatment, filtering equipment and domestic and industrial accessories.
- Swimco Corp., S.L., with registered offices in Munguia (Vizcaya) the statutory activity of which involves the holding and use of shares, securities and other interests and advising, managing and administrating the companies in which it has an interest.
- Manufacturas Gre, S.A. (merged with Meip Internacional, S.L.), with registered offices in Munguia (Vizcaya), the statutory activity of which involves the manufacture and commercialisation of swimming pool-related products, materials and accessories.
- Pisciwelness Domiciallario, S.L.U. (before named Gre, Aqua and Pool, S.L.), with registered offices in Munguia, Vizcaya (Spain). The principal activity of this company is based on the statutory activity which consists of the distribution and sale of swimming pools and spas.

FLUIDRA, S.A.  
AND SUBSIDIARIES

Details of the statutory activity  
of subsidiaries, associates

and jointly controlled entities in which the Group holds direct and indirect interests

- Certikin Italia, S.p.A., with registered offices in Brescia (Italy), the statutory activity of which involves the manufacture, sale and purchase, distribution, commercialisation, export and import of all types of swimming pool-related products.
- Me 2000, S.R.L., with registered offices in Brescia (Italy), the statutory activity of which is the development and lease of buildings.
- Certikin Internacional, Ltd., with registered offices in Witney Oxon (England), the principal activity of which is the commercialisation of swimming pool-related products.
- Hydrosim International, S.A.S. (formerly MMC, S.A.S.), with registered offices in La Chevroliere (France), the principal activity of which involves the manufacture and commercialisation of swimming pool filters and pumps.
- Industrias Mecánicas Lago, S.A., with registered offices in Sant Julià de Ramis (Girona), the statutory activity of which involves the manufacture and commercialisation of water pumps, swimming pools and associated accessories.
- Certikin Pool Ibérica S.L., with registered offices in Palafolls (Barcelona), the principal activity of which is the commercialisation of swimming pool-related products.
- Certikin Swimming Pool Products India Private Limited, with registered offices in Bangalore (India), the principal activity of which is the commercialisation of swimming pool-related products.
- Cepex, S.A.U. (merged with Válculas i Racords Canovelles, S.A.), with registered offices in Granollers, Barcelona (Spain), the principal activity of which is the manufacture and distribution of injected plastics and in particular, plastic parts for valves.
- Pro Cepex, S.A.R.L., with registered offices in Casablanca (Morocco), the principal activity of which is the commercialisation of fluid conduction products.
- Cepex S.R.L., with registered offices in Bedizzole, Brescia (Italy), the principal activity of which is the commercialisation of fluid conduction products.
- Cepex USA Inc., with registered offices in Jacksonville, Florida (USA), the principal activity of which is the commercialisation of fluid conduction products.
- Cepex Mexico, S.A. de CV., with registered offices in Mexico City (Mexico), the principal activity of which is the commercialisation of fluid conduction products.
- Agro Cepex, S.A.R.L., with registered offices in Casablanca (Morocco), the principal activity of which is the commercialisation of fluid conduction products.
- Certikin Middle East, F.Z.E. (before named Cepex Middle East, F.Z.E.), with registered offices in Dubai (United Arab Emirates), the principal activity of which is the commercialisation of fluid conduction products.
- Irrigaronne, with registered offices in Zone Industriekke 47550, 47000 Agen (France), the activity of which is the assembly and repair of hydraulic installations for irrigation, agricultural hydraulics and mechanised agriculture.
- Inquide, S.A., with registered offices in Polinyà (Barcelona), the principal activity of which is the manufacture of products and chemical specialties in general, with the exclusion of pharmaceuticals.

FLUIDRA, S.A.  
AND SUBSIDIARIES

Details of the statutory activity  
of subsidiaries, associates  
and jointly controlled entities in which the Group holds direct and indirect interests

- Certikin France, S.R.L. (before named SENTEX, S.A.R.L.), with registered offices in Perpignan (France), the principal activity of which is the commercialisation of chemical water disinfection products.
- Inquide Italia, S.R.L. (before named CTX Chemicals, S.R.L.), with registered offices in Bedizzole, Brescia (Italy), the principal activity of which is the commercialisation of chemical water disinfection products.
- Aquambiente, S.A., with registered offices in Estrada Nacional 249 – Parque Industrial Cabra Figa, Lote 15 Cabra Figa (Portugal), the principal activity of which is the commercialisation of chemical water disinfection products.
- Servaqua, S.A.U., with registered offices in C/Industria S/N P. Ind La Coromina, Balsareny (Spain), the principal activity of which is the commercialisation and manufacture of water treatment filters and accessories.
- Astramatic, S.A.U., with registered offices in C/ Mogoda 75, P. Industrial Can Salvatella, Barberà del Vallès (Spain), the principal activity of which is the commercialisation and manufacture of industrial water treatment equipment and items to be applied in the water sector.
- S. C.I. Cerisay, with registered offices in Avenue Maurice Bellonte, Perpignan, (France), the principal activity of which is the holding of real estate securities.
- ATH Aplicaciones Técnicas Hidráulicas, S.L., with registered offices in Cervelló, Calle Joan Torruella I Urbina, 31, Barcelona (Spain), the activity of which is the wholesale and retail sale of machinery, materials, tools and accessories for water installations and treatment systems.
- Calderería Plástica del Norte, S.L., with registered offices in Rentería (Guipúzcoa), the principal activity of which is the manufacture and commercialisation of plastic water purifying and treatment equipment.
- Trace Logistics, S.A., with registered offices in Massanet de la Selva (Girona), the statutory activities of which is the consignment of goods in its warehouses and premises for storage, control and distribution to third parties upon request of the consigner; storage, loading and unloading and other supplementary services required to manage the distribution of these goods upon instruction of the consigner, as well as transport hiring and management.
- AP Immobiliere, with registered offices in Perpignan (France), the statutory activity of which is the development and rental of real estate.
- Accent Graphic, S.L., with registered offices in Santa Perpètua de Mogoda (Spain), dedicated to rendering all types of advertising and graphic design services. Responsible for the corporate image of the Astral Group by designing price lists, catalogues, etc.
- Inmobiliaria Swim 38, S.L.U., with registered offices in Sabadell (Barcelona), the statutory activity of which is the development and rental of real estate.
- Fluidra Services France, S.A.S. (before named Fluidra France, S.A.S.) with registered offices in Perpignan (France), the principal activity of which involves rendering administration services, providing legal and financial services, managing and training personnel, and providing IT services.
- Fluidra South Africa (Pty) Ltd. (before named Astral South Africa (Pty) Ltd.), with registered offices in Brooklyn (Pretoria), dedicated to the manufacture, sale and purchase and distribution of all types of machinery, equipment, components and parts of machinery, instruments, accessories and specific products for swimming pools, irrigation, and water treatment and purification systems.

FLUIDRA, S.A.  
AND SUBSIDIARIES

Details of the statutory activity  
of subsidiaries, associates

and jointly controlled entities in which the Group holds direct and indirect interests

- Way Fit, S.L., with registered offices in the Barros industrial estate, Corrales de Buelna (Cantabria), the statutory activity of which comprises management, advisory services and execution of projects and works relating to sports, leisure and health centres, employing its own technical, personnel and organisational resources or subcontracting to third parties.
- Loitech (Ningbo) Heating Equipment, Co, Ltd., with registered offices in Zhenhai (China), the statutory activity of which is the production and installation of swimming pool heating pumps, and products for their assembly.
- Astral Pool (Thailand) Co., Ltd, with registered offices in Samuthprakarn (Thailand), the principal activity of which is the commercialisation of swimming pool accessories.
- Fluidra (Thailand) Co., Ltd, with registered offices in Samuthprakarn (Thailand), dedicated to the holding and use of stocks and shares.
- Fluidra Services España, S.L.U., with registered offices in Sabadell (Spain), mainly involved in rendering administration services, providing legal and financial services, managing and training personnel, and providing IT services.
- Fluidra Services Portugal, Unipessoal Lda., with registered offices in Sabadell (Spain), mainly involved in rendering administration services, providing legal and financial services, managing and training personnel, and providing IT services.
- Fluidra México, S.A. DE CV, with registered offices in Ciudad de México DF (México), the statutory activity of which is the sale, import, export, manufacture, commercialisation and distribution of parts for swimming pools, irrigation and water treatment systems.
- Fluidra Egypt, with registered offices in Cairo (Egypt), the principal activity of which is the commercialisation of swimming pool accessories.
- W.I.T. Egypt, with registered offices in Cairo (Egypt), the principal activity of which is the commercialisation of swimming pool accessories.
- SSA Fluidra Österreich GMBH (before named Schwimmbad-Sauna-Ausstattungs, GMBH), with registered offices in Salzburg (Austria), the principal activity of which is the commercialisation of swimming pool products. This company is jointly managed with Mr. Helmut Brabenetz and Mr Walter Brabenetz.
- Splash Water Traders Private Limited, with registered offices in Chennai (India), the principal activity of which is the commercialisation of swimming pool accessories.

Equity accounted associates

- Astral Nigeria, Ltd, with registered offices in Surulere-Lagos (Nigeria), the principal activity of which is the commercialisation of swimming pool-related products.
- Inquevap, A.I.E, with registered offices in Monzón (Huesca), mainly engaged in energy cogeneration activities.

## SUBSIDIARIES

31 December 2010

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

% Ownership	
Direct	Indirect

Details of fully consolidated subsidiaries

FLUIDRA COMMERCIAL, S.A.U.	100%	
FLUIDRA ESPAÑA, S.A.U.		100%
SCI 11 RUE DENFERT ROCHEREAU		50%
ASTRAL POOL BELGIQUE, S.R.L.		100%
ASTRAL UK LIMITED		100%
FLUIDRA DEUTSCHLAND GmbH		100%
ASTRAL ITALIA, S.P.A.		100%
FLUIDRA SERVICES ITALIA, S.R.L.		100%
ASTRAL POOL SWITZERLAND, S.A.		100%
ASTRAL EXPORT, S.A.		95%
YA SHI TU (Ningbo) Water Treatment Equipment, Ltd.		95%
FLUIDRA MIDDLE EAST FZE		100%
FLUIDRA TR SU VE HAVUZ EKIPMANLARI AS		51%
FLUIDRA MAROC, S.A.R.L.		95,5%
ASTRAL BAZENOVE PRISLUSENTSVI, S.R.O.		100%
ASTRAL SCANDINAVIA AS		100%
ZAO "ASTRAL SNG"		70%
FLUIDRA MAGYARORSZÁG Kft.		90%
FLUIDRA CHILE S.A.		99,48%
FLUIDRA POLSKA, SP. Z O.O.		95%
ASTRAL INDIA Pvt. Ltd.		85%
FLUIDRA PORTUGAL, LDA.		90,862%
FLUIDRA HELLAS, S.A.		80%
FLUIDRA USA, INC.		100,0%
ASTRAL POOL MEXICO, S.A. DE C.V.		93,83%
CATPOOL S.A. de C.V.		92,89%
POOL SUPPLIER, S.L.U.		100%
TURCAT POLYESTER SANAYI VE TICARET, A.S.		49,85%
ASTRAL HOLDINGS AUSTRALIA PTY LTD (3)		100%
ASTRAL HONG KONG CO, Ltd.		100%
FLUIDRA SINGAPORE PTE. LTD		100%
FLUIDRA BALKANS JSC		66,67%
FLUIDRA CYPRUS, LTD		80%
FLUIDRA EGYPT, Egyptian Limited Liability Company		90%
W.I.T. EGYPT, Egyptian Limited Liability Company		99,9%
FLUIDRA MEXICO, S.A. DE C.V.		100%
YA SHI TU SWIMMING POOL EQUIPMENT (SHANGHAI) Co. Ltd.		100%
MTH-Moderne Wassertechnik AG		100%
ASTRAMATIC, S.A.		100%
FLUIDRA SOUTH AFRICA (Pty), Ltd.		100%
WAY FIT, S.L.		70%
ASTRAL POOL (THAILAND) CO, Ltd.		99%
FLUIDRA (THAILAND) CO, Ltd.		100%
PROCEPEX, S.R.L.		100%
CEPEX ITALIA S.R.L.		78%
CEPEX USA INC.		90%
CEPEX MEXICO, S.A. DE C.V.		100%
AGROCEPEX, S.A.L.L.		56%
CERTIKIN MIDDLE EAST FZE		100%
INQUIDE ITALIA, S.R.L.		85%
SPLASH WATER TRADERS PRIVATE LIMITED		85%
SSA FLUIDRA ÖSTERREICH GmbH		95%
FLUIDRA INDUSTRY, S.A.U.	100%	
METALAST, S.A.U.		100%
POLTANK, S.A.U.		100%
SACOPA, S.A.U.		100%
UNISTRAL RECAMBIO, S.A.U.		100%
TALLERES DEL AGUA, S.L.		100%
MABER PLAST, S.L.		100%
TOGAMA, S.A.		100%
LUJERCA NAUS, S.A.		100%
PRODUCTES ELASTOMERS, S.A.		70%
NINGBO LINYA SWIMMING POOL & WATER TREATMENT CO., LTD.		100%
TURCAT POLYESTER SANAYI VE TICARET, A.S.		50,00%
ROTOPLASTICS, S.L.		100%
AQUANT TRADING CO, Ltd.		100%
NINGBO DONGCHUAN SWIMMINGPOOL		70%
IDEGIS, S.L.		60%
PACIFIC INDUSTRIES, S.A.S.		100%
CEPEX S.A.U.		100%
INQUIDE, S.A.U.		100%
INDUSTRIAS MECANICAS LAGO, S.A.U.		100%
LOITECH (NINGBO) HEATING EQUIPMENT CO, Ltd.		80%
SERVAQUA, S.A.		100%
SCI LA CERISAY		99%
APLICACIONES TÉCNICAS HIDRÁULICAS, S.L.		80% (4) - 100%
SWIMCO CORP., S.L.	100,00%	
MANUFACTURAS GRE, S.A.		100%
PISCIBEINGNESS DOMICILIARIO, S.L.U.		100%
CERTIKIN ITALIA, S.p.A.		94,772% (4) - 100%
ME 2000, S.R.L.		100%
CERTIKIN INTERNATIONAL, LTD.		100%
HYDROSWIM International, S.A.S.		100%
CERTIKIN POOL IBERICA, S.L.		100%
CERTIKIN SWIMMING POOL PRODUCTS INDIA PRIVATE LIMITED		100%
CALDERERÍA PLÁSTICA DEL NORTE, S.L.		80% (4) - 100%
AQUAAMBIENTE, S.A.		80%



FLUIDRA SERVICES FRANCE, S.A.S.	100%	
ASTRAL PISCINE, S.A.S.		100%
BLUE WATER PARTS, S.A.S.		100%
EUROPEENNE DE COUVERTEURS AUTOMATIQUES S.A.R.L.		100%
IRRIGARONNE, S.A.S.		100%
CERTIKIN FRANCE, S.A.R.L.		100%
INMOBILIARIA SWIM 38, S.L.	100%	
A.P. IMMOBILIERE		99,9%
TRACE LOGISTICS, S.A.	100%	
ACCENT GRAPHIC, S.L.	100%	
FLUIDRA SERVICES ESPAÑA, S.L.U.	100%	
FLUIDRA SERVICES PORTUGAL, Unipessoal Lda	100%	

#### **Details of equity accounted subsidiaries**

INQUEVAP, A.I.E.	30%
ASTRAL NIGERIA, LTD. (1)	25%

#### **Details of companies consolidated at cost**

DISCOVERPOOLS COM, INC. (2)	11%
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(1) Companies belonging to the Fluidra Commercial, S.A. and subsidiaries subgroup.

(2) Companies belonging to the Fluidra Commercial, S.A. and subsidiaries subgroup and the Fluidra Industry, S.A. and subsidiaries subgroup.

(3) Astral Holdings Australia Pty Ltd is a group of companies in which the parent company holds a 100% interest in the share capital of the Astral Pool Australia Pty Ltd, Ltd, Huricon Staffing Pty Ltd, Huricon Investments Pty Ltd, Huricon Research Pty Ltd, Rolachem Australia Pty Ltd and Hendy Manufacturing Pty Ltd.

(4) Companies which have been fully integrated in the condensed interim financial statements and have derecognised the carrying amount of minority interests (see note 5)

## SUBSIDIARIES

31 December 2009

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

% Ownership	
Direct	Indirect

Details of fully consolidated subsidiaries

FLUIDRA COMMERCIAL, S.A.U.	100%	
FLUIDRA ESPAÑA, S.A.U.		100%
SCI 11 RUE DENFERT ROCHEREAU		50%
ASTRAL POOL BELGIQUE, S.R.L.		100%
ASTRAL UK LIMITED		100%
ASTRAL POOL DEUTSCHLAND GmbH		100%
ASTRAL ITALIA, S.P.A.		100%
FLUIDRA SERVICES ITALIA, S.R.L.		100%
ASTRAL POOL SWITZERLAND, S.A.		100%
ASTRAL EXPORT, S.A.		95%
YA SHI TU (Ningbo) Water Treatment Equipment, Ltd.		95%
ASTRAL MIDDLE EAST FZE		100%
ASTRAL HAVUZ EQUIPMANLARI S.V.T.A.		51%
MAGHREBINE DES EQUIPEMENTS D'EAU, S.A.R.L.		95,6%
ASTRAL BAZENOVE PRISLUSENTSVI, S.R.O.		85%
ASTRAL SCANDINAVIA AS		100%
ZAO "ASTRAL SNG"		70%
MAGYAR ASTRAL POOL Kft		90%
FLUIDRA CHILE S.A.		99,48%
ASTRAL POOL POLSKA, SP. Z O.O.		85%
ASTRAL INDIA Pvt. Ltd.		85%
MARAZUL, LDA.		100%
ASTRAL POOL HELLAS, S.A.		80%
ASTRAL PRODUCTS, INC.		97,4%
ASTRAL POOL MEXICO, S.A. DE C.V.		93,83%
CATPOOL S.A. de C.V.		92,89%
POOL SUPPLIER, S.L.U.		100%
FLUIDRA COMMERCIAL SERVICES, S.L.U.		100%
TURCAT POLYESTER SANAYI VE TICARET A.S.		49,85%
ASTRAL HOLDINGS AUSTRALIA PTY LTD (3)		100,00%
ASTRAL HONG KONG CO, Ltd.		100,00%
ASTRAL SINGAPORE PTE. LTD		100%
ASTRALPOOL BALKANS JSC		66,67%
ASTRALPOOL CYPRUS, LTD		80%
YA SHI TU SWIMMING POOL EQUIPMENT (SHANGHAI) Co. Ltd.		100%
MTH-Moderne Wassertechnik AG		100%
ADBE CARTERA, S.A.U.		100%
ASTRAMATIC, S.A.		100%
ASTRAL SOUTH AFRICA (Pty), Ltd.		100%
WAY FIT, S.L.		70%
ASTRAL POOL (THAILAND) CO, Ltd.		99%
FLUIDRA (THAILAND) CO, Ltd.		100%
PROCEPEX, S.R.L.		100%
NINGBO XI PEI VALVES AND FITTINGS		100%
CEPEX PORTUGAL, LD		60%
CEPEX ITALIA S.R.L.		79%
CEPEX USA INC.		90%
CEPEX MEXICO, S.A. DE C.V.		100%
AGROCEPEX, S.A.L.L.		56%
CEPEX GMBH		100%
CEPEX MIDDLE EAST FZE		100%
CTX CHEMICALS, S.R.L.		85%
FLUIDRA INDUSTRY, S.A.U.	100%	
METALAST, S.A.U.		100%
POLTANK, S.A.U.		100%
SACOPA, S.A.U.		100%
UNISTRAL RECAMBIO, S.A.U.		100%
TALLERES DEL AGUA, S.L.		100%
MABER PLAST, S.L.		100%
TOGAMA, S.A.		100%
LUERCA NAUS, S.A.		100%
FLUIDRA INDUSTRY SERVICES, S.L.U.		100%
PRODUCTES ELASTOMERS, S.A.		70%
NINGBO LINYA SWIMMING POOL & WATER TREATMENT CO., LTD.		100%
TURCAT POLYESTER SANAYI VE TICARET A.S.		50,00%
ROTOPLASTICS, S.L.		100%
AQUANT TRADING CO, Ltd.		100%
NINGBO DONGCHUAN SWIMMINGPOOL		70%
IDEGIS, S.L.		60%
PACIFIC INDUSTRIES, S.A.S.		80% (4) - 100%
CEPEX S.A.U.		100%
VALVULES I RACORDS CANOVELLES, S.A.		100%
INQUIDE, S.A.U.		100%
INDUSTRIAS MECANICAS LAGO, S.A.U.		100%
LOITECH (NINGBO) HEATING EQUIPMENT CO, Ltd.		80%
SERVAQUA, S.A.		100%
SCI LA CERISAY		99%
APLICACIONES TÉCNICAS HIDRÁULICAS, S.L.		80% (4) - 100%
SWIMCO CORP., S.L.	100,00%	
MEIP INTERNACIONAL, S.L.		100%
MANUFACTURAS GRE, S.A.		100%
GRE AQUA AND POOL, S.L.		100%
CERTIKIN ITALIA, S.p.A.		90% (4) - 100%
ME 2000, S.R.L.		100%
CERTIKIN INTERNATIONAL, LTD.		100%
HYDROSWM International, S.A.S.		100%
CERTIKIN POOL IBERICA, S.L.		100%
CERTIKIN SWIMMING POOL PRODUCTS INDIA PRIVATE LIMITED		100%
CALDERERÍA PLÁSTICA DEL NORTE, S.L.		80% (4) - 100%
AQUAAMBIENTE, S.A.		80%

FLUIDRA FRANCE, S.A.S.	100%	
ASTRAL PISCINE, S.A.S.		100%
BLUE WATER PARTS, S.A.S.		100%
EUROPEENNE DE COUVERTEURS AUTOMATIQUES S.A.R.L.		100%
IRRIGARONNE, S.A.S.		100%
SENTEX, S.A.R.L.		100%
INMOBILIARIA SWIM 38, S.L.	100%	
A.P. IMMOBILIERE		99,9%
TRACE LOGISTICS, S.A.	100%	
ACCENT GRAPHIC, S.L.	100%	
FLUIDRA SERVICES, S.A.U.	100%	
DISPREAU, GIE	100%	
FLUIDRA SERVICES ESPAÑA, S.L.U.	100%	
FLUIDRA SERCICES PORTUGAL, Unipessoal Lda	100%	

#### **Details of equity accounted subsidiaries**

INQUEVAP, A.I.E.	30%
ASTRAL NIGERIA, LTD. (1)	25%

#### **Details of proportionally consolidated jointly-controlled entities**

SCHWIMMBAD-SAUNA-AUSSTATTUNGS GmbH	95%
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#### **Details of companies consolidated at cost**

DISCOVERPOOLS COM, INC. (2)	11%
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(1) Companies belonging to the Fluidra Commercial, S.A. and subsidiaries subgroup.

(2) Companies belonging to the Fluidra Commercial, S.A. and subsidiaries subgroup and the Fluidra Industry, S.A. and subsidiaries subgroup.

(3) Astral Holdings Australia Pty Ltd is a group of companies in which the parent company holds a 100% interest in the share capital of the Astral Pool Australia Pty Ltd, Ltd, Huricon Staffing Pty Huricon Investments Pty Ltd, Huricon Research Pty Ltd, Rolachem Australia Pty Ltd and Hendy Manufacturing Pty Ltd.

(4) Companies which have been fully integrated in the condensed interim financial statements and have derecognised the carrying amount of minority interests (see note 5)

Fluidra, S.A. and Subsidiaries

Details of results by segment  
for the year ended 31 December 2010  
(expressed in thousands of Euros)

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

	SWE	NEEMEA	AAP	INDUSTRY	Shared services	Adjustments and derecognition	Total consolidated figures
	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010
Sales to third parties	304,324	94,692	86,960	95,201	68	-	581,245
Sales to third parties in Spain	110,022	3,097	2,620	34,215	68	-	150,022
Sales to third parties in France	90,087	25	576	28,499	-	-	119,187
Inter-segment sales	11,652	4,200	22,022	178,333	26,452	(242,659)	-
Sales of goods for resale and finished goods of the segment	315,976	98,892	108,982	273,534	26,520	(242,659)	581,245
Income from services rendered self-constructed non-current assets	4,985	833	1,271	4,927	2,310	173	14,499
Depreciation and amortisation and impairment	(2,433)	(560)	(1,338)	(15,043)	(4,118)	(9,880)	(33,372)
Results from operating activities of reportable segments	15,569	8,882	9,999	33,397	(24,843)	(14,658)	28,346
Finance income	320	182	150	424	3,813	(665)	4,224
Finance expenses	(1,133)	(205)	(522)	(2,143)	(6,390)	560	(9,834)
Exchange differences	229	36	27	769	(774)	447	734
Share of profit/ (loss) of associates	-	-	-	-	76	-	76
Profit before income tax	14,985	8,895	9,654	32,447	(28,118)	(14,317)	23,546
Income tax recoverable / (expense)	(1,855)	(1,127)	(2,468)	(7,413)	2,216	4,889	(5,758)
Profit from continuing operations	13,130	7,768	7,186	25,034	(25,902)	(9,428)	17,788
Other significant non-monetary items before income tax:	(2,693)	(829)	(695)	(751)	(280)	(1,464)	(6,712)

This Appendix forms an integral part of note 4 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2010 and 2009 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

Fluidra, S.A. and Subsidiaries

Details of results by segment  
for the year ended 31 December 2009  
(expressed in thousands of Euros)

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

	SWE	NEEMEA	AAP	INDUSTRY	Shared services	Adjustments and derecognition	Total consolidated figures
	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009
Sales to third parties	303,655	86,745	72,033	87,992	-	-	550,425
Sales to third parties in Spain	109,025	3,073	2,247	31,113	-	-	145,458
Sales to third parties in France	81,531	25	497	26,548	-	-	108,601
Inter-segment sales	9,513	1,252	37,981	159,451	15	(208,212)	-
Sales of goods for resale and finished goods of the segment	313,168	87,997	110,014	247,443	15	(208,212)	550,425
Income from services rendered self-constructed non-current assets	3,988	1,281	1,021	5,667	2,728	2,899	17,584
Depreciation and amortisation and impairment	(1,831)	(478)	(1,185)	(18,141)	(4,175)	(6,688)	(32,498)
Results from operating activities of reportable segments	8,236	7,460	6,737	11,307	(50,583)	21,208	4,365
Finance income	288	230	184	695	15,579	(11,853)	5,123
Finance expenses	(1,990)	(218)	(772)	(3,550)	(9,632)	475	(15,687)
Exchange differences	198	41	131	64	(166)	(221)	47
Share of profit/ (loss) of associates	33	-	-	59	(54)	-	38
Profit before income tax	6,765	7,513	6,280	8,575	(44,856)	9,609	(6,114)
Income tax recoverable / (expense)	(1,308)	(939)	(1,795)	(1,049)	3,339	2,097	345
Profit from continuing operations	5,457	6,574	4,485	7,526	(41,517)	11,706	(5,769)
Other significant non-monetary items before income tax:	(5,850)	(2,121)	(902)	(6,441)	213	(1,191)	(16,292)

This Appendix forms an integral part of note 4 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2010 and 2009 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

Fluidra, S.A. and Subsidiaries

Details of assets and liabilities by segment  
for the year ended 31 December 2010  
(expressed in thousands of Euros)

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

	SWE	NEEMEA	AAP	INDUSTRY	Shared services	Not allocated	Derecognition	Total consolidated figures
	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010
<b>Assets</b>								
Total non-current assets Spain	10,313	621	29	54,303	34,429	508,172	-	607,867
Total non-current assets Other	11,281	2,605	8,277	3,148	3,540	22,920	-	51,771
Total non-current assets Derecognised	-	-	-	-	-	-	(327,693)	(327,693)
<b>Total non-current assets</b>	<b>21,594</b>	<b>3,226</b>	<b>8,306</b>	<b>57,451</b>	<b>37,969</b>	<b>531,092</b>	<b>(327,693)</b>	<b>331,945</b>
Operating current assets <sup>1</sup>	137,793	40,000	44,022	126,621	36,367	-	(112,723)	272,080
Operating current liabilities <sup>2</sup>	56,928	26,882	26,602	49,918	18,902	-	(90,585)	88,647
<b>Net working capital</b>	<b>80,865</b>	<b>13,118</b>	<b>17,420</b>	<b>76,703</b>	<b>17,465</b>	<b>-</b>	<b>(22,138)</b>	<b>183,433</b>
Non-operating current assets	-	-	-	-	-	185,489	(81,150)	104,339
Non-operating current liabilities	-	-	-	-	-	215,495	(81,107)	134,388
<b>Total current assets</b>	<b>137,793</b>	<b>40,000</b>	<b>44,022</b>	<b>126,621</b>	<b>36,367</b>	<b>185,489</b>	<b>(193,873)</b>	<b>376,419</b>
<b>Total current liabilities</b>	<b>56,928</b>	<b>26,882</b>	<b>26,602</b>	<b>49,918</b>	<b>18,902</b>	<b>215,495</b>	<b>(171,692)</b>	<b>223,035</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>153,298</b>	<b>15,586</b>	<b>168,884</b>
Additions of non-current assets other than financial instruments and deferred tax assets	2,364	891	2,272	10,338	1,759	169	-	17,793

<sup>1</sup> Defined as inventories and trade and other receivables

<sup>2</sup> Defined as trade and other payables

This Appendix forms an integral part of note 4 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2010 and 2009 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

Fluidra, S.A. and Subsidiaries

Details of assets and liabilities by segment  
for the year ended 31 December 2009  
(expressed in thousands of Euros)

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

	SWE	NEEIMEA	AAP	INDUSTRY	Shared services	Not allocated	Derecognition	Total consolidated figures
	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009
<b>Assets</b>								
Total non-current assets Spain	10,653	400	58	58,966	36,412	492,787	-	599,276
Total non-current assets Other	11,876	2,557	7,022	3,287	3,870	28,691	-	57,303
Total non-current assets Derecognised	-	-	-	-	-	-	(310,812)	(310,812)
<b>Total non-current assets</b>	<b>22,529</b>	<b>2,957</b>	<b>7,080</b>	<b>62,253</b>	<b>40,282</b>	<b>521,478</b>	<b>(310,812)</b>	<b>345,767</b>
Operating current assets <sup>1</sup>	136,955	35,120	44,043	122,511	43,779	-	(116,004)	266,404
Operating current liabilities <sup>2</sup>	53,035	20,328	22,227	42,556	43,646	-	(95,411)	86,381
<b>Net working capital</b>	<b>83,920</b>	<b>14,792</b>	<b>21,816</b>	<b>79,955</b>	<b>133</b>	<b>-</b>	<b>(20,593)</b>	<b>180,023</b>
Non-operating current assets	-	-	-	-	-	177,712	(139,413)	38,299
Non-operating current liabilities	-	-	-	-	-	242,068	(138,923)	103,145
<b>Total current assets</b>	<b>136,955</b>	<b>35,120</b>	<b>44,043</b>	<b>122,511</b>	<b>43,779</b>	<b>177,712</b>	<b>(255,417)</b>	<b>304,703</b>
<b>Total current liabilities</b>	<b>53,035</b>	<b>20,328</b>	<b>22,227</b>	<b>42,556</b>	<b>43,646</b>	<b>242,068</b>	<b>(234,334)</b>	<b>189,526</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147,708</b>	<b>11,860</b>	<b>159,568</b>
Additions of non-current assets other than financial instruments and deferred tax assets	1,475	1,027	847	11,345	1,633	564	(1,537)	15,354

<sup>1</sup> Defined as inventories and trade and other receivables

<sup>2</sup> Defined as trade and other payables

This Appendix forms an integral part of note 4 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2010 and 2009 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

Fluidra, S.A. and Subsidiaries

Details of results by segment  
for the year ended 31 December 2009 comparative  
(expressed in thousands of Euros)

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

	SWE	NEEMEA	AAP	INDUSTRY	Shared services	Adjustments and derecognition	Total consolidated figures
	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009
Sales to third parties	303,655	86,745	71,795	87,992	238	-	550,425
Sales to third parties in Spain	109,025	3,073	2,009	31,113	238	-	145,458
Sales to third parties in France	81,531	25	497	26,548	-	-	108,601
Inter-segment sales	9,513	1,252	13,164	159,451	24,832	(208,212)	-
Sales of goods for resale and finished goods of the segment	313,168	87,997	84,959	247,443	25,070	(208,212)	550,425
Income from services rendered self-constructed non-current assets	3,988	1,281	956	5,667	2,794	2,899	17,584
Depreciation and amortisation and impairment	(2,831)	(478)	(1,112)	(18,141)	(4,249)	(6,688)	(33,498)
Results from operating activities of reportable segments	8,236	7,460	6,211	11,307	(50,056)	21,208	4,365
Finance income	288	230	167	695	15,596	(11,853)	5,123
Finance expenses	(1,990)	(218)	(512)	(3,550)	(9,892)	475	(15,687)
Exchange differences	198	41	131	64	(166)	(221)	47
Share of profit/ (loss) of associates	33	-	-	59	(54)	-	38
Profit before income tax	6,765	7,513	5,996	8,575	(44,571)	9,609	(6,114)
Income tax recoverable / (expense)	(1,308)	(939)	(1,859)	(1,049)	3,402	2,097	345
Profit from continuing operations	5,457	6,574	4,137	7,526	(41,170)	11,706	(5,768)
Other significant non-monetary items before income tax:	(5,850)	(2,121)	(738)	(6,441)	50	1,191	(16,292)

This Appendix forms an integral part of note 4 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2010 and 2009 prepared in conformity with EU-IFRS, in conjunction with which it should be read.



Fluidra, S.A. and Subsidiaries

Details of assets and liabilities by segment  
for the year ended 31 December 2009 comparative  
(expressed in thousands of Euros)

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

	SWE	NEEMEA	AAP	INDUSTRY	Shared services	Not allocated	Derecognition	Total consolidated figures
	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009
<b>Assets</b>								
Total non-current assets Spain	10,653	400	48	58,966	36,422	492,787	-	599,276
Total non-current assets Other	11,876	2,557	7,022	3,287	3,870	28,691	-	57,303
Total non-current assets Derecognised	-	-	-	-	-	-	(310,812)	(310,812)
<b>Total non-current assets</b>	<b>22,529</b>	<b>2,957</b>	<b>7,070</b>	<b>62,253</b>	<b>40,292</b>	<b>521,478</b>	<b>(310,812)</b>	<b>345,767</b>
Operating current assets <sup>1</sup>	136,955	35,120	35,449	122,511	52,373	-	(116,004)	266,405
Operating current liabilities <sup>2</sup>	53,035	20,328	19,800	42,556	46,073	-	(95,411)	86,381
<b>Net working capital</b>	<b>83,920</b>	<b>14,792</b>	<b>15,649</b>	<b>79,955</b>	<b>6,300</b>	<b>-</b>	<b>(20,593)</b>	<b>180,023</b>
Non-operating current assets	-	-	-	-	-	177,712	(139,413)	38,299
Non-operating current liabilities	-	-	-	-	-	242,068	(138,923)	103,145
<b>Total current assets</b>	<b>136,955</b>	<b>35,120</b>	<b>35,449</b>	<b>122,511</b>	<b>52,373</b>	<b>177,712</b>	<b>(255,417)</b>	<b>304,703</b>
<b>Total current liabilities</b>	<b>53,035</b>	<b>20,328</b>	<b>19,800</b>	<b>42,556</b>	<b>46,073</b>	<b>242,068</b>	<b>(234,334)</b>	<b>189,526</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147,708</b>	<b>11,860</b>	<b>159,568</b>
Additions of non-current assets other than financial instruments and deferred tax assets	1,475	1,027	847	11,345	1,633	564	(1,537)	15,354

<sup>1</sup> Defined as inventories and trade and other receivables

<sup>2</sup> Defined as trade and other payables

This Appendix forms an integral part of note 4 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2010 and 2009 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

Fluidra, S.A. and Subsidiaries

Details of investments and positions held by the directors in other companies  
31 December 2010

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

Name	Company	Position held	Ownership %	Number of shares
Eloy Planes Corts	Astral Nigeria, Ltd.	Director	---	---
	Astral Italia, S.P.A.	Sole director	---	---
	Astral Bazenove Pristusentsvi, S.R.O.	Joint and several director	---	---
	Astral India Private, Limited	Director	---	---
	Fluidra Singapore, Pte Ltd.	Director	---	---
	Certikin International, Limited	Director	---	---
	AP Immobiliere	Sole director	---	---
	Turcat Polyester Sanayi Ve Ticaret Anonim Sirketi	Director	---	---
	Cepex USA, Inc.	Director	---	---
	Zao Astral, SNG	Director	---	---
	Fluidra Polska, S.A.	Director	---	---
	Astral Pool México, S.A. de C.V.	Director	---	---
	Astral Scandinavia AS/	Director	---	---
	Fluidra Magyarország Kft.	Joint and several director	---	---
	Fluidra USA, Inc.	Director	---	---
	Fluidra Chile, Sociedad Anónima Cerrada	Director	---	---
	Fluidra Deutschland GmbH	Joint and several director	---	---
	Fluidra Hellas	Director	---	---
	Fluidra Balkans JSC	Director	---	---
	Moderne Wassertechnik AG (MTH)	Director	---	---
	Calpool, S.A. de C.V.	Director	---	---
	Astral pool UK, Limited	Director	---	---
	Fluidra Tr Sv Ve Havuz Equipmanlari AS	Director	---	---
	Fluidra Industry, S.A.U.	Representative of the sole director Fluidra, S.A.	---	---
	Fluidra Commercial, S.A.U.	Representative of the sole director Fluidra, S.A.	---	---
	Inmobiliaria Swim 38, S.L.U.	Representative of the sole director Fluidra, S.A.	---	---
	Swimco Corp, S.L.U.	Representative of the sole director Fluidra, S.A.	---	---
	Fluidra Cyprus, Ltd	Director	---	---
	Inquide Italia, SRL	Director	---	---
	Cepex, S.R.L.	Director	---	---
	Certikin Italia, Spa	Director	---	---
	Astral Pool Thailand, Co., Ltd	Joint and several director	---	---
	Fluidra Thailand, Co., Ltd	Joint and several director	---	---
	Fluidra South Africa, Pty, Ltd	Joint and several director	---	---
	Astral Pool Switzerland, S.A.	Proxy	---	---
	DISPUR, S.L. <sup>(1)</sup>	Board member	10.00%	12,194.00

This Appendix forms an integral part of note 31 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2010 and 2009 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

Fluidra, S.A. and Subsidiaries

Details of investments and positions held by the directors in other companies  
31 December 2010

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

Name or company name of shareholder	Company	% ownership	Position held
D. Juan Planes Vila	Dispur, S.L.(*) Preblau, S.R.L. (indirectly through Dispur)	51.34% 95%	Chairman
D. Oscar Serra Duffo			
D. Bernardo Corbera Serra			
D. Bernat Garrigós Castro			
BanSabadell Inversió Desenvolupament, S.A.			
Sr. Juan Ignacio Acha-Orbea Echevarría			
D. Kam Son Leong			
D. Richard J. Cathcart			
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A.U.			

(\*) Statutory activity of holding company "Holding of all kinds of Enterprises and Companies" (section "d" of the statutory activity of Fluidra, S.A.)