FLUIDRA, S.A.
AND SUBSIDIARIES

Consolidated Annual Accounts and Consolidated Directors' Report

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

31 de Diciembre de 2012

(With Auditors' Report Thereon)

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

Fluidra, S.A. and Subsidiaries

Consolidated Annual Accounts

31 December 2012

SUMMARY

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

Fluidra, S.A. and Subsidiaries

Consolidated Income Statements

For the year ended 31 December 2012 and 2011

(Expressed in thousands of Euros)

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

Assets	Note	31/12/2012	31/12/2011
Property, plant and equipment	6	114,599	118,670
Investment property	8	1,374	1,427
Goodwill	7	189,525	194,300
Other intangible assets	7	56,859	51,159
Investments accounted for using the equity method	9	269	188
Non-current financial assets	10	5,677	5,062
Derivative financial instruments	11	216	732
Other receivables	13	3,265	3,978
Deferred tax assets	29	20,532	17,036
Total non-current assets		392,316	392,552
Inventories	12	141,463	141,697
Trade and other receivables	13	158,260	151,025
Other current financial assets	10	4,912	25,979
Derivative financial instruments	11	7	384
Cash and cash equivalents	14	51,567	65,817
Total current assets		356,209	384,902
TOTAL ASSETS		748,525	777,454
Equity			
Issued capital		112,629	112,629
Share premium		92,831	92,831
Retained earnings and other reserves		120,418	116,076
Own shares		(1,037)	(8,368)
Other comprehensive income		1,879	5,123
Equity attributable to equityholders of the Parent	15	326,720	318,291
Non-controlling interests		13,023	8,134
Total equity		339,743	326,425
Liabilities			
Loans and borrowings	18	166,230	148,944
Derivative financial instruments	11	2,654	2,172
Deferred tax liabilities	29	28,619	27,007
Provisions	17	6,350	6,165
Government grants		921	794
Other non-current liabilities	20	31,845	40,140
Total non-current liabilities		236,619	225,222
Loans and borrowings	18	73,712	123,267
Trade and other payables	19	95,438	99,615
Provisions	17	2,586	2,774
Derivative financial instruments	11	427	151
Total current liabilities		172,163	225,807
TOTAL EQUITY AND LIABILITIES		748,525	777,454

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 2012 prepared in conformity with EU-IFRS.

Fluidra, S.A. and Subsidiaries

Consolidated Income Statements

For the year ended 31 December 2012 and 2011

(Expressed in thousands of Euros)

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

	Notes	31/12/2012	31/12/2011
Operating income			
Sale of goods and finished products		628,758	624,040
Services rendered	23	11,922	11,024
Self-constructed assets		6,855	4,666
Other income	24	-	745
Total operating income		647,535	640,475
Operating expenses			
Changes in inventories of finished goods, work in progress and raw materials consumed	22	(315,163)	(311,644)
Personnel expenses	25	(142,686)	(137,163)
Amortisation and depreciation costs	6,7,8,10 & 13	(46,255)	(33,333)
Other operating expenses	26	(122,007)	(123,545)
Total operating expenses		(626,111)	(605,685)
Operating profit		21,424	34,790
Finance income/expenses			
Finance income		18,191	5,238
Finance expenses		(19,080)	(15,653)
Exchange gains/ (losses)		183	(2,768)
Net finance expense	28	(706)	(13,183)
Share of profit/(loss) of equity-accounted investees	9	88	31
Profit before tax		20,806	21,638
Income tax expense	29	(4,232)	(4,399)
Profit after tax		16,574	17,239
Profit attributable to non-controlling interests		2,068	2,162
Profit/(loss) attributable to equity holders of the Parent		14,506	15,077
EBITDA	35	72,215	70,172
Basic and diluted earnings per share (expressed in Euros)	16	0.13133	0.13739

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 2012 prepared in conformity with EU-IFRS.

Fluidra, S.A. and Subsidiaries

Consolidated Statements of Comprehensive Income
for the year ended 31 December 2012 and 2011

(Expressed in thousands of Euros)

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

	31/12/2012	31/12/2011
Profit for the year	16,574	17,239
Other comprehensive income:		
Cash flow hedges (note 11)	(1,257)	(244)
Actuarial gains/(losses)	(140)	-
Translation differences of financial statements of foreign operations	(2,300)	2,786
Tax effect	406	73
Other comprehensive income for the year, net of income tax	(3,291)	2,615
Total comprehensive income for the year	13,283	19,854
Total comprehensive income attributable to:		
Equityholders of the Parent	11,262	17,812
Non-controlling interests	2,021	2,042
	13,283	19,854

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 2012 prepared in conformity with EU-IFRS.

Fluidra, S.A. and Subsidiaries

Consolidated statements of changes in equity
for the year ended 31 December 2012 and 2011

(Expressed in thousands of Euros)

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

	Equity attributable to equityholders of the Parent									
						Other consolidated results				
	Issued capital	Share premium	Legal reserve	Accumulated gains	Treasury shares	Translation differences	Others	Total	Minority interest	Total equity
Balance at 1 January 2011	112,629	92,831	10,384	98,781	(8,037)	2,519	(131)	308,976	7,469	316,445
Total comprehensive income for the year	-	-	-	15,077	-	2,906	(171)	17,812	2,042	19,854
Additions of entities	-	-	-	-	-	-	-	-	37	37
Share variation (note 15 h)	-	-	-	(123)	-	-	-	(123)	(58)	(181)
Treasury shares (note 15 d)	-	-	-	(139)	(331)	-	-	(470)	-	(470)
Payments based in equity instruments	-	-	-	150	-	-	-	150	-	150
Others	-	-	-	(54)	-	-	-	(54)	-	(54)
Dividend	-	-	-	(8,000)	-	-	-	(8,000)	(1,356)	(9,356)
Balance at 31 December 2011	112,629	92,831	10,384	105,692	(8,368)	5,425	(302)	318,291	8,134	326,425
Total comprehensive income for the year	-	-	-	14,506	-	(2,253)	(991)	11,262	2,021	13,283
Additions of entities	-	-	-	-	-	-	-	-	4,750	4,750
Disposals of entities	-	-	-	-	-	-	-	-	(825)	(825)
Share variation (note 15 h)	-	-	-	(62)	-	-	-	(62)	62	-
Treasury shares (note 15 d)	-	-	-	(2,438)	7,331	-	-	4,893	-	4,893
Share-based payments	-	-	-	300	-	-	-	300	-	300
Others	-	-	220	(184)	-	-	-	36	(1)	35
Dividend	-	-	-	(8,000)	-	-	-	(8,000)	(1,118)	(9,118)
Balance at 31 December 2012	112,629	92,831	10,604	109,814	(1,037)	3,172	(1,293)	326,720	13,023	339,743

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 2012 prepared in conformity with EU-IFRS.

Fluidra, S.A. and Subsidiaries

Consolidated Statement of Cash Flow for the years ended 31 December 2012 and 2011

(Expressed in thousands of Euros)

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

	Nota	2012	2011
Cash flow from operating activities			
Profit for the year before tax		20.806	21.638
Adjustments for:			
Amortisation and depreciation	6,7 & 8	33.786	33.061
Provision for bad debts	13	5.672	5.073
Provision / (Reversal) for/of impairment losses	7,10 & 13	12.469	272
Provision / (Reversal) for/of losses for liabilities and charges	17	674	555
Provision / (Reversal) for/of losses for inventories	12	(3.452)	(1.407)
Finance income	28	(4.787)	(5.238)
Finance costs	28	18.249	8.003
Exchange gains/(losses)		(247)	441
Share of profit / (loss) of equity-accounted investees	9	(88)	(31)
Gains/(Losses) on sale of property, plant and equipment and other intangible assets		(386)	(875)
Recognition of government grants in income statement		(139)	(102)
Share-based payment costs		300	100
Adjustments on contingent consideration throught profit and loss as business combination	28	(13.404)	-
Gains/(losses) on derivative financial instruments at fair value through profit and loss	11	391	(802)
Operating profit before changes in working capital		69.844	67.978
Changes in working capital, excluding effect of acquisitions and translation differences			
Increase/Decrease in trade and other receivables		(12.449)	(2.455)
Increase/Decrease in inventories	22	3.685	(1.639)
Increase/Decrease in trade and other payables		(3.378)	(9.396)
Payment of provisions	17	(551)	(211)
Cash from operating activities		57.151	54.277
Interest paid		(17.777)	(13.829)
Interest received		4.680	5.055
Income taxes paid		(10.032)	(6.047)
Net cash (used in)/from operating activities		34.022	39.456
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		1.020	4.812
Proceeds from sale of investments		22.606	331
Dividends		46	15
Acquisition of property, plant and equipment		(13.911)	(14.926)
Acquisition of intangible assets		(9.380)	(6.483)
Acquisition of other financial assets		(2.637)	(13.725)
Payments for acquisition of subsidiaries, net of cash and cash equivalents	5	(383)	(31.640)
Payments for acquisition of subsidiaries from previous years	5	(9.957)	
Net cash (used in)/from investing activities		(12.596)	(61.616)
Cash flow from financing activities			
Proceeds from capital decreases		(763)	(1.610)
Collections on disposal of treasury shares		5.656	1.141
Payments for acquisition of non-controlling interests	5	(382)	(368)
Collections of Government grants		267	113
Collections of bank borrowings		119.640	106.573
Payments on borrowings and finance leases		(151.057)	(100.323)
Dividends paid		(9.118)	(9.356)
Net cash (used in)/from from financing activities		(35.757)	(3.830)
Net increase/ (decrease) in cash and cash equivalents		(14.331)	(25.990)
Cash and cash equivalents at 1 January	14	65.817	91.589
Effect of exchange rate fluctuations		81	218
Cash and cash equivalents at 31 December	14	51.567	65.817

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 2012 prepared in conformity with EU-IFRS.

(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 administrating 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.

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.

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 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and other applicable provisions of the financial information of the regulatory framework, to present fairly the consolidated equity and consolidated financial position of Fluidra, S.A. and subsidiaries at 31 December 2012, as well as the consolidated financial yield, consolidated cash flows and changes in consolidated equity for the year then ended.

a) Basis of preparation 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 2012 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 2011 with previous year, which were obtained through consistent application of EU-IFRS prevailing at 31 December 2011.

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

The consolidated annual accounts for 2011 were approved by the shareholders at a general meeting held on 6 June 2012.

The directors consider that the consolidated annual accounts for 2012 will be approved by the shareholders without significant changes.

The Group's accounting policies, described in note 3, have been consistently applied to the year ended 31 December 2012 and to the accompanying comparative information at 31 December 2011.

As a consequence of the acquisitions mentioned in note 5, the effects of the business combinations has to be considered in the comparative figures of years 2012 and 2011.

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 2012 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 possible impairment of goodwill or other assets (see note 7).

(Cont.)

- Evaluation of the recoverability of deferred tax assets.
- Evaluation of the technical and commercial viability of development projects underway.
- Estimate of the provisions for bad debts and inventory obsolescence.
- Fair value of financial instruments and certain unquoted financial assets (see notes 10 and 11).
- Hypothesis used for the determination of the fair value of the assets, liabilities and contingent liabilities related with the Aqua business combinations (see note 5 and 20).

Although estimates were based on the best information available at 31 December 2012, 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 2012

The following amendments to IFRS 7 - Financial Instruments: Disclosures relating to transfers of financial assets became effective from 1 January 2012 for annual periods beginning on or after 1 July 2011. These amendments did not have any impact on these consolidated annual accounts.

These consolidated annual accounts have been prepared without considering the EU-IFRSs, amendments thereto and interpretations thereof issued effective for periods beginning on or after 1 January 2013 detailed below:

- IAS 19 - Employee Benefits. Effective for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income. Effective for annual periods beginning on or after 1 July 2012.
- IFRS 10 Consolidated Financial Statements. Effective for annual periods beginning on or after 1 January 2014.
- IFRS 11 Joint Arrangements. Effective for annual periods beginning on or after 1 January 2014.
- IFRS 12 Disclosure of Interests in Other Entities. Effective for annual periods beginning on or after 1 January 2014.
- IFRS 13 Fair Value Measurement. Effective for annual periods beginning on or after 1 January 2013.
- IAS 27 Separate Financial Statements. Effective for annual periods beginning on or after 1 January 2014.
- IAS 28 Investments in Associates and Joint Ventures. Effective for annual periods beginning on or after 1 January 2014.
- IFRIC 20 - Stripping Costs in The Production Phase of a Surface Mine. This interpretation is applicable for annual periods beginning on or after 1 January 2013.
- IFRS 7 - Financial Instruments: Disclosures: Amendment to disclosures regarding the settlement of financial assets and financial liabilities. The standard applies to years starting on or after 1 January 2013.
- IAS 32 Financial Instruments: Presentation: Amendment to disclosures regarding the settlement of financial assets and financial liabilities. The standard applies to annual periods starting on or after 1 January 2014.

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- Amendments to IAS 12 - Recovery of Underlying Assets. Effective for annual periods beginning on or after January 2013.
- Amendments to IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters. Effective for annual periods beginning on or after 1 January 2013.

The Group has not applied any standards or interpretations issued and adopted by the EU prior to their entry into force. The Company's directors do not expect that the impact of applying these standards and interpretations in future consolidated annual accounts, insofar as they are applicable, will be significant.

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 incomes, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is that on which the Group obtains the control of them, 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 January 2010

The cost of a business combination carried out prior to 1 January 2010 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 January 2010

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.

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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.

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 non-controlling 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 generated prior to 1 January 2010, 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.

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 to non-controlling interests.

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.

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 reporting 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 of a hyperinflationary country, 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 reporting 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;

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.

(Cont.)

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.

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.

(Cont.)

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

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. In addition, the patents acquired include the value of the technology required to manufacture certain products, which are 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 and based on the time remaining to use these patents, bearing in mind the expected technological obsolescence.

iv) Other intangible assets

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

(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	3-5
Customer portfolio	Straight line	3-15
Other intangible assets	Straight line	5-10

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.

(Cont.)

(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.

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.

(Cont.)

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.

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.

(Cont.)

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.

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.

(Cont.)

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 uncollectibility of loans and other receivables through use of an allowance account for financial assets. When impairment and uncollectibility 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.

ix) 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 the issue of the financial liability. After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

(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.

(Cont.)

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:

- 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' 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.

(Cont.)

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.

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.

(Cont.)

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 reporting 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.

p) Share-based payment transactions

The Group recognises the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. It recognises an increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability with a balancing entry in the consolidated income statement or assets if the goods or services were acquired in a cash-settled share-based payment transaction.

Equity instruments granted as consideration for services rendered by Group employees or third parties that supply similar services are measured by reference to the fair value of the equity instruments granted.

Share-based payment transactions are recognised as follows:

- If the equity instruments granted vest immediately on the grant date, the services received are recognised in full, with a corresponding increase in equity;

- If the equity instruments granted do not vest until the employees complete a specified period of service, those services are accounted for during the vesting period, with a corresponding increase in equity.

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

Market vesting conditions and non-vesting conditions are taken into account when estimating the fair value of the instrument. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for services received is based on the number of equity instruments that eventually vest. Consequently, the Group recognises the amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and revises that estimate if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

Once the services received and the corresponding increase in equity have been recognised, no additional adjustments are made to equity after the vesting date, though this does not affect the corresponding reclassifications in equity.

q) 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.

(Cont.)

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 incurred costs or to be incurred related with the transaction could be reasonably measured.

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) Services rendered

Revenues associated with the rendering of service transactions are recognised by reference to the stage of completion at the reporting date when the outcome of the transaction can be estimated reliably.

iii) Dividends

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

r) 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.

(Cont.)

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 resident companies out of the Basque country, that file individual tax returns: Productes Elastòmers, S.A., ID Electroquímica, S.L., Certikin Pool Ibérica, S.L., Way Fit, S.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). Likewise, out of Spain some subsidiaries of the Group have a consolidated tax regime, the groups are as follows:

- The French taxation authorities have granted a consolidated tax regime to Fluidra Services France, S.A.S. and its consolidated subsidiaries a consolidated tax regime (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 and Hydroswim International, S.A.S.).

- The German taxation authorities have granted to Fluidra Deutschland, GmbH. and its consolidated subsidiaries (MTH-Moderne Wassertechnik, AG.) a consolidated tax regime.

- The American taxation authorities have granted to U.S. Pool Holdings Inc. and its consolidated subsidiaries (Aqua Products, Inc.) a consolidated tax regime.

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 reporting 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.

(Cont.)

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.

s) 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.

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

The Group presents the consolidated statement of financial position 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 reporting 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 reporting date.
- 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 reporting date or where the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.
- The Group classifies financial liabilities as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months and an agreement to refinance or to reschedule payments, on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised.
- Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of realisation or settlement.

u) 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.

v) 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.

(Cont.)

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 (INDUSTRY), located mainly in Spain and also the US and Israel due to acquisitions of businesses in 2011 (see note 5) and in China following the acquisition of businesses in 2012 (see note 5), 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 or these revenues are complementary to the Group's activity). 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, 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 2012 and 2011 are shown in Appendices II and III of these consolidated financial statements.

5. Business Combinations

Details of operations involving the most significant business combinations during 2012 and 2011 are as follows:

2012

- On 30 March 2012, the Group acquired a 100% interest in Pools, S.A.S.

  Through the acquisition of Pools, S.A.S. the Fluidra Group has added to the Group a network of commission agents in charge of distribution in the large outlet channel throughout Europe. For this reason the company has been included in the Manufacturas Gre, S.A. CGU.

  This acquisition has not contributed to revenue from sales of the Group's merchandise and finished goods. In the period from the acquisition date to 31 December 2012, it contributed a loss of Euros 126 thousand. Had this acquisition taken place on 1 January 2012, consolidated profit after tax would have been reduced by Euros 10 thousand.

- On 9 October 2012 the Group acquired the production activity of Youli, a company which develops, produces and sells fluid handling products and accessories in China.

  This acquisition gives the Fluidra Group a strategic manufacturing position in fluid handling in China in order to expand commercially in the local fluid handling market, and also enables it to begin manufacturing products with greater added value in this geographical area, for which the Group already has the technological capability. Due to the production synergies generated, this acquisition has been included in the Fluidra Industrial CGU.

(Cont.)

The annual pro forma sales figures of this manufacturing business acquired in 2012 were RMB 97 million (Euros 12 million), and its main market is China.

This acquisition is structured as a creation of a new company (Fluidra Youli Fluid Systems (Wenzhou) Co. Ltd.) of which the Fluidra Group holds 70% (contributing RMB 38.7 million (Euros 4,846 thousand) in cash) and the seller of the business holds 30% (contributing RMB 16.6 million (Euros 2,077 thousand) in assets).

The acquisition price is structured in the form of these contributions and a contingent price calculated on the basis of the gross margin contributed by the sales made by this company (in the two years following the acquisition) to the sales business held by the seller. This contingent price has a maximum limit of RMB 112.4 million (Euros 15,388 thousand). The Group has estimated the fair value of the liability at the date of acquisition through various projected gross margin performance scenarios. On the basis of the estimates made, the maximum amount would be RMB 124.3 million whilst the most pessimistic assumptions envisage payment of RMB 102.3 million. The Group has estimated the value of the contingent liability at Euros 14,488 thousand.

The business acquired generated total consolidated sales of merchandise and finished goods and profit attributable to the parent in the period from the acquisition date to 31 December 2012 of Euros 5,576 thousand and Euros 611 thousand, respectively. Had this acquisition taken place on 1 January 2012, sales of the Group's merchandise and finished goods would have increased by Euros 6,341 thousand and the profit attributable to the parent would have been reduced by Euros 182 thousand.

The detail of the consideration paid, of the fair value of the net assets acquired and the goodwill generated by business combinations carried out in 2012 is as follows:

	Thousands of Euros
Consideration paid	
Cash paid	5,351
Contingent consideration and deferred payment	15,160
Total consideration paid	20,511
Fair value of net assets acquired	11,502
Goodwill (note 7(a))	9,009

The intangible assets that have not been recognised separately from goodwill and therefore included in goodwill as they do not meet the separability criteria required under EU-IFRS, are mainly distribution networks, the workforce and the synergies arising on the businesses acquired. Goodwill arising in these acquisitions is not expected to be tax deductible.

The amounts recognised in the consolidated statement of financial position at the acquisition date for the assets, liabilities and contingent liabilities of the business acquired in 2012 are as follows:

	Thousands of Euros	
	Fair value	Previous carrying amount
Property, plant and equipment	2,077	2,077
Other intangible assets (note 7(b))	12,253	-
Trade and other receivables	55	55
Cash and cash equivalents	4,968	4,968
Total assets	19,353	7,100
Trade and other payables	29	29
Deferred tax liabilities	3,108	-
Total liabilities and contingent liabilities	3,137	29
Total net assets	16,216	
Non-controlling interests	4,714	
Total net assets acquired	11,502	
Amount paid in cash	5,351	
Cash and cash equivalents acquired	4,968	
Cash paid for the acquisitions	383	

Non-controlling interests in the Youli transaction were recognised at the amount of the percentage interest in the fair value of the net assets acquired.

The most significant differences that arose between the carrying amounts of the businesses acquired during the year and their fair values relate to the contractual relationships with the seller of the Youli business (commercial relationship and non-competition agreement), both of which are intangible assets that have not been recognised in the accounts of the acquired company since they did not meet the criteria for accounting recognition in the individual financial statements. These valuations were performed by an independent expert.

2011

- On 17 March 2011 the Group acquired a 100% interest in Aquatron Inc. And Aqua Products Inc., as well as the automated pool cleaner manufacture and sales lines of business from the Israeli company Aquatron Robotics Systems, Ltd. The acquisition of these lines of business included the client portfolio, brands, property, plant and equipment, inventories, personnel and other assets and liabilities associated with these activities. Aqua Products Inc. And Aquatron Inc., with headquarters in the United States, develop, manufacture and distribute electronic cleaners for private and public pools. The businesses of Aquatron Robotics Systems Ltd. Were purchased by P.S.I. Pool Services Israel Ltd., a company incorporated by the Group, with headquarters in Israel.

Consolidated sales for 2011 of merchandise and finished goods of the businesses acquired totalled US Dollars 45 million, with the main markets being the United States and Europe. The agreements entered into for the acquisition of the aforementioned businesses include an acquisition price in US dollars (USD) which is consist mainly of two parts:

- Part of the total price consisted of a fixed amount totalling USD 49,021 thousand (Euros 35,004 thousand), of which USD 44,721 thousand (Euros 31,934 thousand) were settled as an initial payment for the transaction, and USD 4,300 thousand (Euros 3,070 thousand) were settled 18 months after the acquisition date.

- The other part of the total acquisition cost, which at the acquisition date was estimated at USD 54,131 thousand (Euros 38,655 thousand), was settled or will be settled in two parts: a) through a contingent consideration, falling due 18 months after the acquisition date, which will be calculated based mainly on 2011 EBITDA (the future amount payable of which was estimated at USD 7,699 thousand (Euros 5,497 thousand) at the acquisition date), with an amount of USD 8,600 thousand (Euros 6,651 thousand) paid in 2012 and b) through a contingent consideration exercisable by the seller between 2015 and 2017, which will be calculated based mainly on average EBITDA for the two years prior to exercise (the future amount payable of which was estimated at USD 46,432 thousand (Euros 33,158 thousand at the acquisition date).

With regard to the final contingent consideration referred to in b) of the preceding section, the amount payable has no upper or lower limit, but rather payments are mainly conditional upon the performance of the EBITDA generated by the business acquired during the period stipulated in the contract. The Group estimated the fair value of the liability at the acquisition date using different possible EBITDA performance scenarios that were weighted based on the probability assigned in each case. (In accordance with estimates the maximum amount payable would be USD 75,941 thousand while the most pessimistic assumptions envisage paying USD 38,258 thousand. Both amounts refer to indicators that have not been discounted or adjusted for their corresponding weighting).

On 14 December 2012, regarding the contingent consideration exercisable by the seller between 2015 and 2017, the Group finalised a new agreement with the former owners of the businesses acquired, establishing a maximum and minimum amount of USD 40,000 thousand and USD 18,000 thousand, respectively, and maintaining the same formula used to calculate the aforementioned consideration. The calculation basis used does not vary with regard to the original contract, ie. It will be largely determined by the average EBITDA of recent years at the exercise date. The Group estimated the fair value of the financial liability at the date of the new agreement at USD 30,385 thousand (Euros 23,030 thousand), having recognised finance income of Euros 13,404 thousand in the consolidated income statement following the re-estimate of the contingent liability initially recognised (see note 28).

The businesses acquired (Aqua Group) generated total consolidated sales of merchandise and finished goods and consolidated profit after tax for the period between the date of acquisition and 31 December 2011 of Euros 24,242 thousand and Euros 943 thousand, respectively.

Had the acquisition taken place on 1 January 2011, the Group's sales of merchandise and finished goods and consolidated profit after tax for the year ended 31 December 2011 would have been increased by Euros 5,185 thousand and Euros 1,235 thousand, respectively.

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Details of the cost, the fair value of net assets acquired and goodwill for the business combinations carried out in the twelve month period ended 31 December 2011 are as follows:

	Thousands of Euros
Cost of business combination	
Cash paid	31,934
Contingent consideration and deferred payment	41,725
Total cost of business combination	73,659
Fair value of net assets acquired	39,742
Goodwill (note 7(a))	33,917

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,

The amounts recognised in the consolidated statement of financial position at the acquisition date of assets, liabilities and contingent liabilities in the business acquired during 2011 are as follows:

	Thousands of Euros	
	Fair value	Carrying amount
Property, plant and equipment	1,481	1,481
Other intangible assets (note 7(b))	32,508	994
Other non-current financial assets	82	82
Deferred tax assets	1,358	270
Trade and other receivables	12,726	14,968
Inventories	10,971	12,375
Cash and cash equivalents	294	294
Total assets	59,420	30,464
Loans and borrowings	8,325	8,325
Derivative financial instruments	39	39
Trade and other payables	10,817	10,817
Provisions	497	140
Total liabilities and contingent liabilities	19,678	19,321
Total net assets acquired	39,742	
Consideration paid, satisfied in cash	31,934	
Cash and cash equivalents	294	
Cash flow paid for acquisitions	31,640	

(Cont.)

The most significant differences arising between the carrying amounts of the businesses acquired during the year and their fair values relate to the acquisition of the customer portfolio and licenses, both intangible assets that had not been recognised in the accounts of the acquired business since they did not meet the criteria for accounting recognition in the individual financial statements. The methodology applied to determine the fair value of the aforementioned intangible assets consisted in using an approach based on discounting cash flows in the case of customer portfolios, while technological patents were valued by applying the reasonable royalty method as opposed to the effective interest method employed by the licensee. These valuations have been carried out by an independent expert. No significant differences were identified between the previous carrying amounts and fair values of the remaining net assets. No deferred tax liabilities arose as a result of the valuation of other intangible assets acquired since there were no differences between the tax bases of these assets and their accounting bases derived from the aforementioned business combinations and the acquisition date. These carrying amounts, in the case of Aquatron Inc and Aquaproducts Inc (US) and Aquatron Robotics Systems Ltd (Israel) are tax deductible in their local tax jurisdiction. Goodwill recognised is expected to be fully tax deductible.

During 2012 and 2011 there were no significant disposals of subsidiaries and associates.

In 2012 cash disbursements of Euros 10,339 thousand were made for the acquisition of subsidiaries and non-controlling interests (Euros 368 thousand in 2011 for the acquisition of non-controlling interests).

6. Property, Plant and Equipment

Details of and movement in property, plant and equipment during 2012 and 2011 are as follows:

	Thousands of euros						
	Balances at 31.12.11	Business combinations	Additions	Disposals	Transfers	Translation differences	Balances at 31.12.12
Cost							
Land and buildings	80,378	-	282	(474)	699	47	80,932
Plant and machinery	120,367	1,597	2,758	(3,187)	115	(60)	121,590
Other installations, equipment and furniture	106,571	477	6,067	(2,483)	1,308	95	112,035
Other fixed assets	21,347	-	2,118	(1,916)	(679)	(23)	20,847
Work in progress	841	3	2,333	(20)	(1,633)	3	1,527
	329,504	2,077	13,558	(8,080)	(190)	62	336,931
Accumulated depreciation							
Buildings	(23,669)	-	(4,839)	332	10	(29)	(28,195)
Plant and machinery	(87,365)	-	(6,561)	2,837	(1,036)	13	(92,112)
Other installations, equipment and furniture	(83,417)	-	(5,937)	2,443	773	(57)	(86,195)
Other fixed assets	(16,383)	-	(1,678)	1,814	406	11	(15,830)
	(210,834)	-	(19,015)	7,426	153	(62)	(222,332)
Carrying amount	118,670	2,077	(5,457)	(654)	(37)	-	114,599

(Cont.)

	Thousands of Euros						
	Balances at 31.12.10	Business combinations	Additions	Disposals	Transfers	Translation differences	Balances at 31.12.11
Cost							
Land and buildings	79,810	-	813	(1,331)	1,086	-	80,378
Plant and machinery	122,508	292	3,928	(7,155)	355	439	120,367
Other installations, equipment and furniture	101,906	1,431	6,445	(4,086)	651	224	106,571
Other fixed assets	20,435	440	2,122	(1,591)	(80)	21	21,347
Work in progress	716	-	1,595	(247)	(1,227)	4	841
	325,375	2,163	14,903	(14,410)	785	688	329,504
Accumulated depreciation							
Buildings	(20,909)	-	(3,824)	1,159	(79)	(16)	(23,669)
Plant and machinery	(87,079)	(263)	(6,966)	7,056	159	(272)	(87,365)
Other installations, equipment and furniture	(81,441)	(43)	(5,556)	3,929	(136)	(170)	(83,417)
Other fixed assets	(15,085)	(376)	(2,410)	1,420	98	(30)	(16,383)
	(204,514)	(682)	(18,756)	13,564	42	(488)	(210,834)
Carrying amount	120,861	1,481	(3,853)	(846)	827	200	118,670

a) Mortgaged property, plant and equipment

At 31 December 2012 no items of property, plant and equipment had been mortgaged. At 31 December 2011 property, plant and equipment with a carrying amount of Euros 7,799 thousand were mortgaged to secure payment of certain bank loans (see note 18).

At 31 December 2012 property, plant and equipment with a carrying amount of Euros 1,715 thousand (Euros 1,863 thousand in 2011) are mortgaged to secure a liability with a non-controlling 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 2012 and 2011:

	Thousands of Euros	
	2012	2011
Buildings	21,882	21,492
Plant and machinery	2,239	2,918
Other installations	852	890
Furniture	27	34
Moulds	10	10
Motor vehicles	857	970
Other assets	416	416
	26,283	26,730
Less, accumulated depreciation	(7,453)	(6,278)
Net value at 31 December	18,830	20,452

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 2012 is Euros 6,765 thousand (Euros 7,476 thousand in 2011), 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) Certikin Portugal, 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 2012 is Euros 1,042 thousand (Euros 1,146 thousand in 2011), with a purchase option of Euros 167 thousand. This property lease accrues floating interest based on Euribor plus a 1% spread.

3) Hydroswim International, S.A.S.: property lease with Fructicomi (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 2012 is Euros 1,200 thousand (Euros 1,354 thousand in 2011), 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 2012 is Euros 593 thousand (Euros 727 thousand in 2011). This property lease accrues fixed interest rate of 6.45%.

5) ME 2000, S.R.L.: 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. Instalments are settled on a monthly basis and the amount due at 31 December 2012 is Euros 1,024 thousand (Euros 1,085 thousand in 2011), 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.

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6) ME 2000, S.R.L.: 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 2012 is Euros 261 thousand (Euros 268 thousand in 2011), 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 detail of the minimum payments and the present value of the finance lease liabilities by due dates at 31 December 2012 and 2011 are shown in note 18.

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 2012 the Group has acquired property, plant and equipment under finance lease amounting to Euros 463 thousand, financed with a debt for the same amount (Euros 202 thousand financed with a debt for the same amount in 2011).

d) Fully amortised assets

Cost of property, plant and equipment fully amortised and still in use at 31 December 2012 and 2011 is as follows:

	Thousands of Euros	
	2012	2011
Buildings	3,036	2,040
Plant and machinery	52,340	50,133
Other installations, equipment and furniture	63,509	64,247
Other fixed assets	10,857	11,501
	129,742	127,921

e) Property, plant and equipment located abroad

At 31 December 2012, there are property, plant and equipment located abroad for a net value of Euros 32,453 thousand (30,503 thousand at 31 December 2011).

7. Goodwill and Other Intangible Assets

Details of and movement in goodwill and other intangible assets during 2012 and 2011 are as follows:

a) Goodwill

	Thousands of Euros						
	Balances at 31.12.11	Business combinations	Additions	Disposals	Impairment	Translation differences	Balances at 31.12.12
Carrying amount							
Goodwill	194,300	9,009	76	(1,180)	(11,939)	(741)	189,525

	Thousands of Euros						
	Balances at 31.12.10	Business combinations	Additions	Disposals	Impairment	Translation differences	Balances at 31.12.11
Carrying amount							
Goodwill	157,841	33,917	81	-	-	2,461	194,300

Regarding the put option on Calderería Plástica del Norte, S.L. recognised as a Euros 1,855 thousand liability at 31 December 2011, on 29 June 2012 the Group entered into an agreement with the former owner of the business acquired to modify the payment date and the formula for determining the price and establish a maximum and minimum price between Euros 800 thousand and Euros 600 thousand.

The Group re-estimated the fair value of the financial liability associated with this option, and recognised this difference as a prospective adjustment to the cost of the business combination as the combination was carried out prior to 1 January 2010.

b) Other intangible assets

	Thousands of Euros						
	Balances at 31.12.11	Business combinations	Additions	Disposals	Transfers	Translation differences	Balances at 31.12.12
Cost							
Product development costs	18,928	-	5,807	(1,307)	24	(36)	23,416
Customer/contractual relationships	54,905	12,253	-	(5,760)	1,259	(717)	61,940
Software	8,817	-	2,182	(211)	299	(9)	11,078
Patents	23,914	-	578	(57)	(1,104)	(50)	23,281
Trademarks and other intangible assets	4,602	-	798	(2)	(226)	(29)	5,143
	111,166	12,253	9,365	(7,337)	252	(841)	124,858
Accumulated depreciation							
Product development costs	(13,500)	-	(3,514)	1,307	(20)	7	(15,720)
Customer/contractual relationships	(30,155)	-	(6,043)	5,760	(899)	(456)	(31,793)
Software	(6,108)	-	(1,151)	218	(165)	9	(7,197)
Patents	(8,512)	-	(3,421)	42	779	(1)	(11,113)
Trademarks and other intangible assets	(1,732)	-	(589)	-	139	6	(2,176)
	(60,007)	-	(14,718)	7,327	(166)	(435)	(67,999)
Carrying amount	51,159	12,253	(5,353)	(10)	86	(1,276)	56,859

(Cont.)

	Thousands of Euros						
	Balances at 31.12.10	Business combinations	Additions	Disposals	Transfers	Translation differences	Balances at 31.12.11
Cost							
Product development costs	15,352	-	3,973	(457)	-	60	18,928
Customer/contractual relationships	35,882	18,192	-	-	-	831	54,905
Software	7,231	379	1,555	(431)	44	39	8,817
Patents	8,190	14,554	778	(85)	35	442	23,914
Trademarks and other intangible assets	4,505	-	181	(5)	(83)	4	4,602
	71,160	33,125	6,487	(978)	(4)	1,376	111,166
Accumulated depreciation							
Product development costs	(10,621)	-	(3,343)	467	7	(10)	(13,500)
Customer/contractual relationships	(23,995)	-	(6,305)	-	-	145	(30,155)
Software	(5,127)	(344)	(1,031)	426	1	(33)	(6,108)
Patents	(5,348)	(273)	(2,881)	58	(7)	(61)	(8,512)
Trademarks and other intangible assets	(1,050)	-	(683)	7	(2)	(4)	(1,732)
	(46,141)	(617)	(14,243)	954	(1)	37	(60,007)
Carrying amount	25,019	32,508	(7,756)	(20)	(5)	1,413	51,159

There are no guaranteed intangible assets.

Additions of product development costs for 2012 of Euros 5,807 thousand (Euros 3,973 thousand in 2011) comprise self-constructed non-current asset and are included in this category of the consolidated income statement.

The cost of fully amortised intangible assets in use at 31 December 2012 and 2011 is as follows:

	Thousands of Euros	
	2012	2011
Product development costs	7,383	6,995
Software	4,439	3,718
Patents	5,610	2,240
Other intangible assets	165	151
	17,597	13,104

At 31 December 2012, there are intangible assets located abroad for a net value of Euros 44,933 thousand (36,886 thousand at 31 December 2011).

Details of the carrying amount and residual amortisation period ofcustomer/contractual relationships at 31 December 2012 and 2011, are as follows:

Customer/contractual relationships	Residual useful life	Thousands of Euros 2012	2011
CGU			
SWE	1	235	1,331
Industry	1 – 5	12,308	3,320
Astral Holdings Australia	3 – 4	1,467	2,436
Grupo Aqua	2 – 14	15,661	17,663
Manufacturas Gre	7	476	-
		30,147	24,750

(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 2012 and 2011 is therefore as follows:

	Segment	Thousands of Euros 2012	2011
Fluidra South-Western Europe	SWE	27,872	30,298
Fluidra Northeastern Europe, Middle East & Africa	NEEMEA	32,136	32,136
Fluidra America, Asia & Pacific	AAP	12,081	12,039
Fluidra Industry	Industry	50,520	43,804
Manufacturas Gre, S.A.	Industry	23,416	22,741
Certikin Internacional, LTD	SWE	3,577	3,494
SSA Fluidra Österreich, GmbH	NEEMEA	4,991	4,991
Astral Holdings Australia, PTY LTD & subsidiaries	AAP	8,727	8,719
Aqua Group	Industry	26,205	36,078
Total		189,525	194,300

The recoverable amount of each CGU is determined based on its value in use. These calculations are based on cash flow projections from the four-year financial budgets approved by management. The Group has budgeted revenues/profitability based on historical sales and income, and market expectations and the cost savings plans being implemented. In the case of the more mature markets (SWE) in no case do these projections exceed the sales figures and profits obtained in 2008 (first year in which the crisis took effect in the markets in which the Group operates)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 post-tax discount rates used range from 8%-10.5% and 12%-15%, respectively, based on the CGU, and reflect the risks specific to the corresponding segments.

The discount rates applied to the various CGUs were calculated based on the risk-free rate (sovereign debt yields for each country at 31 December), tax rate, market risk premiums and risk inherent to the CGU and the debt yield spreads of the various markets in which these CGUs operate.

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The key assumptions on which cash flow projections are based, on the basis of budgeted data and expected market performance are summarised in the following table for each cash generating unit (CGUs):

CGU	CAGR Sales (*) 2012-2016	CAGR EBITDA (*) 2012-2016	WACC (**) 2012
Fluidra South-Western Europe (SWE)	3,2%	13,9%	10,5%
Fluidra Northeastern Europe, Middle East & Africa (NEEMA)	3,6%	4,5%	10,0%
Fluidra America, Asia & Pacific (AAP)	5,5%	6,9%	10,0%
Fluidra Industrial	1,9%	2,2%	10,0%
Manufacturas GRE, S.A.	1,9%	1,7%	9,8%
Certikin Internacional, LTD	1,2%	1,4%	8,6%
SSA Fluidra Österreich, GmbH	1,4%	-1,3%	8,3%
Astral Holdings Australia PTY LTD and subsidiaries	2,1%	3,8%	9,6%
Aqua Group	5,7%	3,4%	10,2%

(*) CAGR is the term that represents the composite annualised growth rate for the four-year periods used.

(**) Discount rate after tax.

For all CGUs in the NEEMEA, AAP, Fluidra Industrial, Certikin Internacional, Fluidra Österreich y Astral Holdings Australia, PTY LTD and subsidiaries segments, the value in use determined in accordance with the aforementioned calculation method significantly exceeds the value of the corresponding net assets and goodwill assigned to this CGU. This excess would still exist even using straight-line projections of the income/yield and in the event of additional changes in the assumptions used to determine value in use.

In the case of the SWE CGU, value in use is estimated at approximately Euros 125 million (Euros 122 million in 2011), the Group recognised impairment of Euros 2.5 million at 31 December 2012. In the case of the Aqua Group CGU, value in use is estimated at approximately Euros 77 million and the Group recognised impairment of Euros 9.4 million at 31 December 2012. In the case of Manufacturas GRE, the value in use estimated at approximately Euros 41 million (Euros 31.5 million in 2011) adequately covers the amount of net assets and goodwill assigned to this CGU.

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

(Cont.)

8. **Investment Property**

Details of and movement in investment property during 2012 and 2011 are as follows:

	Thousands of Euros				
	Balances at 31.12.11	Additions	Disposals	Transfers	Balances at 31.12.12
Cost					
Land	1,115	-	-	-	1,115
Buildings	623	-	-	-	623
	1,738	-	-	-	1,738
Accumulated depreciation					
Buildings	(311)	(53)	-	-	(364)
	(311)	(53)	-	-	(364)
Carrying amount	1,427	(53)	-	-	1,374

	Thousands of Euros				
	Balances at 31.12.10	Additions	Disposals	Transfers	Balances at 31.12.11
Cost					
Land	1,426	-	(86)	(225)	1,115
Buildings	1,651	-	(353)	(675)	623
	3,077	-	(439)	(900)	1,738
Accumulated depreciation					
Buildings	(469)	(62)	142	78	(311)
	(469)	(62)	142	78	(311)
Carrying amount	2,608	(62)	(297)	(822)	1,427

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

(Cont.)

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

9. Investments Accounted for Using the Equity Method

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

	Thousands of Euros	
	2012	2011
Balance at 1 January	188	220
Share of profit / (losses)	88	31
Dividends received	(46)	(14)
Others	39	(49)
Balance at 31 December	269	188

Details of the investments accounted for using the equity method for 2012 and 2011 are as follows:

			2012				
			Thousands of Euros				
	Country	% ownership	Assets	Liabilities	Equity	Income	Profit
Inquevap Energía, S.L.	Spain	30.5	1,961	1,337	624	4,409	164
Astral Nigeria, LTD	Nigeria	25	392	79	313	1,369	150
			2,353	1,416	937	5,778	314

			2011				
			Thousands of Euros				
	Country	% ownership	Assets	Liabilities	Equity	Income	Profit/(Loss)
Inquevap Energía, S.L.	Spain	30.5	2,408	1,777	631	4,049	123
Astral Nigeria, LTD	Nigeria	25	330	11	319	1,189	(25)
			2,738	1,788	950	5,238	98

(Cont.)

10. Current and Non-current Financial Assets

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

	Note	Thousands of Euros 2012	2011
Available-for-sale financial assets		1,573	1,834
Guarantee deposits		4,104	3,228
Derivative financial instruments	11	216	732
Total non-current		5,893	5,794
Available-for-sale financial assets		2,217	2,145
Guarantee deposits		2,695	23,834
Derivative financial instruments	11	7	384
Total current		4,919	26,363

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

	Thousands of Euros 2012	2011
At 1 January	3,979	13,436
Additions	61	82
Disposals	-	(9,491)
Impairment	(200)	-
Adjustment to fair value recognised in profit and loss	(48)	(50)
At 31 December	3,790	3,979
Less: Current portion	(2,217)	(2,145)
Total non-current	1,573	1,834

Non-current available-for-sale assets mainly relate to perpetual debt securities quoted on an over-the-counter market and accrue interest at a market rate.

Guarantee deposits mainly include term deposits which accrue interest at market rates and are classified under loans and receivables, as well as guarantee deposits set up as a result of lease contracts which 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 recognised as an advance payment under profit and loss over the lease term.

The fair value of the listed securities is determined using the list price at the reporting date of the consolidated annual accounts.

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11. Derivative Financial Instruments

Details of derivative financial instruments are as follows:

	2012				
		Thousands of Euros			
	Notional	Fair values			
	amount	Assets		Liabilities	
		Non-current	Current	Non-current	Current
1) Derivative held for trading					
a) Exchange-rate derivatives					
Foreign currency forwards	8,249	-	6	-	62
Options traded in OTC markets	3,790	180	-	-	-
Total derivatives traded in OTC markets		180	6	-	62
b) Interest-rate derivatives					
Interest rate swaps	31,133	36	-	950	-
Interest-rate and currency swaps	849	-	-	-	265
Total derivatives traded in OTC markets		36	-	950	265
Total derivatives held for trading		216	6	950	327
2) Hedging derivatives					
a) Fair value hedges					
Interest rate swaps	96,477	-	-	1,658	8
b) Cash flow hedges					
Exchange rate swaps	15,916	-	1	46	92
Total hedging derivatives		-	1	1,704	100
Total recognised derivatives		216	7	2,654	427
		(Note 10)	(Note 10)		

(Cont.)

	2011				
		Thousands of Euros			
	Notional	Fair values			
	amount	Assets		Liabilities	
		Non-current	Current	Non-current	Current
1) Derivative held for trading					
a) Exchange-rate derivatives					
Foreign currency forwards	12,600	-	333	-	147
Options traded in OTC markets	10,047	648	-	-	-
Total derivatives traded in OTC markets		648	333	-	147
b) Interest-rate derivatives					
Interest rate swaps	32,806	57	-	1,178	4
Interest-rate and currency swaps	1,670	-	-	513	-
Total derivatives traded in OTC markets		57	-	1,691	4
Total derivatives held for trading		705	333	1,691	151
2) Hedging derivatives					
a) Fair value hedges					
Interest rate swaps	41,571	-	-	481	-
b) Cash flow hedges					
Exchange rate swaps	6,569	27	51	-	-
Total hedging derivatives		27	51	481	-
Total recognised derivatives		732	384	2,172	151
		(Note 10)	(Note 10)		

The total change in estimated fair value of derivatives held for trading, using measurement techniques recognised in profit and loss has been income of Euros 219 thousand (Euros 141 thousand in 2011).

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 a decrease of Euros 886 thousand (Euros 171 thousand in 2011).

Total cash flow hedges transferred in 2012 from other comprehensive income in equity to the consolidated income statement (under financial income/expense) amounts to a loss of Euros 198 thousand (losses of Euros 197 thousand in 2011).

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

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 1.08% and 6.40% and with barrier intervals between 5.50-6.75%. 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 2012 are as follows:

Derivatives held for trading 31.12.12			
Notional amount in thousands of Euros	Start Date	End Date	Type of derivative
6,703	21/12/2004	21/12/2019	Barrier swap
4,461	16/02/2008	20/02/2014	Fixed-rate swap
1,578	03/05/2007	03/05/2014	Fixed-rate swap
1,578	26/03/2009	03/05/2014	Fixed-rate swap
852	13/03/2009	24/10/2014	Fixed-rate swap
2,971	13/03/2009	30/03/2014	Fixed-rate swap
990	13/03/2009	13/10/2014	Fixed-rate swap
6,000	02/08/2011	01/10/2015	Fixed-rate swap
6,000	20/09/2012	01/10/2015	Fixed-rate swap
849	01/12/2006	20/10/2013	Cap option and exchange-rate hedge
31,982			

Derivatives held for trading 31.12.11			
Notional amount in thousands of Euros	Start Date	End Date	Type of derivative
7,413	21/12/2004	21/12/2019	Barrier swap
1,459	13/03/2009	13/10/2014	Fixed-rate swap
1,277	13/03/2009	24/10/2014	Fixed-rate swap
6,431	16/02/2008	20/02/2014	Fixed-rate swap
4,281	13/03/2009	30/03/2014	Fixed-rate swap
2,272	03/05/2007	03/05/2014	Fixed-rate swap
2,272	26/03/2009	03/05/2014	Fixed-rate swap
1,670	09/05/2007	20/10/2013	Fixed-rate swap
1,670	13/03/2009	20/10/2013	Fixed-rate swap
311	27/07/2007	24/06/2012	Fixed-rate swap
3,750	29/06/2009	30/06/2014	Fixed-rate swap
1,670	01/12/2006	20/10/2013	Cap option and exchange-rate hedge
34,476			

(Cont.)

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 31.12.12			
Notional amount in thousands of Euros	Start Date	End Date	Type of derivative
818	02/06/2010	25/06/2015	Fixed-rate swap
579	02/06/2010	25/06/2015	Fixed-rate swap
531	02/06/2010	25/06/2015	Fixed-rate swap
886	02/06/2010	25/06/2015	Fixed-rate swap
460	02/06/2010	25/06/2015	Fixed-rate swap
316	29/09/2008	01/10/2013	Fixed-rate swap
500	30/03/2010	01/04/2013	Fixed-rate swap
8,221	21/12/2011	19/04/2016	Fixed-rate swap
1,666	09/05/2012	01/12/2014	Fixed-rate swap
9,000	20/09/2012	27/07/2017	Fixed-rate swap
11,250	20/09/2012	27/07/2017	Fixed-rate swap
15,750	20/09/2012	27/07/2017	Fixed-rate swap
14,250	20/09/2012	27/07/2017	Fixed-rate swap
12,750	20/09/2012	27/07/2017	Fixed-rate swap
7,500	20/09/2012	27/07/2017	Fixed-rate swap
5,250	20/09/2012	27/07/2017	Fixed-rate swap
4,500	20/09/2012	27/07/2017	Fixed-rate swap
2,250	20/09/2012	27/07/2017	Fixed-rate swap
96,477			

Hedge accounting derivatives 31.12.11			
Notional amount in thousands of Euros	Start date	End date	Type of derivative
3,750	29/06/2009	30/06/2014	Fixed-rate swap
5,000	03/03/2010	26/02/2013	Fixed-rate swap
3,750	26/03/2010	11/03/2013	Fixed-rate swap
3,250	30/03/2010	11/03/2015	Fixed-rate swap
1,500	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
2,158	21/07/2010	30/06/2015	Fixed-rate swap
708	29/09/2008	01/10/2013	Fixed-rate swap
8,000	02/08/2011	01/10/2015	Fixed-rate swap
9,611	21/12/2011	19/04/2016	Fixed-rate swap
41,571			

(Cont.)

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

	Thousands of Euros	
	2012	2011
Up to 1 year	1,665	311
Between 1 and 5 years	120,091	68,321
More than 5 years	6,703	7,414
	128,459	81,926

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. For some of them, the Group apply hedge accounting.

A breakdown by type of currency, of the notional amounts of forward contracts at 31 December 2012 and 2011, the residual values of which are of two years, is as follows:

	Thousands of Euros	
	2012	2011
USD / EUR	-	2,705
GBP / EUR	-	2,860
ILS / USD	10,232	16,617
EUR / USD	16,523	4,581
EUR / ILS	1,200	2,453
	27,955	29,216

The notional amount of Euros 10,232 thousand of ILS/USD exchange rate derivatives includes a total of Euros 6,442 thousand of hedging derivatives (Euros 6,569 thousand at 31 December 2011). The notional amount of Euros 16,523 thousand of EUR/USD exchange rate derivatives includes a total of Euros 9,474 thousand of hedging derivatives.

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

	Thousands of Euros	
	2012	2011
Up to 1 year	16,207	14,532
Between 1 and 5 years	11,748	14,684
	27,955	29,216

The fair values of these forward contracts have been estimated using discounted cash flows based on forward exchange rates available from public data at reporting date (measurement method level 2 in accordance to IFRS 7.27 A).

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	
	2012	2011
Goods for resale	45,785	45,404
Raw materials and other supplies	40,682	39,809
Finished goods and work in progress	54,996	56,484
	141,463	141,697

At 31 December 2012 and 2011 the Group does not have any inventories, the recovery period of which is estimated to be greater than 12 months from the consolidated reporting date.

As a result of the business combinations that took place in 2011, inventories of Euros 10,971 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 2012 the Group has impaired inventories to adjust them to their net realisable value amounting to Euros 3,452 thousand (Euros 1,408 thousand during 2011) (see note 22).

13. Trade and Other Receivables

Details of trade and other receivables in the consolidated statement of financial position are as follows:

	Thousands of Euros	
	2012	2011
Non-current		
Other non-current receivables	3,265	3,978
Current		
Trade receivables	179,065	171,829
Other receivables and prepayments	6,052	5,090
Public entities	7,135	6,865
Current income tax assets	2,609	1,824
Provisions for impairment and uncollectability	(36,601)	(34,583)
Total current	158,260	151,025

Other non-current receivables include Euros 1,365 thousand as detailed in note 29 and Euros 280 thousand of impairment on a non-current receivable.

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.

(Cont.)

The most significant balances in foreign currencies at 31 December 2012 and 2011 are as follows:

	Thousands of Euros	
	2012	2011
US Dollar	17,154	18,862
Australian Dollar	12,250	10,282
United Arab Emirates Dirham	6,979	6,650
Pounds Sterling	6,891	6,095
Moroccan Dirham	3,207	3,318
Turkish Lira	3,040	2,396
Chilean Peso	1,962	1,708
Mexican Peso	1,628	1,421
	53,111	50,732

Trade receivables:

Receivables from public entities are as follows:

	Thousands of Euros	
	2012	2011
Taxation authorities		
VAT	6,616	6,196
Other items	519	669
	7,135	6,865

Movement in valuation allowances for impairment and uncollectability for 2012 and 2011 is as follows:

	Thousands of Euros
Balance at 31 December 2010	30,546
Business combinations	2,603
Charge for the year	9,722
Recoveries	(4,635)
Translation differences	(78)
Write-offs	(3,575)
Balance at 31 December 2011	34,583
Charge for the year	9,754
Recoveries	(4,082)
Translation differences	44
Write-offs	(3,698)
Balance at 31 December 2012	36,601

(Cont.)

14. Cash and Cash Equivalents

Details of cash and cash equivalents are as follows:

	Thousands of Euros	
	2012	2011
Cash in hand and banks	51,126	65,267
Current bank deposits	441	550
	51,567	65,817

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 2012 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 2012 and 2011 are as follows:

Percentage ownership	31.12.2012	31.12.2011
Boyser, S.R.L.	14.12%	14.12%
Edrem, S.L.	13.50%	13.50%
Dispur, S.L.	12.18%	12.18%
Bansabadell Inversió Desenvolupament, S.A.	9.67%	9.67%
Aniol, S.L.	10.16%	10.06%
Grupo Corporativo Empres. Caja de Navarra	8.00%	8.00%
Cartera Industrial REA, S.A.	-	4.44%
Maveor, S.L.	5.01%	-
Other shareholders	27.36%	28.03%
	100.00%	100.00%

b) Share premium

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

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

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.

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 2012 and 2011 has been as follows:

		Euros	
	Number	Par value	Average cost of acquisition / disposals
Balances at 01.01.11	2,604,842	2,604,842	3.0854
Acquisitions	666,147	666,147	2.4176
Disposals	(418,661)	(418,661)	2.7387
Balances at 31.12.11	2,852,328	2,852,328	2.9337
Acquisitions	369,562	369,562	2.0707
Disposals	(2,841,789)	(2,841,789)	(1.9942)
Balances at 31.12.12	380,101	380,101	2.7285

On 18 February 2011 the Group signed a liquidity contract on Fluidra, S.A. shares with a financial institution, the terms of which are in accordance with Circular 3/2007 of 19 December 2007.

Pursuant to article 146 and concurrent articles of the Spanish Companies Act, at the annual general meeting held on 6 June 2012 the shareholders of Fluidra, S.A. authorised the Company to make derivative acquisitions and disposals of treasury shares, directly or through group companies, with the express purpose of reducing share capital so as to redeem treasury shares. The board of directors was delegated the powers required to carry out the resolutions adopted by shareholders in this respect (thereby rendering the prior authorisation of 8 June 2011 ineffective) and was authorised to use the treasury share portfolio to execute or cover remuneration schemes, if necessary.

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 2012, the Parent's voluntary reserves, amounting to Euros 20,820 thousand (Euros 28,973 thousand at 31 December 2011), 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 8 June 2011, the Company approved the distribution to shareholders of a dividend totalling Euros 8,000 thousand distributed against voluntary reserves.

In accordance with the decision made by the shareholders in an ordinary general meeting held on 6 June 2012, the Company approved the distribution to shareholders of a dividend totalling Euros 8,000 thousand against voluntary reserves.

(Cont.)

On 21 March 2013 the board of directors agreed to propose to the shareholders that dividends of Euros 8,000 thousand.

The proposed distribution of profit included in the annual accounts of the Parent for 2012 and 2011 is as follows:

	Thousands of Euros	
	2012	2011
Basis of allocation:		
Profit / (Loss) for the year	352	2,205
Distribution:		
Legal reserve	35	221
Voluntary reserves	317	1,985
Total	352	2,205

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 (see note 35).

- The total leverage ratio is calculated as total assets divided 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. Net financial debt is determined based on the sum of current and non-current financial liabilities with financial institutions and derivative liability instruments less non-current financial assets, less cash and other cash equivalents, less other current financial assets and less derivative financial asset instruments. A comparison of 2011 was carried out using the same criteria, including derivative financial liabilities.

During 2012 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 at 31 December 2012. Ratios for 2012 and 2011 have been calculated as follows:

Total leverage ratio:

	Thousands of Euros	
	2012	2011
Total consolidated assets	748,525	777,454
Total consolidated equity	339,743	326,425
Total leverage ratio	2.20	2.38

(Cont.)

Net financial debt as a percentage of EBITDA:

	Thousands of Euros	
	2012	2011
Liabilities with banks	239,942	272,211
Plus: Derivative financial instruments	3,081	2,323
Less: Cash and cash equivalents	(51,567)	(65,817)
Less: Non-current financial assets	(5,677)	(5,062)
Less: Other current financial assets	(4,912)	(25,979)
Less: Derivative financial instruments	(223)	(1,116)
Consolidated Net Financial Debt	180,644	176,560
EBITDA (note 35)	72,215	70,172
% Net financial debt as a percentage of EBITDA	2.50	2.52

h) Non-controlling interests

The movements of the non-controlling interests during 2011 and 2010 have been as follows:

	Percentage non-controlling interest	
Company	31.12.2012	31.12.2011
Fluidra Portugal, Lda (1)	0,00%	9,138%
Fluidra Balkans, S.A. (2)	33,00%	0,00%
Fluidra Al Urdoun FZ (2)	30,00%	0,00%
Fluidra Montenegro (2)	40,00%	0,00%
Fluidra Youli Fluid Systems (Wenzhou) Co, Ltd (3)	30,00%	0,00%
SCI Saint Dennis (4)	0,00%	50,00%

1. Acquisition of non-controlling interests in 2012.
2. Companies newly incorporated in 2012.
3. Acquisition of non-controlling interests resulting from business combinations (see note 5).
4. Companies dissolved in 2012.

Derived from the transactions of these variations, an amount of Euros 382 thousand has been paid (Euros 368 thousand in year 2011). The effect of the acquisition above mentioned in the profit and loss account has been of Euros 62 thousand (Euros -123 thousand in previous year) (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 2012 and 2011, excluding treasury shares.

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

	2012	2011
Profit / (loss) attributable to equityholders of the Parent (in thousands of Euros)	14,506	15,077
Weighted average of ordinary shares in circulation	110,456,507	109,742,670
Basic earnings per share	0.131330	0.137390

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

	2012	2011
Ordinary shares in circulation at 1 January	112,629,070	112,629,070
Effect of treasury shares	(2,172,563)	(2,886,400)
Weighted average number of ordinary shares in circulation at 31 December	110,456,507	109,742,670

b) Diluted earnings

Diluted earnings per share are calculated by adjusting profit attributable to equityholders of the Parent 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			
	2012		2011	
	Non-current	Current	Non-current	Current
Guarantees	-	2,586	-	2,774
Provisions for taxes	2,253	-	2,494	-
Provisions for employee commitments	3,081	-	2,797	-
Litigation and other liabilities	1,016	-	874	-
Total	6,350	2,586	6,165	2,774

Movement in provisions during 2012 and 2011 is as follows:

	Guarantees	Provisions for employee commitments	Litigation and other liabilities	Provisions for taxes	Total
At 1 January 2011	2,291	2,869	604	4,583	10,347
Charges	683	189	203	31	1,106
Payments	(78)	(78)	(14)	(24)	(194)
Applications	(314)	(185)	(61)	(2,322)	(2,882)
Business combinations	140	-	143	214	497
Translation differences	52	2	(1)	12	65
At 31 December 2011	2,774	2,797	874	2,494	8,939
Charges	354	558	170	100	1,182
Payments	(244)	(265)	(29)	(13)	(551)
Applications	(292)	-	-	(327)	(619)
Translation differences	(6)	(9)	1	(1)	(15)
At 31 December 2012	2,586	3,081	1,016	2,253	8,936

18. Loans and borrowings

Details of this caption of the consolidated statement of financial position are as follows:

	Thousands of Euros	
	2012	2011
Bank loans	155,346	136,810
Finance leases	10,884	12,134
Total non-current	166,230	148,944
Bank loans	25,455	63,477
Credit facilities	44,079	56,297
Discounting facilities	2,517	1,667
Finance leases	1,661	1,826
Total current	73,712	123,267
Total loans and borrowings	239,942	272,211

All the amounts indicated above are classed as financial liabilities at amortised cost.

At 31 December 2012 and 2011 bank loans, 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 2012 and 2011.

On 27 July 2012, the Group entered into a new loan agreement of Euros 110 million and a revolving credit facility of Euros 48.5 million with a banking syndicate. At 31 December 2012, the Company has drawn down the full loan amount but has not drawn down any amount on the credit facility.

(Cont.)

The banks in the syndicate are BBVA, Banco de Santander, Banesto, Caixabank, Banco de Sabadell, Banca March, Barclays, Bankinter and Banco Popular, with Banco de Sabadell as the agent bank.

The Group has the financial stability to carry out its business plan as a result of this arrangement, as it extends the average payment period for loans and secures short-term funding for the next three years. Several of the Group's investees are acting as guarantors of the arrangement.

The 5-year loan has repayments every six months of increasing amounts and the first instalment is due 12 months from the arrangement date. The credit facility has a single maturity in 2015.

The agreed interest rate on this financing is Euribor plus a spread that ranges from 3.75% to 4.50%, depending on the net financial debt/EBITDA ratio.

The aforementioned financing agreement establishes compliance with annual covenants whereby the net financial debt/EBITDA ratio must be less than 3.5 in 2012 and 2013 and under 3.25 from 2014 onwards. It also stipulates that throughout the duration of the loan the EBITDA/net finance costs ratio should remain above 3 and that the net financial debt /Equity ratio should be higher than 1. The agreements also include several non-financial obligations which must be fulfilled. Failure to comply with any of the above stipulations would give the banks the right to demand immediate settlement of all the financing provided and any accrued interest. At the date these financial statements were authorised for issue the directors consider that all the aforementioned obligations have been met.

At the same time as this transaction, the Group has cancelled loans and credit facilities arranged in prior years totalling Euros 142,498 thousand. The impact on profit at 31 December 2012 amounts to Euros 1.9 million

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

	Company	Amount due (Thousands of Euros)	
		2012	2011
Syndicated loan for a nominal amount of Euros 110,000 thousand falling due on 27.7.2017 and with a floating interest rate based on Euribor at 3 months, plus a spread which ranges from 3.75%-4.50%, requested for the restructuring of the debt.	Fluidra,S.A.	110,000	-
Loan for a nominal amount of Euros 11,000 thousand falling due on 23.02.2016, with a floating interest rate based on Euribor at 12 months, plus a spread of 2.75%, requested for the acquisition of Aquaproducts Inc., . and Aquatron Robotic TechnologyLtd.	Fluidra,S.A.	8,360	10,120
Loan for a nominal amount of Euros 11,000 thousand falling due on 19.04.2016, with a floating interest rate based on Euribor at 12 months, plus a spread of 3.40%, requested to finance capex.	Fluidra, SA	8,221	10,074
Loan for a nominal amount of Euros 11,000 thousand falling due on 14.03.2016, with a floating interest rate based on Euribor at 6 months, plus a spread of 3.25%, requested to finance capex.	Fluidra, SA	8,067	10,022
Loan for a nominal amount of Euros 11,000 thousand falling due on 23.02.2016, with a floating interest rate based on Euribor at 12 months, plus a spread of 2.75%, requested for the acquisition of ., Aqua Products Inc. and Aquatron Robotic Technology Ltd.	Fluidra, SA	8,067	10,022
Loan for a nominal amount of Euros 11,000 thousand falling due on 23.02.2016, with a floating interest rate based on Euribor at 12 months plus a spread of 2.75% , requested for the acquisition of ., Aqua Products Inc. and Aquatron Robotic Technology Ltd.	Fluidra, SA	8,067	10,022
Property lease for a nominal amount of Euros 10,700 thousand falling due on 21.01.2020, with a fixed interest rate of 3.80% until 2013 and a floating interest rate based on Euribor plus a spread of 0,5%.	Fluidra Commercial, S.A.U.	6,765	7,476
Loan for a nominal amount of US Dollars 6,000 thousand falling due on 20.12.2017, with a fixed interest rate of 2.0523% from 20.12.2012 until 20.03.2013 and thereafter a floating interest rate based on Libor at 3 months plus a spread of 1.75%, requested to finance the deferred payment relating to the acquisition of the company..	Aquaproducts Inc.	4,548	-
Loan for a nominal amount of Euros 4,600 thousand falling due on 30.06.2015, with a fixed interest rate of 4.16%, requested for line restructuring	Astral Pool Australia Pty Ltd.	3,619	-
Loan for a nominal amount of Euros 5,000 thousand falling due on 01.12.2014, with a floating interest rate based on Euribor at 6 months plus a spread of 3.00. requested to finance capex.2	Fluidra, S.A.	3,333	5,000

(Cont.)

The most significant balances in foreign currencies at 31 December 2012 and 2011 are as follows:

Borrowings:

	Thousands of Euros	
	2012	2011
US Dollar	21,904	16,019
Australian Dollar	6,417	4,196
Pound Sterling	4,000	2,679
Israeli Shekel	-	2,356
Other currencies	333	78
	32,654	25,328

The Group has the following credit and discounting facilities at 31 December 2012 and 2011:

	Thousands of Euros			
	2012		2011	
	Drawn down	Limit	Drawn down	Limit
Credit facilities	44,079	159,187	56,297	163,740
Discounting facilities	2,517	53,275	1,667	59,525
	46,596	212,462	57,964	223,265

At 31 December 2012 the Group has no collateralised debt (Euros 1,710 thousand of mortgage guarantees at 31 December 2011) (see note 6):

Bank loans mature as follows:

	Thousands of Euros	
Maturity	2012	2011
Up to 1 year	73,712	123,267
2 years	35,137	53,222
3 years	37,707	41,965
4 years	48,522	27,679
5 years	40,285	19,616
More than 5 years	4,579	6,462
	239,942	272,211

Details of minimum payments and present value of the finance lease liabilities by due date is as follows:

	Thousands of Euros					
	2012			2011		
	Minimum payments	Interest	Principal	Minimum payments	Interest	Principal
Up to 1 year	2,133	472	1,661	2,380	554	1,826
Between 1 and 5 years	8,552	1,131	7,421	8,016	1,424	6,592
More than 5 years	3,737	274	3,463	6,456	914	5,542
	14,422	1,877	12,545	16,852	2,892	13,960

(Cont.)

With the exception of a property lease which accrues fixed interest until 2013, the carrying amount of which at 31 December 2012 stands at Euros 6,765 thousand (Euros 7,476 thousand in 2011) and a property lease that accrues fixed interest until maturity which has a carrying amount at 31 December 2012 of Euros 593 thousand (Euros 727 thousand in 2011), 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 statement of financial position are as follows:

	Thousands of Euros	
	2012	2011
Trade payables	58,502	61,711
Other payables	3,434	5,165
Fixed asset suppliers	10,675	10,672
Public entities	10,729	10,084
Current income tax liabilities	2,316	2,470
Salaries payable	9,782	9,513
	95,438	99,615

Fixed asset suppliers include Euros 7,414 thousand in respect of the short term contingent consideration in US dollars derived from the acquisition of Fluidra Youli, on 9 October 2012 (see note 5. This amount is classed as a financial liability at fair value through profit or loss).

In 2011, Euros 9,273 thousand were included for the short-term maturities of the contingent consideration denominated in US Dollars arising from the acquisition of the Aqua Group on 17 March 2011 (see note 5. This amount is classed as a financial liability at fair value through profit or loss).

Euros 353 thousand are also included in this caption consisting of the deferred payment of the obligatory fixed amount relating to the purchase of Pools S.A.S. (see note 5).

The most significant balances in foreign currencies at 31 December 2012 and 2011 are as follows:

Trade payables:

	Thousands of Euros	
	2012	2011
US Dollar	5,294	7,004
Australian Dollar	4,665	5,576
Pounds Sterling	4,174	3,828
Chinese Renminbi	2,366	1,946
Israeli Shekel	1,102	1,086
	17,601	19,440

Payables to public entities are as follows:

	Thousands of Euros	
	2012	2011
Taxation authorities		
VAT	3,562	3,225
Withholdings	2,420	2,632
Social Security	3,757	3,183
Others	990	1,044
	10,729	10,084

20. Other non-Current Liabilities

Details of non-current liabilities are as follows:

	Thousands of Euros	
	2012	2011
Liabilities for business acquisitions	31,180	39,746
Others	665	394
Total	31,845	40,140

Liabilities for business acquisitions include Euros 23,082 thousand (Euros 36,285 thousand in 2011) which is the best estimate of the fair value of the long-term contingent consideration derived from the acquisition of the Aqua Group (see note 5). This amount is in USD dollars and is classed as a financial liability at fair value through profit or loss.

This caption also includes Euros 6,781 thousand corresponding to the best estimate of the fair value of the long-term contingent consideration arising from the acquisition of Fluidra Youli Fluid Systems (Wenzhou) Co. Ltd (see note 5), as well as Euros 340 thousand from the deferred fixed and obligatory payment for the purchase of Pools, S.A.S. (see note 5).

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:

- 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.

The Group's exposure to unimpaired financial assets in arrears is concentrated solely in trade and other receivables. The Group has no other financial assets which have matured and are in arrears.

The following tables provide an ageing analysis of unimpaired trade and other receivables in arrears at 31 December 2012 and 2011:

	2012	2011
Not past due	101,072	105,446
Past due	41,393	31,800
0-90 days	30,944	24,211
90-120 days	7,283	4,509
More than 120 days	3,166	3,080

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 2012 and 2011 is presented below in the table analysing financial liabilities by contractual maturity date:

	2012					
	Thousands of Euros					
	1 year	2 years	3 years	4 years	5 years	More than 5 years
Loans and borrowings	79,903	39,427	40,794	49,490	40,157	1,527
Capital	72,051	33,407	35,904	46,088	38,831	1,116
Interest	7,852	6,020	4,890	3,402	1,326	411
Finance lease payables	2,133	2,047	2,097	2,705	1,703	3,737
Capital	1,661	1,730	1,803	2,434	1,454	3,463
Interest	472	317	294	271	249	274
Derivative financial liabilities	427	377	289	261	1.290	437
Trade and other payables	95,438	-	-	-	-	-
Other non-current liabilities	-	8,784	800	-	30,317	-
	177,901	50,635	43,980	52,456	73,467	5,701

	2011					
	Thousands of Euros					
	1 year	2 years	3 years	4 years	5 years	More than 5 years
Loans and borrowings	127,743	55,710	42,947	27,488	18,674	938
Capital	121,441	51,578	40,282	25,939	18,092	919
Interest	6,302	4,132	2,665	1,549	582	19
Finance lease payables	2,380	2,043	2,054	2,081	1,838	6,456
Capital	1,826	1,644	1,684	1,739	1,525	5,542
Interest	554	399	370	342	313	914
Derivative financial liabilities	151	627	686	295	75	489
Trade and other payables	99,615	-	-	-	-	-
Other non-current liabilities	-	1,565	1,897	-	-	44,561
	229,889	59,945	47,584	29,864	20,587	52,444

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.

(Cont.)

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 (and the Israeli Shekel), all transactions with the Euro are hedged using forwards. The remaining currencies 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.

As a result of the business combination on 17 March 2011, at 31 December 2012 the contingent consideration was denominated in US Dollars and is therefore partially exposed to currency risk. Forward rate and option hedging instruments are used to hedge this risk. In the sensitivity analysis, had the US Dollar strengthened/weakened by 10% against the Shekel, profit would have increased/decreased by Euros 437 thousand (+/- Euros 1,376 thousand at 31 December 2011), without taking into account the effect of the hedging instruments used.

At 31 December 2012 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 167 thousand lower. Had the Euro weakened 10% against the aforementioned currencies, consolidated profit after income tax would have increased by Euros 204 thousand, mainly as a result of translating receivables to foreign currency. The translation differences recognised in income and expenses would have been Euros 7,210 thousand lower had the Euro strengthened by 10%, and Euros 8,772 thousand higher had the Euro weakened by 10%.

At 31 December 2011 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 320 thousand lower. Had the Euro weakened 10% against the aforementioned currencies, consolidated profit after income tax would have decreased Euros 13 thousand, mainly as a result of translating receivables to foreign currency. The translation differences recognised in income and expenses would have been Euros 4,824 thousand lower had the Euro strengthened by 10%, and Euros 5,938 thousand higher had the Euro weakened by 10%.

The principal balances in foreign currency are described in notes 13, 18 and 19 to these consolidated annual accounts.

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 floating 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 reporting 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 2012, with the other variables remaining constant, consolidated profit before income tax would have been Euros 505 thousand (Euros 490 thousand in 2011) 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	
	2012	2011
Raw materials and materials purchased	314,952	314,064
Changes in goods for resale	1,497	1,697
Changes in inventories of raw materials	(940)	(1,970)
Changes in inventories of finished goods and work in progress	(739)	6,602
Impairment	(3,452)	(1,408)
Total	315,163	311,644

23. Services rendered

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

24. Other Income

This caption has no balance at 31 December 2012, whereas in the prior year it mainly included profit on the sale of property, plant and equipment.

25. Personnel Expenses

Details of personnel expenses in 2012 and 2011 are as follows:

	Thousands of Euros	
	2012	2011
Wages and salaries	108,018	104,838
Compensation for termination of employment [(1)]	4,490	3,074
Social Security	24,721	24,719
Other employee benefits expense	5,457	4,532
	142,686	137,163

(1) This compensation includes indemnities arising from the industrial optimisation and the new commercial model, which amount to Euros 4,448 thousand in 2012 (Euros 2,763 thousand in 2011).

The average headcount in 2012 and 2011, distributed by category, is as follows:

	2012	2011
Management	94	87
Sales, logistics and production	2,960	2,962
Administration and purchasing	668	588
	3,722	3,637

The average headcount with a disability higher or equal to 33% during the year ended 31 December 2012 was 28 employees (30 employees in 2011), 25 of these had the professional category of “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:

	2012		2011	
	Males	Females	Males	Females
Directors (including 1 senior executive)	10	-	10	-
Management	82	13	85	4
Sales, logistics and production	2,070	784	2,113	795
Administration and purchasing	337	357	291	326
	2,499	1,154	2,499	1,125

(Cont.)

26. Other Operating Expenses

Details are as follows:

	Thousands of Euros	
	2012	2011
Rentals and royalties (note 27)	20,120	19,509
Repairs and maintenance	6,732	6,645
Independent professional services	10,281	10,150
Temporary employment expenses	4,033	5,188
Commission	3,147	3,566
Sales transport	22,572	25,308
Insurance premiums	3,030	2,843
Banking services	1,391	1,851
Marketing and publicity	8,536	7,652
Supplies	9,440	9,573
Communication	3,058	2,797
Travel expenses	9,685	9,126
Other taxes	3,327	3,112
Changes in trade provisions	5,672	5,073
Others (*)	10,983	11,152
	122,007	123,545

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

27. 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.

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

	Thousands of euros	
	2012	2011
Up to 1 year	15,121	14,381
Between 1 and 5 years	22,499	22,834
More than 5 years	5,197	6,798
	42,817	44,013

Operating lease instalments recognised as expenses for the year amount to Euros 20,120 thousand (Euros 19,509 thousand in 2011) (see note 26).

(Cont.)

28. **Finance Income and Expenses**

Details are as follows:

	Thousands of Euros	
	2012	2011
Finance income		
Other finance income	4,787	-
Gains on fair value of financial instruments	13,404	5,238
Total finance income	18,191	5,238
Finance expenses		-
Debt interest (leases and loans)	(8,086)	(7,841)
Interest on credit facilities and discounted notes	(5,996)	(5,340)
Other finance expenses	(4,167)	(2,112)
Losses on fair value of financial instruments	(831)	(360)
Total finance expenses	(19,080)	(15,653)
Exchange differences		
Exchange gains	11,564	8,406
Exchange losses	(11,381)	(11,174)
Total exchange differences	183	(2,768)
Net expense	(706)	(13,183)

Gains on fair value of financial instruments includes the income resulting from the estimated fair value of the financial liability arising from the acquisition of Aqua (see note 5).

29. **Deferred Tax and Income Tax**

During 2012 the Group has filed consolidated tax returns through five tax subgroups: Fluidra, S.A., Swimco Corp S.L., Fluidra Services France, S.A.S., Fluidra Deutschland GmbH (started in 2011) and U.S. Pool Holdings Inc. (incorporated in 2011), being the Parent of each tax consolidation and responsible for filing the corresponding tax returns with the tax authorities. The companies of each tax subgroup and the tax rate applicable are as follows:

Fluidra, S.A. (30%)		**Fluidra Services France, S.A.S. (33,33%)**
	Metalast, S.A.U.	
Accent Graphic, S.L.U.	Poltank, S.A.U.	Astral Piscine, S.A.S.
Fluidra Export, S.A.	Pool Supplier, S.L.U.	Blue Water Parts, S.A.S.
Astramatic, S.A.U.	Sacopa, S.A.U.	Certikin France, S.A.R.L.
ATH, S.L.U.	Talleres del Agua, S.L.U.	Irrigaronne, S.A.S.
Cepex, S.A.U.	Togama, S.A.U.	Europeene de Couverture Automatique, S.A.R.L.(1)
Fluidra Commercial, S.A.U.	Trace Logistics, S.A.U.	
Fluidra España, S.A.U.	Unistral recambios, S.A.U.	**Fluidra Deutschland, GmbH. (31,85%)**
Fluidra Industry, S.A.U.		
Fluidra J.V. Youli, S.L.	**Swimco Corp., S.L. (28%)**	Moderne Wassertechnick AG
Fluidra Services España , S.L.U.		
Industrias Mecánicas Lago, S.A.U.	Manufacturas Gre, S.A.U	**U.S. Pool Holdings, Inc. (40%)**
Inmobiliaria Swim 38, S.L	Pisciwellness Domiciliario, S.L.U.	.
Inquide, S.A.U.	Calderería Plástica del Norte, S.L.	Aquaproducts, Inc.

(1) Incorporated in 2011.

(Cont.)

The Company and the remaining subsidiaries (except Fluidra Middle East FZE and Certikin Middle East FZE) 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	
	2012	2011	2012	2011	2012	2011
Finance leases	122	96	788	835	(666)	(739)
Property, plant and equipment and investment property	714	701	3,751	4,588	(3,037)	(3,887)
Deferred gains	19	19	3,177	2,147	(3,158)	(2,128)
R&D costs	52	73	57	-	(5)	73
Exchange differences	-	(166)	257	-	(257)	(166)
Customer portfolio	159	-	851	1,905	(692)	(1,905)
Trademarks	-	-	640	732	(640)	(732)
Patents	-	10	-	301	-	(291)
Contractual relationships	-	-	2,798	27	(2,798)	(27)
Inventories	2,706	2,873	36	61	2,670	2,812
Provisions for inventories	1,390	1,925	-	-	1,390	1,925
Trade provisions	2,737	2,513	1	-	2,736	2,513
Other provisions	2,067	1,697	76	1	1,991	1,696
Credit for tax loss carryforwards and deductions	9,142	6,664	-	-	9,142	6,664
Goodwill	-	-	9,700	9,409	(9,700)	(9,409)
Other items	1,424	631	6,487	7,001	(5,063)	(6,370)
	20,532	17,036	28,619	27,007	(8,067)	(9,971)

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

	Miles de euros					
	31.12.2011	Profit and loss	Equity	Business combinatio ns	Other	31.12.2012
Finance leases	(739)	71	-	-	2	(666)
Property, plant and equipment and investment property	(3,887)	844	-	-	6	(3,037)
Deferred gains	(2,128)	(1,030)	-	-	-	(3,158)
R&D costs	73	(55)	-	-	(23)	(5)
Exchange differences	(166)	-	-	-	(91)	(257)
Customer portfolio	(1,905)	1,263	-	(178)	128	(692)
Trademarks	(732)	92	-	-	-	(640)
Patents	(291)	301	-	-	(10)	-
Contractual relationships	(27)	159	-	(2,930)	-	(2,798)
Inventories	2,812	(163)	-	-	21	2,670
Provisions for inventories	1,925	(407)	-	-	(128)	1,390
Trade provisions	2,513	397	-	-	(174)	2,736
Other provisions	1,696	240	35	-	20	1,991
Credit for tax loss carryforwards and deductions	6,664	2,990	-	-	(512)	9,142
Goodwill	(9,409)	(733)	-	-	442	(9,700)
Other items	(6,370)	(85)	371	-	1,021	(5,063)
Total	(9,971)	3,884	406	(3,108)	702	(8,087)

(Cont.)

	Miles de euros					
	31.12.2010	Profit and loss	Equity	Business combinations	Other	31.12.2011
Finance leases	(902)	159	-	-	4	(739)
Property, plant and equipment and investment property	(4,573)	699	-	-	(13)	(3,887)
Deferred gains	(2,128)	-	-	-	-	(2,128)
R&D costs	114	(18)	-	-	(23)	73
Exchange differences	(136)	66	-	-	(96)	(166)
Customer portfolio	(3,442)	1,534	-	-	3	(1,905)
Trademarks	(893)	161	-	-	-	(732)
Patents	(662)	374	-	-	(3)	(291)
Contractual relationships	(57)	30	-	-	-	(27)
Inventories	2,036	762	-	-	14	2,812
Provisions	5,266	(740)	-	1,358	250	6,134
Establishment costs	9	(2)	-	-	(7)	-
Credit for tax loss carryforwards and deductions	7,946	(2,184)	-	-	902	6,664
Goodwill	(6,849)	(1,154)	-	-	(1,406)	(9.409)
Other items	(7,741)	977	81	-	313	(6,370)
Total	(12,012)	664	81	1,358	(62)	(9,971)

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 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 hedging instruments and the provision for long-term defined benefit payments which amounted to Euros 406 thousand in 2012 and Euros 81 thousand in 2011 .

Remaining deferred tax assets and liabilities recognised and reversed in 2012 and 2011 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 1,718 thousand and Euros 19,216 thousand, respectively. (Euros 2,212 thousand and Euros 13,994 thousand, respectively, in 2011).

(Cont.)

Details of the income tax expense are as follows:

	Thousands of Euros	
	2012	2011
Current tax expense		
Current year	8,594	8,050
Tax credits	(509)	(983)
Prior year adjustments	251	169
Provision for taxes	(250)	(2,264)
Others	30	91
Deferred taxes		
Origination and reversal of temporary differences	(938)	(2.871)
Credit for tax loss carryforwards and deductions	(2,990)	2.184
Effect of change in the tax rate	44	23
Total income tax expense	4,232	4,399

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

	Thousands of Euros	
	2012	2011
Current tax expense	8,085	7,067
Withholdings and payments on account during the year	(7,803)	(6,286)
Translation differences	(5)	78
Tax receivable 2011	(570)	-
Tax receivable 2010	-	(213)
	(293)	646

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

	Thousands of Euros	
	2012	2011
Profit before income tax on continuing operations	20,806	21,638
Tax at 30%	6,242	6,491
Effect of application of tax rates in different countries	(934)	(554)
Permanent differences	(387)	1,176
Offset of loss carryforwards not recognised in prior years	(95)	(363)
Difference in prior years' income tax expense	251	169
Provision for taxes	(250)	(2,264)
Tax credits	(941)	(255)
Effect of change in the tax rate	44	23
Others	302	(24)
Income tax expense	4,232	4,399

(Cont.)

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

Deferred tax assets relating to tax loss carryforwards and deductions not recognised in the Group's consolidated financial statements at 31 December 2012 and 2011 are as follows:

	Thousands of Euros	
	2012	2011
Deductions	5,034	3,204
Tax losses	4,108	3,460
	9,142	6,664

The Group only recognises deductions and tax losses when it considers their recovery is probable. In 2012, it Euros 1,779 thousand of tax loss carryforwards and deductions have been used which were recognized in prior years (Euro 1,282 thousand in 2011). As a result of the tax losses of the Spanish companies that file a consolidated tax return, in 2012 the Group has recognised Euros 4,257 thousand in deductions and tax loss carryforwards (Euros 0 in 2011).

The reversal amounts and terms of the deductions capitalized at 31 December 2012 are as follows:

Years	Thousands of Euros	Final year
2007 - 2011	1,968	2018 - 2028
2012	1,849	2019
2012	708	2030
2007 - 2012	509	No time limit
	5,034	

The amounts and terms of the reversal of tax loss carryforwards capitalised at 31 December 2012 are as follows:

Years	Thousands of Euros	Final year
2007 - 2009	1,880	2025 - 2027
2012	873	2020
2009	1,355	No time limit
	4,108	

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

	Thousands of Euros	
	2012	2011
Deductions	1,729	1,620
Tax losses	10,267	8,241
	11,996	9,861

Deductions not capitalised and the related reversal periods at 31 December 2012 are as follows:

Years	Thousands of Euros	Final year
2005-2011	1,613	2015-2029
2012	30	2022
2012	31	2027
2010-2011	55	No time limit
	1,729	

Tax loss carryforward amounts and reversal periods are as follows:

Years	Thousands of Euros	Final year
2002-2010	6,177	2012-2029
2011	6,450	2015-2031
2012	295	2017
2012	188	2018
2012	188	2019
2012	670	2022
2012	1,140	2032
2002-2012	16,552	No time limit for offsetting
	31,660	

Cepex Mexico, S.A. de CV, Swimco Corp., S.L., Manufacturas Gre, S.A., Calderería Plástica del Norte, S.L., Certikin Italia, S.p.A., Inquide, S.A.U., Fluidra Services France, S.A.S., Irrigaronne, S.A.S., Certikin France, S.A.R.L. and Aquaproducts, Inc. 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.

The Spanish companies have the following years open to inspection:

Tax	Years open
Income tax	2008 to 2012
VAT	2009 to 2012
Personal income tax	2009 to 2012
Business activities tax	2009 to 2012

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.

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

30. Transactions and Balances with Related Parties

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

	Thousands of Euros			
	31.12.2012		31.12.2011	
	Receivables	Payables	Receivables	Payables
Trade receivables	300	-	433	-
Receivables	38	-	106	-
Suppliers	-	718	-	1,156
Trade payables	-	159	-	22
Total current	338	877	539	1,178

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:

a. Purchases of finished goods, especially spas and accessories from Iberspa, S.L.

b. Building rental agreements between the Group and Inmobiliaria Tralsa, S.A., Constralsa, S.L. and Stick Inmobiliere, recognised under costs for services received.

c. Sales to Iberpsa of components and materials produced by the Group for the manufacture of spas.

d. Services rendered by the Group to Iberspa, S.L.

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

	Thousands of Euros			
	31.12.2012		31.12.2011	
	Associates	Related entities	Associates	Related entities
Sales	816	823	565	846
Income on services	42	175	12	241
Purchases	-	(3,957)	-	(4,467)
Leases and other	(844)	(4,283)	(1,057)	(4,051)

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	
	31.12.2012	31.12.2011
Total key management personnel	1,938	1,676
Total Parent directors	1,262	1,249

In key management personnel the appointment of the new General Manager of Asia is noteworthy as this explains the increase in wages and salaries in 2012.

The members of the Company's board of directors have received a total of Euros 930 thousand in 2012 (Euros 919 thousand in 2011), respectively, from the consolidated companies in which they are directors. In addition, they have received a total of Euros 332 thousand for executive functions in 2012 (Euros 330 thousand in 2011). They have also received amounts for travel expenses totalling Euros 89 thousand (Euros 64 thousand in 2011.

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 2012 (Euros 4 thousand in 2011).

The Company also contributes Euros 16 thousand to cover the risks of survival, death and temporary or permanent disability for the same director referred to above.

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 Offer and at certain Company executives. The first, second and third (and last) cycle of this Plan started on 15 July 2010, 15 July 2011 and 15 July 2012, respectively. At 31 December 2012 the amount recognised in the income statement for this concept amounted to Euros 300 thousand (Euros 150 thousand at 31 December 2011) (see note 32).

(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 2012 and 2011.

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 IV which forms an integral part of this note to the consolidated annual accounts.

31. Environmental Information

The most significant systems, equipment and installations included as property, plant and equipment at 31 December 2012 and 2011, the purpose of which is to minimise the environmental impact and protect and improve the environment, are as follows:

	2012		
	Thousands of Euros		
	Cost	Accumulated depreciation	Carrying amount
Waste treatment	3,456	(2,244)	1,212
Energy saving	584	(58)	526
Emissions reduction	554	(356)	198
Contamination reduction	548	(351)	197
	5,142	(3,009)	2,133

	2011		
	Thousands of Euros		
	Cost	Accumulated depreciation	Carrying amount
Waste treatment	3,378	(1,957)	1,421
Energy saving	134	(25)	109
Emissions reduction	571	(315)	256
Contamination reduction	488	(326)	162
	4,571	(2,623)	1,948

Expenses incurred to protect and improve the environment during 2012 and 2011 have been as follows:

	Thousands of Euros	
Description of expenses	2012	2011
External services	50	48
Environmental protection	189	227
	239	275

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 2012 and 2011.

During the years ended 31 December 2012 and 2011 no environmental grants have been received.

32. Other Commitments and Contingencies

At 31 December 2012 the Group has not presented any mortgage guarantee. At 31 December 2011 the Group had mortgaged various assets to secure a bank loan, the capital pending repayment of which amounted to Euros 1,710 thousand at that date (see note 18).

At 31 December 2012, the Group has guarantees with banks and other entities amounting to Euros 4,761 thousand (Euros 3,094 thousand in 2011), of which Euros 352 thousand consist of technical guarantees.

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 Calderería Plástica del Norte, S.L., Certikin Italia, S.p.A. and SSA Fluidra Osterreich GmbH are carried as liabilities on the consolidated statement of financial position at 31 December 2012 for amounts of Euros 740 thousand, Euros 83 thousand and Euros 456 thousand, respectively (Euros 1,855 and 450 thousand for Calderería Plástica del Norte, S.L. and SSA Fluidra Osterreich GmbH, respectively, at 31 December 2011) .

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:

a) 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.

At 31 December 2012 the best estimate of the whole Plan amounts to approximately Euros 1,004 thousand (Euros 1,100 thousand at 31 December 2011). Once in the third cycle , Euros 300 thousand have been recognised in the income statement at 31 December 2012 (Euros 150 thousand at 31 December 2011).

On 31 August 2012, 20,457 Fluidra shares, valued at Euros 41 thousand, were used to settle the amount due to one of the plan participants whose contractual relationship had ended. At the beginning of the third cycle the new general manager of Asia, in his role as a member of the Group’s executive committee adhered to the plan.

(Cont.)

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

33. 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 2012 and 2011, as follows:

	Thousands of Euros	
	31.12.2012	31.12.2011
For audit services	495	522
For other services of accounting verification	9	11
Total	504	533

The amounts detailed in the above table include the total professional service fees for years 2012 and 2011, irrespective of the date of invoice.

Other companies of the KPMG Europe, LLP Group have invoiced the Group net fees for professional services during the years ended 31 December 2012 and 2011, as follows:

	Thousands of Euros	
	31.12.2012	31.12.2011
For audit services	69	69
For other assurance services	1	4
For other services	140	47
Total	210	120

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 2012 and 2011, as follows:

	Thousands of Euros	
	31.12.2012	31.12.2011
For audit services	252	211
For other assurance services	-	3
For tax advisory services	2	17
For other services	19	1
Total	273	232

(Cont.)

Furthermore, other auditors different from KPMG have invoiced the Group net fees for professional services during the years ended 31 December 2012 and 2011, as follows:

	Thousands of Euros	
	31.12.2012	31.12.2011
For audit services	268	237
For other assurance services	12	132
For tax advisory services	33	102
For other services	4	21
Total	317	492

34. Late payments to suppliers

The information on late payments to suppliers in Spain, in accordance with Law 15/2010 of 5 July 2010 which establishes measures to combat payment default on trade transactions, is as follows:

	Payments made and payable at the reporting date			
	2012		2011	
	Amount (thousands of Euros)	%	Amount (thousands of Euros)	%
Within maximum legal payment term	134,405	56.5%	138,724	55.4%
Rest	103,400	43.5%	111,877	44.6%
Total payments for the year	237,805	100.0%	250,601	100.0%
DPO exceeded (days)	30		27	
Late payments for which the maximum legal payment term has been exceeded at the reporting date	6,708		5,591	

35. 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 2012 and 2011	Thousands of Euros	
	31.12.2012	31.12.2011
Sale of goods for resale and finished goods	628,758	624,040
Services rendered	11,922	11,024
Self-constructed assets	6,855	4,666
Changes in inventories of finished goods, work in progress and raw material supplies	(315,163)	(311,644)
Personnel expenses	(138,238)	(134,400)
Other operating expenses	(122,007)	(123,545)
Share of profit/(loss) of equity-accounted investees	88	31
EBITDA	72,215	70,172

(Cont.)

36. Subsequent events

The Fluidra Group has adopted a new organisational structure, in effect since early 2013, so that the organisation is geared to take advantage of all commercial possibilities in terms of sales areas and product diversification and/or channel and can continue gaining in efficiency.

The result is five commercial divisions, with the whole production chain and logistics under the management of Operations. The commercial divisions are Europe, Expansion, Projects, South American and Asia. The objectives of this new structure are to heighten the focus on each of these markets, paying particular attention to projects with a greater degree of specialisation, as well as streamlining the supply chain by grouping buying, production, storage and logistics under the same management. The industrial division which encompassed the industrial activity has ceased to exist as such with its direct sales to market now handled by each of the commercial divisions. The Operations management will coordinate the industrial strategy of the production companies in the geographic areas.

On 22 February the Group acquired 87% of Veico Com. Br. Industria e Comercio Lda, a company which manufactures and sells pool products in the Brazilian market. Its annual turnover is approximately Euros 3.7 million.

General business performance

In 2012 the Fluidra Group has recorded a slight growth in sales of 0.8%.. The following two factors should be taken into account when analysing this figure: the inclusion of two months sales from the Aqua Group (acquired in March 2011 and representing +0.6% on the annual figure) and the sales from the acquiree in China, from October 2012 (+ 0.9%). Therefore organic turnover was -0.7%. Organic turnover in each quarter was as follows: first quarter +1.3%, second quarter -4.5%, third quarter +0.1% and the last quarter +3.7%. The drop in the second quarter was due to the fall off in June this year. This reduction was mainly due to the Italian and Portuguese markets, where turnover was down 24% compared to the same period in 2011. Lower consumer demand in those areas and the aggressive steps taken by competitors, particularly in Italy, are the reasons behind this fall.

The performance of organic growth in turnover for the year by geographical areas is as follows: the Spanish market continues its slide in terms of its contribution to consolidated turnover (- 7.5%), with diversification into wellness projects preventing it from falling further and it is has been dislodged again from the Group's top market position by France; the rest of Southern Europe, has contracted 5.4%, which includes growth of 1.6% in the French market and a decline of 25% and 15%, respectively, in the Portuguese and Italian markets. The decrease in the markets of Southern Europe, except for France, has been offset by the increase in Asia and Australia, where organic growth in turnover was 21%. The strategic shift brought about by internationalisation has followed its course, with the weight of the traditional markets of Southern Europe (including Spain) in respect of global revenues slipping from 57% in 2011 to 53% in 2012.

The Euro exchange rate compared to other currencies has had a positive impact; excluding this impact turnover would have been 1.1% lower.

As regards organic growth of the business units, the 1.7 % decrease in Pool is noteworthy, resulting especially from the drop in commercial pool projects (-7.7%) and the non-pool business units have increased their weight (water treatment, irrigation and fluid handling) with a rise of 1%. The strategic acquisition in the Chinese market will support the principal objective of diversification in the non-pool businesses, fluid handling in this particular case.

EBITDA has increased 2.9% from Euros 70.2 million at 31 December 2011 to Euros 72.2 million at 31 December 2012.

EBITDA has risen more steeply than sales, increasing from 11.2% of sales in 2011 to 11.5% of sales in 2012.

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If we analyse this EBITDA growth we can see that it is due to several impacts:

a) On the one hand, a loss of 0.2% in gross margin as a percentage of sales, due to the above-average increase in applied fluid handling and wellness projects, which contribute a lower gross consolidated margin as they do not include a manufacturing mark up. The fall in prices in certain private pool markets has also had an adverse effect.

b) Excellent performance of operating expenses net of operations (sum of personnel expenses excluding the termination benefits paid as a result of industrial optimisation and the new commercial model and other operating expenses net of revenue from the rendering of services and self-constructed assets, prior to variations in trade provisions), as a result of the lean manufacturing processes implemented in the production plants and the introduction of the new sales office model and other cost cutting initiatives, mainly in the Southern Europe area.

The reduction of Euros 1.4 million in net operating costs includes two negative impacts: Firstly, an increase in costs due to the Euro exchange rate with other currencies which has had a negative impact of Euros 4.4 million and secondly, the impact of the acquisitions (Aqua, two months and the purchase in the Chinese market, three months) which have led to Euros 2.9 million in higher costs. Excluding these impacts the cost reduction would have been 3.7% for the year like-on-like.

To analyse the finance income we should exclude the impact of estimating the fair value of the financial liability arising from the acquisition of Aqua (explained in note 5- Business Combinations) which has been recognised under finance income for Euros 13.4 million. Excluding this impact finance income has risen by Euros 0.9 million. Two impacts account for this change: (i) the improvement in exchange differences which have gone from Euros -2.8 million to Euros 0.2 million due to the variation in exchange rates and the measures taken by the Group to mitigate its exposure to currency risk and (ii) the new syndicated loan arrangement (explained in note 18) which has had a Euros 1.9 million impact on finance costs. The remaining increase is due to a higher average cost of financing.

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

Net profit attributable to the Parent has shown a downward trend of 3.8%, falling from 2.45% of sales in 2011 to 2.3% of sales in 2012.

As regards the Group's consolidated statement of financial position, net working capital rose by Euros 9.3 million (4.6%). This represents a higher percentage of sales, with a rise from 32.4% of sales in 2011 to 33.7% of sales in 2012. This trend is the result of higher receivables (Euros 7.2 million) due to the sales growth in the last quarter, having achieved a shorter average collection period in 2012. Investments rose by Euros 22.9 million, with a noticeable ongoing effort in R&D (Euros 5.8 million compared to Euros 4 million in 2011) where the development of the new range of automatic pool cleaners is particularly relevant, as well as an investment of Euros 7.5 million in the Group's production plants and Euros 6.1 million in the distribution network.

Net financial debt rose by Euros 4.1 million, comprising the previously mentioned investment in working capital and the payments already made for the purchase of Aqua (Euros 9.9 million).

The Group's headcount grew by 20 employees to an average of 3,722 at 31 December 2012, of which 68% were male and 32% were female.

Fluidra's ongoing commitment to the environment is reflected in the optimisation of the natural resources in its production processes, as well as 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.

Information on related party transactions is disclosed in section 18 Related Party Transactions within the half-yearly financial report sent to the 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 currency risk when operating in foreign currencies, especially the US Dollar (USD), Pound Sterling (GBP), and Australian Dollar (AUD) .

Thousands of Euros	Sales	Purchases
USD	44,712	54,801
AUD	49,104	22,212
GBP	35,438	21,438

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 and US Dollar, respectively, are hedged using forwards.

The Group manages interest rate risk in its cash flows using floating-to-fixed barrier swaps with fixed rates of between 1.08% and 6.40% and barriers at an interval ranging from 5.50% to 6.75%. At the closing date approximately 72.4% of loans and borrowings are hedged or contracted at fixed rates.

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 2012 the Company has carried out several purchase transactions (369,562 shares) involving treasury shares and sales transactions (2,841,789 shares). At year end the Company held 380,101 treasury shares, representing 0.34% of its share capital and with a total cost of Euros 1,037 thousand.

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

Research, development and technological innovation

Investments in research, development and technological innovation amounted to Euros 5,807 thousand during 2012
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Events after the reporting period

The Fluidra Group has adopted a new organisational structure, in effect since early 2013, so that the organisation is geared to take advantage of all commercial possibilities in terms of sales areas and product diversification and/or channel and can continue gaining in efficiency.

The result is five commercial divisions, with the whole production chain and logistics under the management of Operations. The commercial divisions are Europe, Expansion, Projects, South American and Asia. The objectives of this new structure are to heighten the focus on each of these markets, paying particular attention to projects with a greater degree of specialisation, as well as rationalising the supply chain by grouping buying, production, storage and logistics under the same management. The industrial division which encompassed the industrial activity has ceased to exist as such with its direct sales to market now handled by each of the commercial divisions. The Operations management will coordinate the industrial strategy of the production companies in the geographic areas.

On 22 February the Group acquired 87% of Veico Com. Br. Industria e Comercio Lda, a company which manufactures and sells pool products in the Brazilian market. Its annual sales figure is approximately Euros 3.7 million.
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Fluidra, S.A. and Subsidiaries

Consolidated Annual Accounts

2012

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

On 21 March 2013 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 2012. 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.

Mr Juan Planes Vila (signed)	Bansabadell Inversió Desenvolupament, S.A. Mr Carlos Ventura Santamans (signed)
Mr Eloy Planes Corts (signed)	Mr Richard Cathcart (signed)
Aniol, S.L. Mr Bernat Garrigós Castro (signed)	Mr Kam Son Leong (signed)
Mr Oscar Serra Duffo (signed)	Mr Juan Ignacio Acha-Orbea Echeverría (signed)
Mr Bernat Corbera Serra (signed)	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 with registered offices in Sabadell (Barcelona), dedicated to the holding and use of stocks and shares and advising, managing and administrating 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.

- 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.

- Fluidra Belgique, S.R.L. (formerly 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, (formerly Astral Pool Deutschland, 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.

- Fluidra Export, S.A. (formerly 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., 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, 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 Maroc, 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.

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.)

- Astral Bazénové Prilslusenstvi 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.

- Fluidra Danmark A/S (formerly 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., 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., with registered offices in Wroclaw (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 specific 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. (merged with Fluidra USA, 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, 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. 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.

- Astral Pool 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. This is the Parent of the Astral Holdings Australia Pty Ltd. Group, the Parent of which has 100% of the share capital of the companies Hurlcon Staffing Pty Ltd, Hurlcon Investments Pty Ltd., Hurlcon Research Pty Ltd. (non-active company), Rolachem Pty Ltd. (non-active company) and Hendy Manufacturing Pty Ltd. (wound up) and also Astral Pool Australia Pty Ltd.

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Fluidra, S.A. and Subsidiaries

Details of the statutory activity
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- 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, with registered offices in Singapore (Singapore), the principal activity of which is the commercialisation of swimming pool accessories.

- Fluidra 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.

- 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. (merged with Servaqua, S.A.U. and Llierca Naus, S.A.), 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. (merged with Maber Plast, S.L.), with registered offices in Sant Jaume de Llierca (Girona), the principal activity of which is the transformation, commercialisation and sale of plastic materials as well as the manufacture, assembly, transformation, purchase and sale and distribution of all types of apparatus and tools for lighting and decoration; trading on both domestic and foreign markets of all types of products and goods, directly or indirectly related to the aforementioned products; representation of firms and mercantile and industrial companies dedicated to the manufacture of the above-mentioned products in Spain and abroad.

- Unistral Recambios, S.A.U., with registered offices in Maçanet 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.

- 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 Industry, S.A.U., 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.

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Fluidra, S.A. and Subsidiaries

Details of the statutory activity
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- 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., 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.

- 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 Electroquimica, 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, Spain) 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., with registered offices in Munguia (Vizcaya, Spain), the statutory activity of which involves the manufacture and commercialisation of swimming pool-related products, materials and accessories.

- Pisciwellness Domicialiario, S.L.U., 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.

- 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.

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Fluidra, S.A. and Subsidiaries

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- Hydroswim International, 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, Spain), 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., 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., 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, Spain), the principal activity of which is the manufacture of products and chemical specialties in general, with the exclusion of pharmaceuticals.

- Certikin France, S.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., with registered offices in Bedizzole, Brescia (Italy), the principal activity of which is the commercialisation of chemical water disinfection products.

- Certikin Portugal, S.A. (formerly 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.

- Astramatic, S.A.U., with registered offices in Les Franqueses 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.

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Fluidra, S.A. and Subsidiaries

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- 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, Spain), 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, Spain), 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 Inmobiliere, 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, Spain), the statutory activity of which is the development and rental of real estate.

- Fluidra Services 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. (formerly 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.

- 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, tax 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, tax and financial services, managing and training personnel, and providing IT services.

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Fluidra, S.A. and Subsidiaries

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

- Fluidra México, S.A. DE CV. with registered offices in Ciudad de México DF (México), the statutory activity of which is the purchase and sale, import, export, storage, manufacture and general commercialisation of all types of all types of products, equipment, components, machinery, accessories and specific chemical products for the construction of swimming pools, irrigation and water treatment.

- 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 accessorie.

- SSA Fluidra Österreich GMBH (formerly Schwimmbad-Sauna-Ausstattungs, GMBH), with registered offices in Salzburg (Austria), the principal activity of which is the commercialisation of swimming pool products.

- Splash Water Traders Private Limited, with registered offices in Chennai (India), the principal activity of which is the commercialisation of swimming pool accessories.

- Fluidra Adriatic, D.O.O. with registered offices in Belgrade (Serbia), the principal activity of which is the commercialisation of swimming pool accessories.

- Pø Leg & Teknik A/S with registered offices in Denmark, the principal activity of which is the commercialisation of swimming pool accessories.

- Fluidra Malaysia SDN BHD with registered offices in Johor (Malaysia), the principal activity of which is the commercialisation of swimming pool accessories.

- Astramatic Malaysia SDN BHD with registered offices in Johor (Malaysia), the principal activity of which is the commercialisation of swimming pool accessories.

- US Pool Holdings, Inc. with registered offices in Delaware (United States) dedicated to the holding and use of shares.

- Aqua Products Inc. (merged with Aquatron Inc.) with registered offices in New Jersey (United States), the principal activity of which is the manufacture and distribution of automatic cleaners for private and public pools.

- Aquatron Robotic Technology, Ltd. (formerly P.S.I. Pool Services Israel, Ltd.), with registered offices in Afula (Israel), the principal activity of which is the manufacture and distribution of automatic cleaners for private and public pools.

- Fluidra Brasil Indústria e Comércio LTDA. with registered offices in Jardim Sao Luis (Brazil), the principal activity of which is the commercialisation, import, export and distribution of equipment, products and services for fluid conduction, irrigation, swimming pools and water treatment. It also holds shares and investments in other companies and renders technical assistance services for machinery, filters and industrial and electrical and electronic equipment and leases industrial and electrical and electronic machinery and equipment.

- Fluidra Al Urdoun Fz., with registered offices in Zarqa Free Zone (Jordan), the principal activity of which is the commercialisation of material for swimming pools.

- Fluidra Balkans, S.A., with registered offices in Bucharest (Romania), the principal activity of which is the purchase and sale and distribution of machinery, equipment, material, accessories and specific products and equipment for swimming pool maintenance and water and irrigation systems.

(Cont.)

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.)

- Fluidra Montenegro DOO, with registered offices in Podgorica (Montenegro), the principal activity of which is the purchase and sale and distribution of machinery, equipment, material, accessories and specific products and equipment for swimming pool maintenance and water and irrigation systems.

- Fluidra Indonesia, PT, with registered offices in Jakarta (Indonesia), the statutory activity of which is the purchase and sale, import, export, storage, manufacture and general commercialisation of all types of products, equipment, components, machinery, accessories and specific chemical products for the construction of swimming pools, irrigation and water treatment.

- Pools, S.A.S., with registered offices in Mouans Sartoux (France), the principal activity of which is to act as a commercial agent in France and the European Union for raised swimming pool products and accessories.

- Fluidra Youli Fluid Systems (Wenzhou) Co., LTD, with registered offices in Luishi Town, Yueqing City (China), the principal activity of which is the development, production and sale of fluid conduction products.

- Fluidra JV Youli, S.L.U., with registered offices in Sabadell (Barcelona), dedicated to the administration, management and operation of its investment in the share capital of the Chinese company “Fluidra Youli Fluid Systems (Wenzhou) Co., LTD.

- Fluidra Colombia, S.A.S., with registered offices in Montevideo-Bogotá D.C. (Colombia), dedicated to the purchase and sale, distribution, commercialisation, import and export 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 in general, built with metal as well as all kinds of plastic and plastic derivatives.

- Wayfit (Thailand) Co., Ltd., with registered offices in Samutprakarn (Thailand), 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.

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.

(Cont.)

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.)

	% Ownership		
	Direct	Indirect	
Details of fully consolidated subsidiaries			
FLUIDRA COMMERCIAL, S.A.U.	100%		
FLUIDRA ESPAÑA, S.A.U.		100%	
FLUIDRA 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%	
FLUIDRA 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%	
FLUIDRA DANMARK A/S		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.		100%	Integrated 90.862% in 2011.
FLUIDRA HELLAS, S.A.		96.96%	
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 POOL AUSTRALIA PTY LTD (3)		100%	
ASTRAL HONG KONG CO, Ltd.		100%	
FLUIDRA SINGAPORE PTE. LTD		100%	
FLUIDRA BALKANS JSC		66.67%	
ASTRAL POOL 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%	

(Cont.)

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.)

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 S.R.L.		79%	
CEPEX USA INC.		90%	
CEPEX MEXICO, S.A. DE C.V.		100%	
AGROCEPEX, S.A.L.L.		100%	
CERTIKIN MIDDLE EAST FZE		100%	
INQUIDE ITALIA, S.R.L.		85%	
SPLASH WATER TRADERS PRIVATE LIMITED		85%	
SSA FLUIDRA ÖSTERREICH Gmbh		100%	
FLUIDRA ADRIATIC, D.O.O.		60%	
PØLEG & TEKNIK A/S		51%	
FLUIDRA MALAYSIA SDN.BHD.		100%	
ASTRAMATIC MALAYSIA SDN.BHD.		99.9%	
ASTRAL POOL BRASIL PARTICIPAÇOES, LTDA		100%	
FLUIDRA BALKANS S.A.		67%	(5)
FLUIDRA AL URDOUN FZ		70%	(5)
PT FLUIDRA INDONESIA		100%	(5)
FLUIDRA MONTENEGRO		60%	(5)
FLUIDRA YOULI FLUID SYSTEMS (WENZHOU) CO, LTD.		70%	(5)
FLUIDRA J.V. YOULI, S.L.		100%	(5)
FLUIDRA COLOMBIA,S.A.S		100%	(5)
WAYFIT (THAILAND) CO., LTD.		100%	(5)
FLUIDRA INDUSTRY, S.A.U.	100%		
METALAST,S,A,U.		100%	
POLTANK, S.A.U.		100%	
SACOPA, S.A.U.		100%	Marged with Maberplast, S.L.
UNISTRAL RECAMBIOS, S.A.U.		100%	
TALLERES DEL AGUA, S.L.		100%	
TOGAMA, 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%	
AQUANT TRADING CO, Ltd.		100%	
NINGBO DONGCHUAN SWIMMINGPOOL		70%	
I.D. ELECTROQUÍMICA, S.L.		60%	

(Cont.)

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.)

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%	
APLICACIONES TÉCNICAS HIDRÁULICAS, S.L.		100%	
US POOL HOLDINGS, INC		100%	
AQUA PRODUCTS, INC		100%	
AQUATRON ROBOTIC TECHNOLOGY, LTD		100%	
FLUIDRA USA LLC		100%	
SWIMCO CORP., S.L.	100%		
MANUFACTURAS GRE, S.A.		100%	
PISCIWELLNESS DOMICILIARIO, S.L.U.		100%	
CERTIKIN ITALIA, S.p.A.		94.77%	
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%
CERTIKIN PORTUGAL, S.A.		80%	
POOLS, S.A.S		100%	(6)
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		100%	Integrated 99.9% in 2011.
TRACE LOGISTICS, S.A.	100%		
ACCENT GRAPHIC, S.L.	100%		
FLUIDRA SERVICES ESPAÑA, S.L.U.	100%		
FLUIDRA SERVICES PORTUGAL, Unipessoal Lda	100%		

(Cont.)

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.)

Detail 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%

(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 ubsidiaries subgroup.

(3) Astral Pool Australia Pty Ltd is a group of companies in witch the parent company holds a 100% interest in the share capital of the Astral Pool Holdings Pty Ltd, Hurlcon Staffing Pty Ltd, Hurlcon Investsments Pty Ltd, Hurlcon Research Pty Ltd, Rolachem Australia Pty Ltd y Hendy Manufacturing Pty Ltd.

(4) Companies which have benn fully integrated in the anual accounts and have derecognised the carring amount of minority interests (see note 5)

(5) New companies of 2012.

(6) Companies acquiered in 2012.

(7) During the present year, the company SCI la Cerisay and SCI Saint Dennis have benn winded up, integrated in 100% and 50% in 2011.

Fluidra, S.A. and Subsidiaries

Details of results by segment
for the year ended 31 December 2012
(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
	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Sales to third parties	292,952	106,457	111,917	117,308	124	-	628,758
Sales to third parties in Spain	96,193	2,650	2,257	29,432	124	-	130,656
Sales to third parties in France	100,728	41	1,059	30,032	-	-	131,860
Inter-segment sales	15,105	3,634	26,483	180,430	32,939	(258,591)	-
Sales of goods for resale and finished goods of the segment	308,057	110,091	138,400	297,738	33,063	(258,591)	628,758
Income from services rendered self-constructed non-current assets	5.815	946	1,233	9,567	1,971	(755)	18,777
Depreciation and amortisation and impairment	(2,455)	(881)	(1,850)	(26,348)	(26,980)	12,259	(46,255)
Results from operating activities of reportable segments	13,059	11,457	10,812	28,279	(53,673)	11,490	21,424
Finance income	2,094	138	165	14,264	6,702	(5,172)	18,191
Finance expenses	(1,676)	(218)	(583)	(4,524)	(12,449)	370	(19,080)
Exchange differences	221	(106)	(398)	1,308	(1,297)	455	183
Share of profit/ (loss) of associates	-	-	-	-	88	-	88
Profit before income tax	13,698	11,271	9,996	39,327	(60,629)	7,143	20,806
Income tax recoverable / (expense)	(2,692)	(1,596)	(2,659)	(8,506)	12,618	(1,397)	(4,232)
Profit from continuing operations	11,006	9,675	7,337	30,821	(48,011)	5,746	16,574
Other significant non-monetary items before income tax:	(1,351)	(537)	(901)	1,593	(155)	(673)	(2,024)

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 2012 and 2011 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

(Cont.)

Fluidra, S.A. and Subsidiaries

Details of results by segment
for the year ended 31 December 2011
(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
	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011
Sales to third parties	306,413	102,690	97,332	117,549	56	-	624,040
Sales to third parties in Spain	104,302	1,751	2,261	32,828	56	-	141,198
Sales to third parties in France	97,607	54	491	31,580	-	-	129,732
Inter-segment sales	16,558	4,589	23,420	179,662	27,670	(251,899)	-
Sales of goods for resale and finished goods of the segment	322,971	107,279	120,752	297,211	27,726	(251,899)	624,040
Income from services rendered self-constructed non-current assets	5,546	788	926	7,657	2,727	(1,954)	15,690
Depreciation and amortisation and impairment	(2,490)	(644)	(1,507)	(15,510)	(4,191)	(8,991)	(33,333)
Results from operating activities of reportable segments	15,265	10,238	8,873	37,989	(26,334)	(11,241)	34,790
Finance income	545	157	194	651	4,617	(926)	5,238
Finance expenses	(1,357)	(255)	(575)	(3,923)	(10,138)	595	(15,653)
Exchange differences	(101)	(666)	(403)	(155)	(877)	(566)	(2,768)
Share of profit/ (loss) of associates	-	-	-	-	31	-	31
Profit before income tax	14,352	9,474	8,089	34,562	(32,701)	(12,138)	21,638
Income tax recoverable / (expense)	(3,320)	(1,371)	(2,529)	(8,665)	2,576	8,910	(4,399)
Profit from continuing operations	11,032	8,103	5,560	25,897	(30,125)	(3,228)	17,239
Other significant non-monetary items before income tax:	(4,212)	(678)	(1,286)	973	653	1,825	(2,725)

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 2012 and 2011 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

(Cont.)

Fluidra, S.A. and Subsidiaries

Details of assets and liabilities by segment
for the year ended 31 December 2011
(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
	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Assets								
Total non-current assets Spain	5,524	495	19	54,103	31,583	599,171	-	690,895
Total non-current assets Other	10,614	3,040	9,274	65,464	2,506	56,488	-	147,386
Total non-current assets Derecognised	-	-	-	-	-	-	(445,965)	(445,965)
Total non-current assets	16,138	3,535	9,293	119,567	34,089	655,659	(445,965)	392,316
Operating current assets[1]	129,142	40,298	57,175	139,447	54,916	-	(121,255)	299,723
Operating current liabilities[2]	47,382	17,487	32,873	46,606	46,676	-	(95,586)	95,438
	129,142	40,298	57,175	139,447	54,916	-	(121,255)	299,723
Net working capital	81,760	22,811	24,302	92,841	8,240	-	(25,669)	204,285
Non-operating current assets	-	-	-	-	-	199,502	(143,016)	56,486
Non-operating current liabilities	-	-	-	-	-	221,084	(144,359)	76,725
Total current assets	129,142	40,298	57,175	139,447	54,916	199,502	(264,271)	356,209
Total current liabilities	47,382	17,487	32,873	46,606	46,676	221,084	(239,945)	172,163
Total non-current liabilities	-	-	-	-	-	226,995	9,624	236,619
Additions of non-current assets other than financial instruments and deferred tax assets	2,637	865	3,056	13,797	2,556	76	-	22,987

[1] Defined as inventories and trade and other receivables

[2] 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 2012 and 2011 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

(Cont.)

Fluidra, S.A. and Subsidiaries

Details of assets and liabilities by segment
for the year ended 31 December 2011
(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
	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011
Assets								
Total non-current assets Spain	5,238	577	26	53,711	32,023	588,906	-	680,481
Total non-current assets Other	10,836	2,883	8,337	73,871	2,840	46,040	-	144,807
Total non-current assets Derecognised	-	-	-	-	-	-	(432,736)	(432,736)
Total non-current assets	16,074	3,460	8,363	127,582	34,863	634,946	(432,736)	392,552
Operating current assets[1]	131,160	41,878	50,488	138,394	38,558	-	(107,755)	292,722
Operating current liabilities[2]	56,249	22,140	32,806	53,536	20,064	-	(85,180)	99,614
Net working capital	74,911	19,738	17,682	84,858	18,494	-	(22,575)	193,108
Non-operating current assets	-	-	-	-	-	279,615	(187,436)	92,179
Non-operating current liabilities	-	-	-	-	-	313,905	(187,713)	126,192
Total current assets	131,160	41,878	50,488	138,394	38,558	279,615	(295,191)	384,901
Total current liabilities	56,249	22,140	32,806	53,536	20,064	313,905	(272,894)	225,807
Total non-current liabilities	-	-	-	-	-	217,642	7,580	225,222
Additions of non-current assets other than financial instruments and deferred tax assets	2,226	1,387	1,817	13,170	2,786	81	-	21,466

[1] Defined as inventories and trade and other receivables

[2] 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 2012 and 2011 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

(Cont.)

Fluidra, S.A. and Subsidiaries

Details of investments and positions held by the directors in other companies
31 December 2012

(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 Prislusentsvi, S.R.O.	Joint and several director	---	---
	Astral India Private, Limited	Director	---	---
	Fluidra Singapore, Pte Ltd.	Director	---	---
	Certikin International, Limited	Director	---	---
	AP Inmobiliere	Sole director	---	---
	Turcat Polyester Sanayi Ve Ticaret Anonim Sirketi	Director	---	---
	Certikin Portugal, S.A..	Director	---	---
	Zao Astral, SNG	Director	---	---
	Fluidra Polska, S.A.	Director	---	---
	Astral Pool México, S.A. de C.V.	Director	---	---
	Fluidra Danmark AS/	Director	---	---
	Fluidra Magyarorszàg Kft.	Joint and several director	---	---
	Fluidra USA, LLC.	Chairman	---	---
	Fluidra Chile, Sociedad Anónima Cerrada	Director	---	---
	Fluidra Deutschland Gmbh	Joint and several director	---	---
	Fluidra Hellas	Director	---	---
	Fluidra Balkans JSC	Director	---	---
	Moderne Wassertechnick 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.	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	---	---
	Astral Pool Cyprus, LTD	Director	---	---
	Fluidra Indonesia	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. (*)	Board member	10.00%	12,194.00

This Appendix forms an integral part of note 30 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2012 and 2011 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 2012

(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	Fluidra Adriatic, D.O.O.	Director / Chairman	---	---
	Fluidra Malaysia SDN, BHD..	Director	---	---
	U.S. Pool Holdings, Inc.	Director / Chairman	---	---
	Fluidra Montenegro, D.O.O.	Director	---	---
	Aquaproducts, Inc.	Director / Chairman	---	---
	Aquatron Robotic Technology, LTD.	Director / Chairman	---	---
	Fluidra, S.A.	Sole director	0.0592%	66,621
	Astral Pool Australia Pty Ltd.	Director	---	---
	Po Leg & Teknik A/S.	Director	---	---
	Fluidra Youli Fluid Systems (Wenzhou) Co. Ltd	Director	---	---
	Fluidra Colombia	Joint and several director	---	---
	Fluidra Balkans, .S.A	Chairman	---	---
	Cepex, S.R.L.	Director	---	---

Name or company name of shareholder	Company	% ownership	Position held
Mr. Juan Planes Vila	Dispur, S.L.(*) Preblau, S.R.L. (indirectly through Dispur)	51.34% 75.01%	Chairman
Mr. Oscar Serra Duffo			
Mr. Bernardo Corbera Serra			
Aniol, S.L.			
BanSabadell Inversió Desenvolupament, S.A.			
Mr. Juan Ignacio Acha-Orbea Echevarría			
Mr. Kam Son Leong			
Mr. Richard J. Cathcart			
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A.U.			

(*) Statutory activity of Holding Companies is the possession of all kinds of Companies (see section “d” of the corporate purpose of Fluidra S.A.)