Water is a scarce asset that is essential to life. Water is what Fluidra is all about. We look after it, we protect it, we cosset it and we delight in it as it is central to all of our activities.

Fluidra is a Spanish multinational group headquartered in Sabadell (Barcelona) that is devoted to the development of applications that ensure the sustainable use of water. The company offers solutions for the preservation, handling, treatment and enjoyment of water.

A high regard and the rational use of water form the basis of the group’s philosophy. The companies that belong to the Fluidra group, some of which have been with us for almost 40 years, have grown with this vision. They have specialised in a number of sectors such as water treatment, fluid handling, irrigation and swimming pool facilities.

In order to meet these challenges, Fluidra has an extensive international network that encompasses R&D+I, production and sales. Fluidra’s business model sets it apart in the water and swimming pool sectors.

The main qualities that make Fluidra’s operations successful are technological innovation, respect for the environment, our aim to serve and social commitment.
**FLUIDRA: THE MOST SIGNIFICANT FIGURES FOR 2007**

**GENERAL RESOURCES**
- 3,700 employees
- 32,500 clients
- Ownership of nine production technologies
- Wide-ranging, innovative catalogue of products

**INTERNATIONAL EXPANSION AND LEadership**
- Commercial branches in 30 countries with 152 branch offices
- Manufacturing facilities in 10 countries
- Product distribution in 170 countries
- 65% of turnover generated outside of Spain
- World leader in the swimming pool sector
- European front-runner in irrigation
- Spanish leader in the treatment of water for domestic use

**FINANCIAL STABILITY**
- Sales in 2007: 657.2 million euros
- EBITDA in 2007: 94.6 million euros
- Net profits in 2007: 32.6 million euros
- Investment in machinery, industrial facilities, moulds for new products, etc.: 29.4 million euros (+14%)

**Mission**
We aim to promote progress in society through the sustainable management of water for leisure, domestic and industrial use.

**Vision**
Our overriding ambition is to become a world leader in providing innovative solutions for the sustainable use of water.

**Values**
- **ADAPTABILITY**
  We are flexible, efficient and rigorous in adapting to changing scenarios.
- **INNOVATION**
  We endeavour to boost a tradition of innovation to meet new challenges through our enthusiasm and creativity.
- **ACCESSIBILITY**
  We are eager to act on the concerns of others.
- **TRANSPARENCY**
  We are committed to honesty, coherence and respect in the day-to-day running of our business.

**COMPANY GROWTH**
- Sustained growth worldwide
- + 25.9% SALES
- + 31.4% EBITDA
- + 18.6% NET PROFITS
- Integration of four newly acquired companies
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Dear Shareholders,

It is my great pleasure to be able to report on the progress made by Fluidra over the 2007 financial year. I am now in a position to be able to disclose the most relevant information about the company’s strategic, economic and financial undertakings.

A number of special events marked this year. Our international expansion, our focus on POOL’s value added products and solutions, and the consolidation of WATER’s business activities have been key to our development. We addressed the targets we aimed to meet in the most efficient manner possible, with the end result that significant headway was made last year.

With regard to our international expansion, the healthy growth rate on our main markets abroad—Southern Europe, Western Europe, Eastern Europe, Asia and Australia—has placed us as the undisputable market leader in these countries.

Our focus on POOL and the efforts made to promote this division, both in terms of product development and in the development of our value added product sales network, was reflected in increased sales for the last financial year. The growth of these products was above average, and the clear policy to ensure that they be both sustainable and energy-efficient means that they now have a firm foothold on the market, all of which guarantees their future success.

The strategic expansion of the WATER Division must gradually lead to a greater commercial presence on foreign markets. Our target for 2007 was to consolidate the division’s business activities in Southern Europe. The integration of the companies acquired by the WATER Division over the year therefore contributed to the consolidation of this market. Furthermore, this will enable us to make progress over the years to come and to make possible a more global outlook that focuses on applications for the sustainable use of water.

The advances made by the company have been attained in a methodical fashion and have given clear positive results. The Group’s turnover grew at a rate in excess of 25%, which translates as 657.2 million euros and shows that profitability indicators are well above earnings.

We would like to highlight that we were able to successfully combine the advances made in attaining our strategic targets and our financial performance with the process of going public. We became a listed company on 31 October last, which is proof of the skills, strength and commitment to the company of the people on our team.

All of the achievements attained were possible thanks to our highly skilled, driven team of professionals spread across 30 countries. I would like to take this opportunity to convey my sincerest thanks to them all. In 2008, we are as enthusiastic and as dedicated as ever in our endeavour to reach our overall targets as a Group.

Fluidra’s performance over the 2007 financial year has made it a truly diverse and international Group. This places us in a good starting position for 2008, which will be full of challenges, not least of which is to further strengthen our leading position on the market and our strategy for growth.

I would also like to thank all of our shareholders for placing their trust in us. I hope that you will continue to support Fluidra during this financial year and in a future full promise.

Yours faithfully,

Joan Planes
Chairman

Eloi Planes
Managing Director

LETTER TO THE SHAREHOLDERS
Fluidra is a Spanish multinational group headquartered in Sabadell (Barcelona) that is devoted to the development of applications that ensure the sustainable use of water. The company offers solutions for the preservation, handling, treatment and enjoyment of water. Fluidra’s business model is based on a wide international network that encompasses R&D+i, production and sales. On 31 December 2007, it had a team of over 3,700 employees, 39 manufacturing plants and 152 branch offices worldwide. Through its international network, the Group ensures that it is in close contact with its clients, and that it is able to efficiently pass on the demands of all of the markets on which it operates to its innovation and development departments.

By using various production technologies, Fluidra is able to develop a wide range of products that sets it apart from its competitors. These technologies include plastic injection moulding, extrusion, polyester lining, blow moulding, rubber processing and the production of chlorine-based solutions.

The Fluidra Group has two main areas of business: its POOL Division and its WATER Division. Both of these divisions are principally focused on professional clients, for whom the company caters in the main, and it has a wide coverage in the countries in which it operates. The Group currently has over 32,500 clients, a high proportion of whom have a regular business relationship with the Group.
1.2 Origins and history of the Group

Summary of Fluidra’s history

POOL Division

The origins of the companies that make up this division go back to 1969. Four Catalan families based in Barcelona set up a company called Astral, S.A. de Construcciones Metálicas. Ladders, skimmers, main drains and stainless steel filters were manufactured at the company’s workshop. In the mid-1970s, the company began to expand abroad with the opening of its first branches in France and Italy. Astral’s growth became firmly established in 1984 when it set up a company in the United Kingdom, Astral UK, and another in Portugal, Marazul, in 1988.

Astral Export was founded in that same year. The company was devoted to serving foreign markets abroad with the opening of its first branches in France and Italy. Astral’s growth became firmly established in 1984 when it set up a company in the United Kingdom, Astral UK, and another in Portugal, Marazul, in 1988.

Astral Export was founded in that same year. The company was devoted to serving foreign markets and became a platform for the creation of an international network of branch offices. AstralPool continued to expand with the opening of new branches in the USA, the Middle East, the Czech Republic and Oceania. It is worth mentioning that the company provided the main pool for the 1992 Olympic Games in Barcelona and for the 1996 Games in Atlanta (USA).

In 1998, the setting up of Auricpool and Astralpool was the first step towards the creation of the Aquaria Group in 2002. Banco de Sabadell became an Aquaria shareholder in that same year, when it acquired 20% of the company’s share capital. In 2003, the Group was joined by European Corner and Swimco. Creation of the Group’s logistics operator, Trace Logistics.

Towards the end of the 1990s, the Group began to expand abroad. It opened branch offices in Portugal, the USA, Mexico, Italy, France, Germany, Morocco and China.

Neokem/SNTE has branch offices in Spain, Portugal, France, Germany, Morocco and China.

In 2006, the Group reached its current size.

In March 2006, Fluidra (at the time Aquaria) reached its current size by adding the three groups known as the WATER Division, Cepex, Neokem and SNTE to its then existing structure—the POOL Division. By so doing, it extended its activities to new sectors related to water, such as the irrigation of agricultural land and green spaces, the applied fluid handling and the treatment of domestic and industrial water.

WATER Division

Cepex was founded in 1984. It specialises in PVC (polyvinyl chloride) and PP (polypropylene) injection moulding accessories and valves for the applied fluid handling. It also markets sprinklers, valves and irrigation timers for green spaces. Towards the end of the 1990s, the Group began to expand abroad. It opened branch offices in Portugal, the USA, Mexico, Italy, France, Germany and Morocco.

Neokem/SNTE started out as CTX, which was founded in 1986. The company’s operations include the distribution and sale of chemical products, accessories, and disinfection, measurement and monitoring systems for water treatment. Astramatic specialises in the treatment of industrial waters.

Neokem/SNTE has branch offices in Spain, Portugal, France and Italy.

In 2006, the Group reached its current size.

In March 2006, Fluidra (at the time Aquaria) reached its current size by adding the three groups known as the WATER Division, Cepex, Neokem and SNTE to its then existing structure—the POOL Division. By so doing, it extended its activities to new sectors related to water, such as the irrigation of agricultural land and green spaces, the applied fluid handling and the treatment of domestic and industrial water.
### Pool Division

<table>
<thead>
<tr>
<th>Brand Names</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AstralPool</strong></td>
<td>Professional distribution channel under the AstralPool brand name of systems and components for public and private swimming pools.</td>
<td>Australia, Austria, Bulgaria, Chili, China, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, India, Morocco, Mexico, Nigeria, Poland, Portugal, Russia, Singapore, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, United Kingdom and the United States.</td>
</tr>
<tr>
<td><strong>Auric Pool</strong></td>
<td>Manufacture of components for the swimming pool sector.</td>
<td>Australia, China, France, Spain, Turkey and the United States.</td>
</tr>
<tr>
<td><strong>European Corner</strong></td>
<td>Professional distribution channel of systems and components for public and private swimming pools.</td>
<td>France, Spain and the United Kingdom.</td>
</tr>
<tr>
<td><strong>Swimco</strong></td>
<td>Distribution to large retail outlets of above ground pool kits and similar products.</td>
<td>France and Spain.</td>
</tr>
</tbody>
</table>

### Water Division

<table>
<thead>
<tr>
<th>Brand Names</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cepex</strong></td>
<td>Manufacture and distribution of products and solutions designed for the applied fluid handling and irrigation systems.</td>
<td>China, France, Italy, Germany, Mexico, Morocco, Portugal, Spain, United Arab Emirates, and the United States.</td>
</tr>
<tr>
<td><strong>Neokem / Snte</strong></td>
<td>Manufacture and distribution of domestic and industrial systems for the physical and chemical treatment of water.</td>
<td>France, Italy, Portugal and Spain.</td>
</tr>
</tbody>
</table>
1.4 Differentiating factors in Fluidra's strategy

Fluidra's competitive strength in the market segments in which it operates is based on the following key factors:

- **International presence**: sales in 170 countries; sales outside of Spain account for 65% of turnover.
- **Integrated production and distribution business model**: makes it possible to identify customer needs on each market and rapidly convert them into goods on offer.
- **Wide range of products**: offers clients all of the products they need for their professional activities.
- **Capacity for acquiring and integrating companies**: makes it possible for Fluidra to strengthen its position in a certain area and to add to its current catalogue of products.
- **Sensible risk management**: based on business, product, market and client diversification.
- **Committed and experienced team of workers**.

1.5 Business divisions

1.5.1 POOL Division

The POOL Division is involved in the design, production, marketing and distribution of a whole range of products for swimming pools. It is thus able to fulfil its goal of offering comprehensive, quality services to its customers: swimming pool professionals and fitters. This business division accounts for over 25% of the swimming pools that are built annually worldwide, both in the private and public sectors, including competition pools, above ground pools and wellness facilities.

The POOL Division’s most outstanding brand names are ASTRALPOOL and CERTIKIN, which cater for swimming pool professionals, and GRE, which sells its products at large retail outlets.

**POOL Division’s lines of business**

- Private swimming pools
- Public swimming pools and wellness centres
- Above ground swimming pools

**Private swimming pools**

Includes all privately owned swimming pools. Fluidra’s strategy in this market segment is to respond to its clients’ needs by offering value added products. Private swimming pools are becoming increasingly sophisticated so that they are able to offer greater comfort, guarantee the safety of their users, particularly children, and be in line with the concept of sustainability through the optimum use of water.

**Public swimming pools and wellness centres**

Caters for publicly and privately owned swimming pools that are used by the general public. The Fluidra Group manufactures and supplies the full range of parts needed to build, maintain and enjoy public pools and spa and wellness centres.

Fluidra is a leader in this segment, which includes swimming pools for top sporting events. The Group has a long-standing experience in catering for public pool facilities. It provided the filtering systems for the Picornell Swimming Pool, which was the venue for swimming events during the 1992 Olympic Games in Barcelona; the pools used for the 1996 Olympic Games in Atlanta; and the main pools used for the World Swimming Championships in Melbourne in 2007.

Using Skypool technology, which was entirely developed by Fluidra and has been assembled in its “floating” version with great success for various world swimming championships since 2003, Fluidra is able to offer full-size, versatile pools for both public and private use.

**Above ground pools**

Above ground pools come in DIY kit form. The kits are comprised of the basic pool structure, and the fixtures and fittings that make it possible to access, filter and maintain them. Fluidra has a number of top-of-the-range designs for above ground pools and supplies all kinds of accessories and components for their assembly and use. These swimming pools are sold at large retail outlets.

**Worldwide locations of the POOL Division (on 31.12.2007)**

The POOL Division has a strong international presence with 120 branch offices on the five continents in countries such as Australia, Chile, China, Czech Republic, Denmark, France, Germany, Italy, India,
Morocco, Mexico, Poland, Russia, Singapore, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, United Kingdom and the United States, amongst others.

The Pool Division has manufacturing plants spread across nine countries: Spain, France, Turkey, the United States, China, Australia, Germany, India and Mexico.

### 1.5.2 WATER Division

The Fluidra Group’s WATER Division is devoted to the manufacture and distribution of equipment for the handling, treatment and management of domestic, industrial and leisure water cycles. It likewise makes and markets applications for the irrigation of agricultural land and green spaces.

This division has two manufacturing plants and retail depots that are open to professionals. It has a wide range of solutions for each of its lines of business. The following brand names belong to the WATER Division: CEPEX, IRRIGARONNE and MASTER RIEGO. They deal in products designed for the applied fluid handling and irrigation. The ASTRAMATIC, CTX, SNTE and ATH brand names are devoted to domestic and industrial equipment for the physical and chemical treatment of water.

**WATER Division’s lines of business**

- Water treatment
- Applied fluid handling
- Irrigation of green spaces and agricultural land

- **Water treatment**
  Fluidra produces and distributes products and equipment for the physical and chemical treatment of water. Its product range includes domestic and semi-industrial equipment; process engineering services for the complete water cycle; and products and services related to the chemical disinfection, control and treatment of water. Amongst others, the solutions provided include decalcification, desalination, demineralisation, disinfection and inverse osmosis.

- **Applied fluid handling**
  In the handling and monitoring of fluids segment, Fluidra produces and distributes products for sectors as varied as the chemical industry, the pharmaceutical industry, the food industry, mining and the shipbuilding industry.

- **Irrigation of green spaces and agricultural land**
  Fluidra makes and markets a wide range of products and components for automatic and manual systems and equipment that are used for the irrigation of green spaces and agricultural land.

**Worldwide locations of the WATER Division (on 31.12.2007)**

Fluidra’s WATER Division has 32 branch offices and 17 manufacturing plants in nine countries. Its main areas of activity are concentrated in Spain, Portugal, France, Italy, Mexico and the USA.

The WATER Division has manufacturing plants that are located in four countries: Spain, France, China and Morocco. Fluidra is therefore able to respond to a wide range of needs in the sectors of irrigation systems, water treatment and applied fluid handling. The company constantly strives to ensure that the use of a valued and scarce asset such as water remains within the bounds of sustainability.
1.5.3 Worldwide sales

- Spain
- Southern Europe-Rest
- Northern and Western Europe
- Eastern Europe
- Asia and Australia
- Rest of World
2 BUSINESS PERFORMANCE IN 2007

2.1 Economic climate

The positive performance of economies in emerging countries together with the sustained growth of the economies in the euro zone significantly strengthened the outlook of the world’s economy for most of 2007.

However, there were sharp contrasts of this progress in various regions: the USA saw a sharp decline in domestic real estate investments; Japan showed moderate growth; whilst China reached historical records in growth. Europe combined its stable growth with increased employment.

In Spain, the economy maintained the same levels of growth as recorded in previous years, namely, 3.8%. The country’s increased exposure to foreign balances of payment and the growth in investments in capital assets compensated for the effect of the reduction in consumption and investment in real estate, which was recorded for the second half of the year. At the year’s end, both employment and inflation had worsened, the latter of which reached 4.0%, which is well above the average in the euro zone.

In general, the global price index was affected by upward trends in the energy and food sectors.

With regard to monetary policies, the financial crises that arose in the second quarter of the year influenced the decisions taken by various central banks. In the USA, the Federal Reserve reduced the official interest rate by 1% in view of the worsening economic situation. In the euro zone, the ECB maintained the official rate of interest in the face of economic uncertainty and inflationary risks. In Japan, the Central Bank increased its reference rate of interest by 0.25%.

The US dollar continued to depreciate with respect to the euro, which hindered the competitiveness of European industry on the markets and in the economies linked with America’s currency. The yen likewise rose in comparison to the dollar in the second half of 2007.

Finally, the favourable performance of anticipated profits by businesses should be highlighted. This was a contributing factor to the fact that the main stock markets ended 2007 with positive growth rates, despite the serious credit crisis that arose halfway through the year in the USA and which had a clear impact on the world’s economy.

2.2 Main milestones

2007 marked the beginning of Fluidra’s trajectory as a listed company. The process for going public culminated in the company becoming quoted on the market on 31 October. In addition, the Group carried out a number of strategic actions and projects, which are summarised below:

Main milestones in 2007

21 November: Fluidra was awarded the Business Decision of the Year Prize. Its decision to go public was its most highly valued business strategy.

31 October: Fluidra became a listed company.

20 October: Fluidra’s Waterlift, designed to provide easy access to swimming pools, obtained First Prize for Innovation at the International Swimming Pool exhibition. Its Water Saver system was given a Special Mention in the Sustainability section.

11 October: Public stock offering prospectus registered with the Spanish Securities Commission.

17 October: Acquisition of the French company, Pacific, which placed us as a market leader in the manufacture of salt electrolysis systems.

20 October and 18 May: Fluidra strengthened its position on the European irrigation market through the acquisition of Irrigaronne in France and Master Riego in Spain.

2 April: Through the acquisition of ATH in Spain, Fluidra became Spain’s leading domestic water treatment company.

17 March to 1 April: Installation of the main pool for the Melbourne World Swimming Championships; it was the world’s deepest floating swimming pool.

Fluidra’s Waterlift, designed to provide easy access to swimming pools, obtained First Prize for Innovation at the International Swimming Pool exhibition. Its Water Saver system was given a Special Mention in the Sustainability section.
2.3 The Group’s business performance and turnover

In terms of its turnover, EBITDA and net income, the Fluidra Group experienced substantial growth in 2007. Turnover grew by 25.9% to reach a sales figure of 657.2 million euros. EBITDA grew by 31.4%, whilst the normalised net income, once the expenses derived from the public offering had been deducted, showed a growth of 31.3%. The high growth rate was compatible with the improved EBITDA margins and the normalised net income, which registered a 14.4 and 5.5% increase on sales, respectively.

This positive increase in sales was due to the robust growth of the organisation (13.9% increase on 2006 sales) and to the successful integration of the companies Irrigaronne, Master Riego, ATH and Pacific, which were acquired in 2007.

In pro forma terms, a comparison of the sales turnover in 2007 with that of 2006—basing the latter on the WATER Division’s full annual income for that year—shows that in 2007 sales grew by 20.3% and the EBITDA by 20.1%.

The Group’s POOL and WATER Divisions stepped up their rate of growth in 2006. Respective increases of 15.7 and 30.7% in their turnover were recorded. The latter figure is expressed in pro forma terms, as mentioned in the above paragraph.

This positive increase in sales was due to the robust growth of the organisation (13.9% increase on 2006 sales) and to the successful integration of the companies Irrigaronne, Master Riego, ATH and Pacific, which were acquired in 2007.

The Group’s POOL and WATER Divisions stepped up their rate of growth in 2006. Respective increases of 15.7 and 30.7% in their turnover were recorded. The latter figure is expressed in pro forma terms, as mentioned in the above paragraph.

2.4 Sales performance across the world

The Fluidra Group experienced significant growth in its turnover in 2007 in all areas in the world in which it operates.

The turnover in Spain showed a positive performance over 2007. The main factors that contributed to this growth were its value added products, the POOL Division’s public-wellness segment and the integration of the acquisitions made by the WATER Division over the year.

In the rest of Southern Europe (France, Italy, Portugal and Greece), the business continued to experience robust growth, which was a reflection of the earnings derived from the strengthening of its sales and distribution network.

The growth in Central-Northern Europe benefited form exceptionally favourable climatic conditions in 2007. In Eastern Europe, a positive performance was attained thanks to the consolidation of the sales and distribution networks. These networks, which had been put in place in this area over the past few years, have gradually managed to introduce a wide range of Fluidra products onto these markets.

In the Asia-Australia region, the main factor behind growth was the successful integration of Hurclon, an Australian company that joined Fluidra in 2006. This company’s sales figures reached 27 million euros, thanks to the wider range of products on offer through the Group’s product portfolio.

The summary of the main financial figures for 2007 includes:

- Fluidra Group sales grew by 25.9% to reach 657.2 million euros.
- EBITDA grew by 31.4% to reach 94.6 million euros.
- Normalised net earnings grew by 31.3% to reach 36.1 million euros.

The sales performance across the world includes:

- Spain: Turnover grew by 14.7% to reach 227.4 million euros.
- Southern Europe-Rest: Turnover grew by 24.0% to reach 208.6 million euros.
- Central and Northern Europe: Turnover grew by 17.1% to reach 96.6 million euros.
- Eastern Europe: Turnover grew by 38.8% to reach 29.6 million euros.
- Asia and Australia: Turnover grew by 36.3% to reach 59.6 million euros.
- Rest of the World: Turnover grew by 9.9% to reach 35.4 million euros.

The total turnover grew by 20.3% to reach 657.2 million euros.

In pro forma terms, the sales and EBITDA rates of growth for 2007 were 20.3 and 20.1%, respectively.
2.5 The Group’s profitability

As a result of increased turnover in 2007, an EBIT of 63.1 million euros was reached, which translates into a growth rate of 29.2% in comparison with the previous year. In percentage terms, the EBIT reached 9.6%, which was a slight improvement on the previous year’s performance (9.4%). The factors that explain this improvement are:

• The slight increase in the gross margin (49.5% of 2007 sales) thanks to greater preponderance of own manufactured products in the sales portfolio and to the efforts made to contain the impact of the increased cost of raw materials.
• The positive evolution of general expenses below the increase in sales.
• The effects described above made it possible to further offset amortisations (4.8% of sales in 2007, with an increase of 0.4%) as a result of the full incorporation of the WATER Division to the Group during the year.

In 2007, the Group’s EBITDA reached 94.6 million euros with an increase of 31.4% and reached a margin on sales of 14.4%.

The earnings before tax, which reflected the aforementioned effects and the evolution of the net financial cost (13.0 million euros in 2007), was 48.5 million euros. This showed an increase of 22.1% in comparison with 2007.

The net profit was 32.6 million euros, which showed an increase of 18.6% compared to 2006. This includes the impact of an effective tax rate of 28.4% (similar to the 28.3% rate in 2006) and the income attributable to minority shareholders.

For the purposes of comparison with previous years, the 2007 normalised net profit at the year’s end was 36.1 million euros, which showed an increase of 31.3% in comparison with the net profits attributable to the parent company in 2006.

2.6 POOL Division

The POOL Division’s turnover in 2007 was 523.0 million euros, which is a 15.7% increase on 2006. The significant growth attained by the POOL Division was due to the highly positive performance of practically all of its business activities worldwide, as shown in the table below.

One of the main reasons for the POOL Division’s positive performance was the high rate of growth of its value added products, which include automatic pool cleaners, LEDs, heat pumps, salt electrolysis systems and remote control storage covers. With regard to salt electrolysis, the acquisition of Pacific in France has made it possible to extend the Group’s portfolio of products that are based on this technology, which is undergoing rapid growth in the field of swimming pool water treatment.

The POOL Division’s EBITDA attained a figure of 71.4 million euros with a growth of 16.1%. This has made possible a slight increase in the Division’s EBITDA margin on sales, which reached 13.7%.

There continues to be a favourable outlook for the POOL Division in 2008. The main initiatives that will determine its sources of growth are the extension of its distribution network in Europe (openings in Cyprus and Belgium, and new branch offices in Italy, Romania and Russia), the gradual penetration of its value added products on European markets and the expansion of its product range in the public-wellness segment.

More specifically, the acquisition of SPEI (renamed Certikin Italia) in January 2008 will make it possible to significantly broaden the distribution of the Certikin brand name across Europe.
2.7 WATER Division

The WATER Division attained a turnover of 193.1 million euros in 2007, which showed an increase of 75.2% in comparison with 2006. In pro forma terms, a comparison of the WATER Division’s turnover in 2007 with that of 2006—basing the latter on the Division’s full annual income for that year—shows that in 2007 growth was up by 30.7%.

This growth, which translated into 35.0 million euros, was largely due to the contributions of the turnover of the companies acquired in 2007 (Master Riego, Irrigaronne and ATH). The addition of these companies to the group made it possible to consolidate Fluidra’s leading position on the water treatment and irrigation markets in Southern Europe.

The growth of the WATER Division is due to the extremely positive performance of practically all of its business activities worldwide, as shown in the table below.

The WATER Division’s sales performance by regions

<table>
<thead>
<tr>
<th>COUNTRY/REGION</th>
<th>2006</th>
<th>2007</th>
<th>06-07 trends,%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>56.2</td>
<td>92.2</td>
<td>47.7%</td>
</tr>
<tr>
<td>Southern Europe-Rest</td>
<td>68.4</td>
<td>77.9</td>
<td>40.4%</td>
</tr>
<tr>
<td>Central and Northern Europe</td>
<td>6.2</td>
<td>6.5</td>
<td>3.4%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>1.5</td>
<td>4.0</td>
<td>2.1%</td>
</tr>
<tr>
<td>Asia and Australia</td>
<td>1.2</td>
<td>4.5</td>
<td>2.3%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>14.3</td>
<td>7.9</td>
<td>4.1%</td>
</tr>
<tr>
<td>Total</td>
<td>147.8</td>
<td>193.1</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The WATER Division’s EBITDA for the 2007 financial year was 23.6 million euros with a growth of 75.6% in comparison with 2006. The growth of the WATER Division’s EBITDA in pro forma terms was 34%, which is defined similarly to sales performance. In 2007, the EBITDA margin on sales was 12.2%, which was stable in comparison with 2006. However, it did show an increase in pro forma terms (2006 pro forma EBITDA: 11.9%) as a result of the efforts made to optimise the operational cost structure, which made it possible to offset the impact of lower margins of the distribution companies acquired.

In 2008, the main initiatives that will determine the WATER Division’s sources of growth are its taking full advantage of the expanded distribution network, the launching of new products and the acquisition of new companies that will boost and accelerate the development of this division’s strategy.

2.8 Financial structure and risk management status

The Fluidra Group’s equity reached a value of 302.3 million euros as at 31 December 2007. This amount accounted for 41.1% of the Group’s total assets. The return on equity (net profit divided by average equity) in 2007 was 11.1%. Based on the normalised net profit in 2007, the return on equity was 12.3%.

The Group’s net financial liabilities at the end of 2007 totalled 194.4 million euros, which was 2.05 times EBITDA. This is in the lower 2-2.5 times EBITDA range that the Group has established as a debt policy in order to meet its medium-term growth targets.

The Group’s net working capital (defined as current assets plus inventory minus current liabilities) experienced a growth of 19.3% in 2007, which placed it at 200.6 million euros. This growth is derived from the improved turnover and the integration of the companies acquired in 2007. The net working capital as a percentage of sales fell slightly from 30.8% at the end of 2006 to 30.5% at the end of 2007. This was the result of the drop in the proportion of current assets on sales, which offset the negative effect that acquisitions have on the proportion of the net working capital on sales in the short-term.

The Group focuses its risk management on the uncertainty of financial markets (exchange and interest rates) and it endeavours to minimise potential adverse effects on the Group’s profits. The Group operates internationally and, therefore, is exposed to exchange rate risks in its transactions in foreign currencies, particularly in the case of the US dollar (USD) and the pound sterling (GBP). The exchange rate risk management policy is based on the natural coverage of risk (offsetting receivables and payables) in dollar transaction by using instruments, such as currency forward, to cover gains or losses. In the case of the pound sterling, all transactions are covered by the euro through currency forward coverage.

The Group manages interest rate risk in its cash flow through interest rate swaps—from variable to fixed rates of interest with the barrier option. At the year’s end, 79% of financial liabilities with credit providers were covered in this way.

With regard to asset and liability risk, the Group does not have significant amounts of asset risk and is careful in its liability risk management practices. The flexibility that is necessary to cover its business needs on the markets on which it operates is possible through the centralised management of its financing operations.
2.9 Investments

In addition to the aforementioned acquisitions, in 2007 Fluidra concentrated its efforts on increasing its production capacity. It did so by responding to the demand for specific goods from the wide range of products on offer in each of its divisions, market segments and under its brand names. Specifically, the most relevant investment items in 2007 were those that appear in the table below:

### 2.10 Cash flow performance

The cash flow before the changes in the working capital increased by 17.9 million euros. If the cash flow derived from the change in working capital is included, the cash flow for operating expenses decreased by 14 million euros.

The Group’s investment activities, which were primarily investments in fixed assets and the aforementioned acquisitions, required a total of 40.7 million euros. This translates into a reduction of 2.9 million euros in comparison with the previous financial year.

Finally, financial activities show an increase of 2.7 million euros, which is basically due to the increased financing by banks required for the Group’s expansion.

The overall net cash flow for 2007 dropped by 1.1 million euros, which places the Group’s cash flow and equivalents at 53 million euros at the 2007 year’s end.

### 2.11 Human resources

The number of staff employed by Fluidra has increased over the past few years as the business has grown. At the end of 2006, the total number of employees was 3,269. On 31 December 2007, the Group had a total of 3,748 employees, who were spread across the world and by division as shown in the following table:
The structure and composition of the Fluidra Group’s administrative, management and supervisory bodies were renewed as a result of the public stock offering that took place in October 2007. The Group’s new definition of Corporate Governance was drawn up on the basis of the guidelines in the Unified Code of Good Governance, which was approved by the Spanish Securities Commission on 22 May 2006. The Company’s model for Corporate Governance is described in detail in the Corporate Governance Annual Report, which is available on the Company’s website.

3.1 Board of Directors

The appointment of the members of the Fluidra Group’s current Board of Directors took place at the General Shareholders’ Meeting held on 5 September 2007.

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION</th>
<th>NATURE OF POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Juan Planes Vila</td>
<td>Chairman</td>
<td>External director (1)</td>
</tr>
<tr>
<td>Mr. Eloi Planes Corts</td>
<td>CEO</td>
<td>Executive</td>
</tr>
<tr>
<td>Mr. Bernat Garriñóz Castro</td>
<td>Member and Vice-secretary</td>
<td>External director (2)</td>
</tr>
<tr>
<td>Mr. Óscar Serra Duffo</td>
<td>Member</td>
<td>External director (3)</td>
</tr>
<tr>
<td>Mr. Bernardo Corbera Serra</td>
<td>Member</td>
<td>External director (4)</td>
</tr>
<tr>
<td>Mr. Carlos Ventura Santamans</td>
<td>Member</td>
<td>External director (5)</td>
</tr>
<tr>
<td>Mr. Juan Ignacio Acha-Orbea Echevarria</td>
<td>Member</td>
<td>Independent director</td>
</tr>
<tr>
<td>Mr. Kam Son Leong</td>
<td>Member</td>
<td>Independent director</td>
</tr>
<tr>
<td>Mr. Richard Cathcart</td>
<td>Member</td>
<td>Independent director</td>
</tr>
<tr>
<td>Mr. Alberto Collado Arangol</td>
<td>Secretary</td>
<td>Non-member</td>
</tr>
</tbody>
</table>

(1) On behalf of Dispur, S.L.
(2) On behalf of Aniol, S.L.
(3) On behalf of Boyser, S.L.
(4) On behalf of Edrem, S.L.
(5) On behalf of Bancaja, Inversió Desenvolupament, S.A.U.

Left to right and up to down: Mr. Carlos Ventura, Mr. Alberto Collado, Mr. Bernardo Corbera, Mr. Joan Planes, Mr. Eloi Planes, Mr. Óscar Serra, Mr. Juan Ignacio Acha-Orbea, Mr. Bernat Garriñóz, Mr. Richard Cathcart, Mr. Kam Son Leong.
In accordance with the rules that regulate listed companies, the Fluidra Group’s Board of Directors has set up the following committees:

**Audit Committee**
The main purpose of the audit committee is to serve as a support body to the Board of Directors in the carrying out of their monitoring and supervisory duties. The most important of these duties is to ensure that generally accepted accounting standards are applied and to check that internal monitoring systems used for drawing up the individual and consolidated Annual Accounts are appropriate and sound.

As at 31 December 2007, the current members of the Audit Committee are as follows:

**Chairman:**
Mr Juan Ignacio Acha-Orbea Echevarría

**Members:**
Mr Carlos Ventura
Mr Juan Planes Vila

**Appointments and Remuneration Committee:**
The basic main duties of the Appointments and Remuneration Committee are to give notification of appointment proposals for Board Directors, members of the Board’s Committees and Senior Executives of the Company and its subsidiaries; to approve standard work contracts and remuneration scales for Senior Executives; to set the remuneration scheme for Board Directors; to inform about incentive plans; and to draw up and keep a situations record of the Board of Directors and Senior Executives.

The current members of the Appointments and Remuneration Committee are as follows:

**Chairman:**
Mr Richard J. Cathcart

**Members:**
Mr Bernat Garrigós Castro
Mr Kam Son Leong

**Delegate Committee:**
The Delegate Committee has general decision-making powers and, therefore, it has been expressly delegated with all of the powers that correspond to the Board of Directors, except those that are legally or statutorily non-delegable.

The current members of the Delegate Committee are as follows:

**Chairman:**
Mr Eloi Planes Corts

**Members:**
Mr Óscar Serra Duffo
Mr Bernardo Corbera Serra
Mr Carlos Ventura
Mr Juan Ignacio Acha-Orbea Echevarría

**Secretary:**
Mr Bernat Garrigós Castro
4 SUMMARY OF CORPORATE SOCIAL RESPONSIBILITY IN 2007

4.1 The Fluidra Group and sustainability

Fluidra defines itself as a responsible, socially committed company. Its business model is based on the advancement of innovation and sustainability. Its social commitment is reflected in its motto “Responsible Pool and Water Applications”, and in its mission to “promote progress in society through the sustainable use of water in its applications for leisure, domestic and industrial activities”.

The Group’s firm commitment to furthering its corporate social responsibility is reflected by the fact that in July 2007 it joined the United Nations Global Compact. Through this initiative, Fluidra undertakes to voluntarily implement the Ten Principles set out by the United Nations for sustainable development.

Furthermore, the nature of Fluidra’s activities inextricably tie them in with the UN’s Millennium Development Goals, amongst which is that to “reduce by half the proportion of people without sustainable access to safe drinking water or basic water treatment services by 2015”.

4.2 Strategic lines

Based on its integrated corporate model, Fluidra wishes to balance out its targets for growth and short- and long-term profits with the development of strategies that are linked to its social and environmental goals, its intangible targets and the ever increasing expectations of various stakeholders and society. Moreover, Fluidra’s management is aware of the impact climate change may have of the business. Therefore, the best strategies to follow are being studied in order to minimise economic-financial risks and to take advantage of new opportunities that may arise.

The main aim of Fluidra’s Strategic Plan for the 2007-10 period is to strengthen the company, maintain the POOL Division’s position as a world leader and boost the growth of the WATER Division. This is all supported by the eight strategic lines that have been devised to promote sustainability and CSR:

- Commitment to ethics and good governance: Our conduct.
- Commitment to protecting the environment: Our environment.
- Commitment to the progress of the communities in which we operate: Our society.
- Commitment to the health, safety and training of our employees: Our team.
- Commitment to water and its responsible use: Water defines us.
- Commitment to the quality of our products and services: Our clients and suppliers.
- Commitment to generating value and profits: Our shareholders.
- Commitment to efficiency: Innovation.

4 Fluidra’s eight strategic lines

Our conduct

At Fluidra, we are aware of our inescapable responsibility and duty to ensure that all of our collaborators and partners act ethically. This can be attained by ensuring that all members of our organisation base their conduct on our code of ethics and our code of business practices.

In addition, at Fluidra we have a firm commitment to the good governance of our companies. This commitment is essential to attaining sustainable development and corporate social responsibility.

Our environment

The efficient use of natural and energy resources is essential to sustainability, which is why Fluidra is committed to optimising the natural resources it uses in its production processes and to encouraging the use of alternative energies.

Minimising waste, re-using and recycling materials are highly valued concepts at Fluidra, as we understand them to be essential to carrying out a business activity that respects the environment.

At Fluidra we are aware of the need for efficient environmental management. We have therefore implemented the ISO9001, ISO14001 and EMAS quality and environmental standards certification at all of our production plants.

Our society

At Fluidra we are aware that we make a social impact on the communities in which our offices and production facilities are located. We therefore collaborate in the setting up of local community, sponsorship and solidarity schemes. One such example in 2007 was our involvement with the Fundació Catalana per a l’Esport sports foundation. Through this collaboration, an exhibition tennis match was played between two disabled players and the professionals Sergi Bruguera and Carles Costa.

The Group likewise renewed its involvement with Mullà’t, an awareness-raising campaign to fight against multiple sclerosis. The campaign consists of swimming events in 800 pools across Spain. As part of this campaign, a talk was delivered called “Corporate Social Responsibility, a Business Opportunity”. The talk, which was attended by over 200 people, and given backing by the Prevent Foundation and Aedipe, explained the principles on which Fluidra has based its SCR policy since 2006.

Our team

Keeping our team motivated and committed, ensuring that all our team players are given real opportunities for fulfilling their potential as human beings and as professionals is essential to the organisation’s development. Our equal pay policy for women and men, non-discrimination, a strict health and safety policy, transparency and communication, the integration of groups at risk of exclusion and our measures to reconcile family and...
working life are just some of the basic issues at stake in the management of our human resources.

**Our clients and suppliers**
At Fluidra we are well aware that a relationship of trust with our clients and suppliers is essential to the growth of our business. Therefore, our relationship with our clients is based on our corporate standards that promote quality and client satisfaction.

Furthermore, we continue to uphold our shared profits policy and maintain long-standing relationships with our suppliers in order to guarantee the quality of our products.

**Our shareholders**
At Fluidra we base our relationship with our shareholders on principles of good governance, which are underpinned by three fundamental criteria: ethical conduct, participation and transparency.

Our main means of communication with our shareholders is through the issue of our Management and Annual Accounts reports, our Corporate Social Responsibility Report and our Corporate Governance Report.

**Our innovation**
Fluidra’s competitiveness is based on its R&D+I activities. The Group’s innovation policy focuses on using the cleanest and most efficient technologies possible, and on developing products that respect the environment and use water in a sustainable way.

**We are water**
Water is what we are all about and, therefore, our commitment to its responsible use forms the central line of action of all of Fluidra’s activities. Making savings, reusing resources and reducing spending are behind all of the Group’s lines of action and form the basis of its product development.

The impact of increased demographic pressure, economic growth and climate change can be directly seen in the way intensive use is made of water. Training, education and awareness-raising programmes for our employees, clients, suppliers and society in general are essential for the sustainability of a resource as scarce and as crucial for human development.

### 4.3 Organisational reflection

As a faithful reflection of the fact that sustainability has become a reality at Fluidra, the following organisational structure has been created, which has been in force since July 2007:

**SCR COMMITTEE** (Advises, monitors and audits the proposals made by the SCR operations board)

**SCR OPERATIONS BOARD** (Planning, coordination, execution, deployment, participation management, resource allocation, project monitoring and follow-up, communications plan)

**SCR OPERATIONS TEAM**

**EXECUTIVE AND INVESTMENT COMMITTEE** (Leadership, strategic management, investment decisions, etc.)

- **APPROVES**
- **LEADS, GUIDES, ADVISES**
- **PROMOTES, DRIVES**
- **EXECUTES, PARTICIPATES**
In the 2007 financial year, the Group successfully completed the process of becoming a listed company. It became a quoted company on the Spanish stock exchange through the public offering that ended on 31 October.

The 2007 year end statement included the 5.1 million euros in expenses derived from the company’s listing.

In this section, the main market ratios are included together with the corresponding normalised ratio based on this extraordinary item.