

FLUIDRA, S.A.
Annual Accounts and Directors' Report
31 December 2007
(With Auditors' Report Thereon)

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

Auditors' Report on the Annual Accounts

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

To the shareholders of
Fluidra, S.A.

1. We have audited the annual accounts of Fluidra, S.A. (the Company) which comprise the balance sheet at 31 December 2007, the related statement of profit and loss for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's board of directors. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.
2. In accordance with prevailing Spanish legislation, these annual accounts also include, for each individual caption in the balance sheet, statement of profit and loss and disclosure of source and application of funds, comparative figures for the previous year. We express our opinion solely on the annual accounts for 2007. On 16 May 2007 we issued our unqualified audit report on the annual accounts for 2006.
3. In our opinion, the annual accounts for 2007 present fairly, in all material respects, the shareholders' equity and financial position of Fluidra, S.A. at 31 December 2007, and the results of its operations and source and application of funds for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.
4. The accompanying directors' report for 2007 contains such explanations as the directors consider relevant to the Company's situation, the evolution of its business and other matters, but is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2007. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the Company's accounting records.

KPMG AUDITORES, S.L.

Manuel Blanco Vera (signed)

26 March 2008

FLUIDRA, S.A.
Balance Sheets

31 December 2007 and 2006

(Expressed in thousands of Euros)

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

<u>Assets</u>	<u>31/12/2007</u>	<u>31/12/2006</u>	<u>Shareholders' Equity and Liabilities</u>	<u>31/12/2007</u>	<u>31/12/2006</u>
Fixed assets			Shareholders' equity (note 12)		
Establishment costs (note 5)	-	12,335	Share capital	112,629,070	112,629,070
Intangible assets (note 6)	51,166	1,592	Share premium	92,831,008	92,831,008
Tangible assets (note 7)	100,734	65,728	Reserves	43,138,750	4,944,084
Investments (note 8)	245,417,080	253,157,630	Profit for the year	11,832,769	55,694,667
Own shares (note 12)	818,942	-	Interim dividends	-	(6,500,000)
Total fixed assets	246,387,922	253,237,285	Total shareholders' equity	260,431,597	259,598,829
Deferred expenses (note 9)	43,539	60,389	Deferred income (note 13)	145,550	60,438
Current assets			Long-term creditors		
Debtors (note 10)	4,671,342	1,920,155	Borrowings (note 14)	16,543,560	21,061,066
Short-term investments (note 11)	13,995,038	55,739,816	Debts with group and associated companies	-	1,755,037
Cash in hand and at banks	43,068,376	4,463,918	Public entities, long-term (note 18)	1,365,084	7,790,000
Total current assets	61,734,756	62,123,889	Total long-term creditors	17,908,644	30,606,103
			Current liabilities		
			Borrowings (note 15)	14,480,654	12,081,915
			Debts with group and associated companies (note 16)	8,014,848	11,834,272
			Trade creditors	5,923,701	184,537
			Other creditors (note 17)	1,261,223	1,055,469
			Total current liabilities	29,680,426	25,156,193
Total assets	308,166,217	315,421,563	Total shareholders' equity and liabilities	308,166,217	315,421,563

The accompanying notes form an integral part of the 2007 annual accounts.

FLUIDRA, S.A.

Statements of Profit and Loss
for the years ended
31 December 2007 and 2006

(Expressed in Euros)

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

	<u>31/12/2007</u>	<u>31/12/2006</u>	<u>Income</u>
<u>Expenses</u>			
Operating expenses			
Personnel expenses (note 20)	588,558	275,943	
Amortisation and depreciation (notes 5, 6 and 7)	30,923	36,176	17,141,617
Other operating expenses	<u>7,045,661</u>	<u>1,159,497</u>	<u>3,125,443</u>
Total operating expenses	<u>7,665,142</u>	<u>1,471,616</u>	<u>20,267,060</u>
Operating profit	<u>12,601,918</u>	<u>57,113,765</u>	
Financial expenses			
Interest and similar expenses	1,912,939	1,161,768	86,916
Exchange losses	<u>124,637</u>	<u>225,906</u>	<u>256,454</u>
Total financial expenses	<u>2,037,576</u>	<u>1,387,674</u>	<u>577,397</u>
Profits on ordinary operations	<u>11,141,739</u>	<u>55,813,007</u>	<u>1,460,179</u>
Extraordinary losses and expenses			
Changes in provisions for investments (note 8)	1,815,643	729,307	7,397
Losses on operations involving own shares and bonds (note 12g)	390,025	-	-
Extraordinary expenses	1,951	2,114	467
Prior years' losses and expenses	<u>15,154</u>	<u>-</u>	<u>2</u>
Total extraordinary losses and expenses	<u>2,222,773</u>	<u>731,421</u>	<u>7,864</u>
Profit before income tax	<u>8,926,830</u>	<u>55,081,656</u>	<u>2,214,909</u>
Income tax	<u>11,832,769</u>	<u>55,694,667</u>	<u>2,905,939</u>
Profit for the year			<u>613,011</u>
			<u>70</u>
			<u>731,351</u>
			<u>1,300,758</u>
			<u>58,585,381</u>

The accompanying notes form an integral part of the 2007 annual accounts.

FLUIDRA, S.A.

Notes to the Annual Accounts

31 December 2007

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

(1) Nature and Principal Activities

Fluidra, S.A. (hereinafter the Company) was incorporated in Girona with limited liability under Spanish law on 3 October 2002 with 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 38, planta 16, in Sabadell (Barcelona).

The Company is the Parent of a group, the principal activity of which is the manufacture and distribution of swimming pool, water treatment and water piping products (see note 8).

(2) Basis of Presentation

(a) Fair view

The accompanying annual accounts for 2007 have been prepared on the basis of the Company's accounting records and in accordance with prevailing legislation and the Spanish General Chart of Accounts to present fairly, in all material respects, the shareholders' equity and financial position at 31 December 2007 and the results of its operations and the source and application of funds for the year then ended.

(b) Significant accounting principles

All obligatory accounting principles have been applied.

(c) Comparison of information

The Company's board of directors considers that the annual accounts for 2007 will be approved by the shareholders in their annual general meeting without significant changes. As required by Spanish accounting principles, the balance sheet, the statement of profit and loss and the disclosure of source and application of funds for 2007 include comparative figures for the previous year, which formed part of the annual accounts for 2006. As permitted by such principles, the Company has opted to omit comparative data for 2006 from the notes to the accounts for 2007.

(Continued)

FLUIDRA, S.A.

Notes to the Annual Accounts

(d) Group of companies

As explained in note 8, the Company holds investments in subsidiaries. The Company is therefore the Parent of a group in accordance with prevailing legislation. Consolidated annual accounts must be prepared in accordance with generally accepted accounting principles to present fairly the financial situation and results of operations of the Group.

On 25 March 2008 the directors prepared the consolidated annual accounts of FLUIDRA, S.A. and subsidiaries for 2007 in accordance with International Financial Reporting Standards endorsed by the European Union (EU-IFRS), which shows profit attributable to Parent equityholders of Euros 32,594 thousand and equity of Euros 309,447 thousand.

(3) Distribution of Profit

The board of directors will propose to the shareholders at their annual general meeting that the profit and reserves for the year ended 31 December 2007 be distributed as follows:

<u>Distribution basis</u>	<u>Euros</u>
Profit and loss	11,832,769.00
<u>Distribution of</u>	
Legal reserve	1,183,276.90
Voluntary reserves	513,259.38
Dividends	10,136,232.72
	<u>11,832,769.00</u>

(4) Significant Accounting Principles(a) Establishment costs

Establishment costs and the cost of increasing share capital are stated at cost of acquisition and amortised on a straight line basis over the four-year period of expected use.

(a) Intangible assets

Intangible assets are stated at cost of acquisition and amortised on a straight-line basis over a period of between three and five years.

Software, acquired by the Company is stated at cost and amortised on a straight-line basis over the three-year period of expected use. Software maintenance costs are expensed when incurred.

(Continued)

(c) Tangible assets

Tangible assets are stated at cost of acquisition or production, as appropriate.

Depreciation is provided at cost or revalued cost on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Other installations, equipment and furniture	10
Information technology equipment	4
Motor vehicles	6.25

Repairs and maintenance costs which do not improve the related assets or extend their useful lives are expensed when incurred.

Disposals and sales are recognised by writing off the cost of the asset and the corresponding accumulated depreciation.

Financial expenses that are directly and indirectly related with the acquisition of tangible assets and are accrued prior to the assets being put into use are capitalised for an amount up to the market value of the assets.

The Company makes provisions for impairment of tangible assets when the net book value of assets cannot be recovered by generating sufficient income to cover all the costs and expenses, including depreciation, resulting from their use and when the market value is lower than the net book value. If impairment is irreversible, the loss is recorded directly against the book value of the asset, depreciating the adjusted net book value over the estimated period of remaining useful life.

(d) Investments

Investments are stated at the lower of cost and market value. Market price is determined for each investment as its underlying net book value adjusted, where applicable, to take into account any unrecorded goodwill existing at the date of acquisition and remaining at year end. Provision is made based on changes in the net equity of the subsidiary in which the investment is held.

(Continued)

Where group companies have incurred accumulated losses exceeding the value of the investment and, where applicable, minority interests have limited their liability to the amounts contributed by them and no agreements have been signed regarding additional contributions, provision is made for liabilities and charges to cover any excess.

If impairment is irreversible, the loss is recorded directly against the book value of the investment.

Dividends received from Group and associated companies and from other long-term investments are taken to income when distribution is approved by the corresponding board of directors or general meeting of shareholders.

(e) Deferred expenses

Deferred expenses mainly comprise loan arrangement costs and are expensed over the remaining terms of the contracts until maturity, using the interest method.

(f) Foreign currency transactions and balances

Foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances other than the Euro are taken to profit or loss when they arise.

Balances receivable and payable in foreign currency at year end are expressed in Euros at the rates of exchange prevailing at 31 December. Unrealised foreign exchange losses, determined for groups of currencies with similar maturity or market trends which have quoted exchange rates, are charged to expenses while unrealised exchange gains, similarly determined, are deferred.

(g) Short-term investments

Short-term investments comprise short-term investments in securities. These investments are stated at the lower of cost or market price. As these investments comprise quoted securities, market price is the lower of the average quotation of the last quarter and the closing quotation.

(h) Own shares

Own shares and shares in the Parent acquired by the Company are stated at the lower of cost and market price and the corresponding reserve is set up in accordance with prevailing legislation.

(Continued)

The market price of own shares is the lower of the following three amounts:

- The average quotation of the last quarter of the year.
- The closing quotation of the year.
- The underlying net book value presented in the latest available (consolidated) annual accounts, not taking into account the unrecorded goodwill existing at the date of acquisition.

Any difference between the market price and the underlying net book value is recognised with a charge to reserves. In the event that the provision for the decline in value or disposal of shares is applied, an amount equal to any charge against reserves is credited to this reserve.

The market price of the Parent's shares is calculated using the same criteria as for investments.

(i) Compensation for termination of employment

Except in the case of justifiable cause, the Company is liable to pay indemnities to employees whose services are discontinued. Indemnity payments, if they arise, are expensed when the decision to terminate employment is taken.

However, indemnities for voluntary redundancies or early retirements are expensed when the employees accept the offer.

(j) Commitments with employees

The agreement with management personnel establishes that in the event of permanent disability, the Company will pay the affected individual an annual amount equal to a percentage of the remuneration previously received. At 31 December 2007 no liability has been recognised for this commitment as it is planned that it will be externalised during 2008.

(k) Creditors

Short and long-term non-trade and trade debts are stated at their redemption value. Any possible implicit interest included in the nominal or redemption value is recognised under deferred expenses for long-term debts and under prepayments for short-term debts.

This interest is expensed using the interest method.

(Continued)

(l) Current/Long-term

Assets and liabilities are classified as current if maturing within twelve months and long-term if maturing more than twelve months from the balance sheet date.

(m) Income taxes

Income taxes are calculated based on profit reported for accounting purposes, adjusted for permanent differences with fiscal criteria and taking into consideration any applicable credits and deductions. The effects of timing differences, tax credits for loss carryforwards and rights to applicable credits and deductions, where applicable, are included in deferred tax assets or liabilities as current or long-term depending on the expected period of reversal. Long-term balances receivable are recorded under investments as balances receivable from public entities, long-term, while short-term balances receivable are included under debtors as balances receivable from public entities. Long-term balances payable are recorded under other creditors as balances payable to public entities, long-term, while short-term balances payable are included under other creditors as balances payable to public entities.

The Group recognises all deferred tax liabilities, including those which are not expected to reverse in the foreseeable future. Tax credits in respect of loss carryforwards, deferred tax assets and rights to applicable credits and deductions are only capitalised when their future realisation is reasonably assured within a maximum period of 10 years, or when deferred tax liabilities exist which are expected to reverse within the carryforward period after a period of 10 years has elapsed.

The Fluidra Group, comprising the companies listed in note 18, files consolidated tax returns.

As Parent of the Group, the Company recognises the total consolidated income tax expense as a charge against short-term debts with group and associated companies.

Details of the most significant intercompany balances receivable and payable as a result of the tax effect of filing consolidated tax returns are provided in note 14.

(Continued)

FLUIDRA, S.A.

Notes to the Annual Accounts

(n) Income and expenses

Income and expenses are recognised on an accruals basis, irrespective of collections and payments.

Nevertheless, in accordance with prudent criteria, the Company only records realised gains at year end, while expected liabilities and estimated losses from the current year or the prior years are recognised as soon as they become known.

(o) Hedge instruments

The Company manages the contracting of OTC interest-rate and currency derivatives on behalf of its subsidiaries. It has also contracted interest-rate derivatives for its own use. These latter derivatives hedge the Company's exposure to fluctuations in interest rates.

Any derivatives contracted by the Company on behalf of its subsidiaries are recognised on settlement.

Any gains or losses generated from settling these instruments and the hedges for own use are taken to profit and loss on settlement or cancellation, thereby offsetting the hedged risk in own operations. In the case of operations contracted by subsidiaries, this amount is settled with them and therefore, the effect on the financial result for the year is zero. Nonetheless, if doubts arise as to the collectibility of any possible differences in the quoted price of the operation, a bad debt provision is made in accordance with the valuation criteria established in the Spanish General Chart of Accounts.

(5) Establishment Costs

Details of and movement in establishment costs during the year are as follows:

	Euros		
	Balances at 31/12/2006	Amortisa- tion	Balances at 31/12/2007
Establishment costs	12,335	(12,335)	-

(Continued)

Incorporation and share capital increase costs mainly include lawyer, notary and registrar fees; costs of printing reports, lists and share certificates; taxes; advertising; commission and other share appraisal fees, etc. resulting from increasing share capital and incorporating the Company.

(6) Intangible Assets

Details of and movement in intangible assets during the year are as follows:

	Euros			Balances at 31/12/2007
	Balances at 31/12/2006	Additions	Disposals	
Cost				
Concessions, patents, licences, trademarks and other rights	861	56,166	-	57,027
Software	3,800	-	(3,800)	-
	4,661	56,166	(3,800)	57,027
Accumulated amortisation				
Concessions, patents, licences, trademarks and other rights	(662)	(5,199)	-	(5,861)
Software	(2,407)	-	2,407	-
	(3,069)	(5,199)	2,407	(5,861)
Net book value	1,592	50,967	(1,393)	51,166

Disposals comprise the sale at net book value of software to Fluidra Services, S.A.U., a Fluidra Group company, since this software is used by group companies and because Fluidra Services, S.A.U. is the company in which all information technology expenses are centralised and which renders information technology services to the other group companies.

(Continued)

FLUIDRA, S.A.

Notes to the Annual Accounts

(7) Tangible assets

Details of and movement in tangible assets during 2007 have been as follows:

	Euros			Balances at 31/12/2007
	Balances at 31/12/2006	Additions	Disposals	
Cost/Revalued cost				
Other installations, equipment and furniture	2,008	-	(2,008)	-
Other tangible assets	74,978	53,105	(4,572)	123,511
	76,986	53,105	(6,580)	123,511
Accumulated depreciation				
Other installations, equipment and furniture	(167)	-	167	-
Other tangible assets	(11,091)	(13,389)	1,703	(22,777)
	(11,258)	(13,389)	1,870	(22,777)
Net value	<u>65,728</u>	<u>39,716</u>	<u>(4,710)</u>	<u>100,734</u>

Disposals comprise the sale, at net book value, of the majority of information technology equipment and other installations to Fluidra Services, S.A.U., a Fluidra Group company, since these assets are used by group companies and because Fluidra Services, S.A.U. is the company in which all information technology expenses are centralised and which renders information technology services to the other group companies.

(Continued)

(8) Investments

Details of and movement in investments during the year are as follows:

	Euros			Balances at 31/12/2007
	Balances at 31/12/2006	Additions	Disposals	
Group companies				
Investments	246,096,937	-	-	246,096,937
Securities portfolio	-	500,009	-	500,009
Other credits	7,790,000	-	(6,424,916)	1,365,084
	253,886,937	500,009	(6,424,916)	247,962,030
Provisions				
Investments in group companies	(729,307)	(1,768,048)	-	(2,497,355)
Long-term marketable securities	-	(47,595)	-	(47,595)
	(729,307)	(1,815,643)	-	(2,544,950)
Net value	<u>253,157,630</u>	<u>(1,315,634)</u>	<u>(6,424,916)</u>	<u>245,417,080</u>

(a) Investments in group companies

Information on investments in group companies is provided in Appendix I.

No group companies in which the Company has an interest are listed on the stock market.

In accordance with the second additional provision of the Spanish Limited Companies Law 2 of 23 March 1995 which modifies the Revised Spanish Companies Act, group companies are solely owned and have been filed as such in the Mercantile Registry.

(b) Other loans

Long-term debtors include the debt with the shareholders corresponding to the agreement made on 31 March 2006 (note 18).

(Continued)

(9) Deferred Expenses

Details of and movement in deferred expenses during the year are as follows:

	Euros			Balances at 31/12/2007
	Balances at 31/12/2006	Additions	Amortisa- tion	
Loan arrangement costs	60,389	26,813	(43,663)	43,539
	<u>60,389</u>	<u>26,813</u>	<u>(43,663)</u>	<u>43,539</u>

(10) Debtors

Details of this caption at 31 December 2007 are as follows:

	Euros
Group companies	1,225,887
Sundry debtors	297,085
Public entities	3,148,370
	<u>4,671,342</u>

(11) Short-term investments

Details of this caption at 31 December 2007 are as follows:

	Euros
Loans to group companies	6,000,000
Accounts with group companies filing consolidated tax returns	7,995,038
	<u>13,995,038</u>

Loans to group companies accrue interest linked to Euribor plus 0.5%.

(12) Shareholders' Equity

Details of and movement in shareholders' equity are provided in Appendix II.

(Continued)

(a) Share capital

At 31 December 2007 the share capital of Fluidra, S.A. is represented by 112,629,070 ordinary shares of Euros 1 par value each, fully subscribed and paid. Shares are represented by book entries and are constituted as such on being booked in the corresponding accounting record. All shares have the same voting and profit sharing rights.

On 31 October 2007 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 on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

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 2007 are as follows:

	<u>Percentage ownership</u>
Boyser, SRL	14.12%
Edrem, S.L.	13.50%
Dispur, S.L	11.76%
Bansabadell Inversió Desenvolupament, S.A.	9.67%
Aniol, S.L.	7.69%
Corporación CAN	5.00%
Other shareholders	38.26%
	<u>100.00%</u>

(Continued)

(b) Share premium

Share premium is freely distributable.

(c) Legal reserve

In accordance with the revised text of the Spanish Companies Act, companies are obliged to transfer 10% of the profits for the year to a legal reserve until such a reserve reaches an amount equal to at least 20% of 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) Own share reserve

The own share reserve is not freely distributable and must equal the net book value of own shares unless the own shares are sold or redeemed.

(e) Limitations on the distribution of dividends

Reserves classified in other sections of this note as freely distributable and the profit for the year are, nevertheless, subject to the legal restrictions for their distribution.

(f) Dividends

In accordance with the decision made by the shareholders in an extraordinary meeting held on 12 April 2007, the Company approved the distribution to shareholders of a dividend of Euros 0.0977 per share for a total amount of Euros 11,000 thousand.

(g) Own shares

In an extraordinary general meeting held on 5 September 2007 the shareholders authorised the board of directors to directly or indirectly acquire own shares, especially and without limit, to fulfil the share option plan for the management team (including executive directors) and to cover the employees' tranche of the public offering of the Company's shares. This authorisation is for a period of 18 months as from 6 September 2007.

Movements in own shares during the year have been as follows:

(Continued)

FLUIDRA, S.A.

Notes to the Annual Accounts

	Number	Euros	
		Par value	Average acquisition/disposal price
Balances at 01/01/07	-	-	-
Acquisitions	241,079	241,079	5,8923
Disposals	(102,157)	(102,157)	5,9608
Balances at 31/12/2007	<u>138,922</u>	<u>138,922</u>	<u>5,8950</u>

No Parent own shares are held by group companies.

In addition, as agreed by the Company's shareholders in a general meeting held on 5 September 2007, it was decided that a tranche of the public offering would be extended to the employees of Fluidra and subsidiaries residing in Spain, France, the United Kingdom, Italy, Portugal, Germany and Austria. The shares included in this tranche comprised 210,000 shares of the original tranche plus the planned extension to the tranche of qualified investors comprising 90,000 shares. The Euros 390,000 loss, recorded on the accompanying statement of profit and loss under losses on operations involving own shares and bonds, reflects the difference between the retail price of the public offering (Euros 6.5 per share) that the Company paid for the shares through a special stock exchange operation for their immediate resale to the employees, and the acquisition price for employees of Euros 5.2 per share.

(13) Deferred income

Details of and movement in deferred income during the year are as follows:

	Euros			
	Balances at 31/12/2006	Additions	Taken to profit/loss	Balances at 31/12/2007
Exchange gains	<u>60,438</u>	<u>145,550</u>	<u>(60,438)</u>	<u>145,550</u>
	<u>60,438</u>	<u>145,550</u>	<u>(60,438)</u>	<u>145,550</u>

(14) Long-term Borrowings

Details of long-term borrowings are as follows:

	Euros
Long-term borrowings	<u>16,543,560</u>
	<u>16,543,560</u>

(Continued)

(a) Analysis by maturity

The long-term maturity of long-term borrowings is as follows:

Maturity	Euros 2007
2008	-
2009	6,893,881
2010	5,633,876
2011	3,549,778
2012	466,025
	16,543,560

Loans and bank credits bear interest at average market rates that are either fixed or Euribor or Libor linked.

(b) Borrowings in foreign currencies

Borrowings include a debt in Pounds Sterling, the outstanding balance of which is Euros 1,616,997 at 31 December 2007.

(15) Short-term Borrowings

Details of short-term borrowings are as follows:

	Euros
Loans and other borrowings	14,325,244
Interest	155,410
	14,480,654

The Company has the following credit facilities at year end:

	Euros	
	Drawn down	Limit
Credit facilities	6,528,289	11,214,286
Short-term portion of long-term credit facilities	7,796,955	-
	14,325,244	11,214,286

(Continued)

(16) Short-term Debts with Group and Associated Companies

Details of short-term debts with group and associated companies are as follows:

	<u>Euros</u>
Debts with group companies	
Accounts with group companies filing consolidated tax returns	7,720,674
Other debts	<u>294,174</u>
	<u><u>8,014,848</u></u>

(17) Other Short-term Creditors

Details of other short-term creditors are as follows:

	<u>Euros</u>
Tax authorities, personal income tax payable	269,175
Social Security	936
Tax authorities, income tax payable (note 18)	<u>991,112</u>
	<u><u>1,261,223</u></u>

(18) Income taxes

Income taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. Due to the treatment permitted by fiscal legislation of certain transactions among others, additional tax contingencies could exist in the event of inspection. In any event, the Company's directors do not consider that any such contingencies that could arise would significantly affect the annual accounts.

During 2007 the Group has filed consolidated tax returns as head of the subgroup of this tax consolidation and responsible for filing the corresponding tax returns with the tax authorities. Non-resident companies in Spain and resident companies which file individual tax returns such as Meip Internacional, S.L., Maberplast, S.L., Togama, S.A., Productes Elastòmers, S.A., Comercial de Exclusivas Internacionales Blage, S.A., Waterchem, A.I.E., ID Electroquímica, S.L., Master Riego, S.A. and ATH - Aplicaciones Técnicas Hidráulicas, S.L. and companies subject to the tax regime in the Basque Country, are excluded from the tax consolidated groups. Profit calculated in accordance with prevailing fiscal legislation in Spain is subject to a tax rate of 32.5% of the taxable income for companies located in Spain (excluding Basque Country).

(Continued)

FLUIDRA, S.A.

Notes to the Annual Accounts

In accordance with Personal Income Tax Law 35 of 28 November 2006, partially modifying the Company Income Tax, Non-resident and Wealth tax laws, the income tax rate for Spanish companies has been changed. In accordance with this new legislation, the tax rate will be 32.5% for years commencing after 1 January 2007 and 30% for years commencing after 1 January 2008.

Due to the treatment permitted by fiscal legislation of certain transactions, the accounting profit differs from the profit for fiscal purposes. A reconciliation of the accounting profit for 2007 with the taxable income that the Company expects to declare after approval of the annual accounts is as follows:

	Euros
	<u>2007</u>
Profits/(Losses) for the year	11,832,769
Income tax expenses	<u>(2,905,939)</u>
Profit/(Loss) before income tax	8,926,830
Permanent differences	(17,139,666)
Timing differences	<u>1,666,462</u>
Individual taxable income (tax loss)	<u>(6,546,374)</u>
Taxable income (tax loss) of other companies filing consolidated tax returns	37,132,677
Taxable income (tax loss)	30,586,303
Individual income tax	(2,702,187)
Income tax of other companies filing consolidated tax returns	12,642,736
Total income tax	9,940,549
Deduction for double taxation, remaining companies	(1,753,690)
Other deductions, remaining companies filing consolidated tax returns	(2,900,279)
Deductions	(4,653,969)
Net income tax	(2,702,187)
Net income tax of other companies filing consolidated tax returns	<u>7,988,767</u>
Total net income tax	<u>5,286,580</u>
Withholdings and payments on account	4,295,468
Income tax payable	991,112

(Continued)

Notes to the Annual Accounts

Permanent differences mainly comprise the adjustment for dividends collected from companies filing consolidated tax returns and for double taxation, as well as for non-deductible expenses.

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 tax 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 long-term deferred tax liability and a long-term 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 long-term deferred tax liability and the long-term receivable have been reduced by Euros 1,365 thousand.

(19) Distribution of Net Sales

Net sales primarily comprises the dividends received from group companies.

(20) Personnel Expenses

Details of personnel expenses are as follows:

	<u>Euros</u>
Wages, salaries and indemnities	578,113
Welfare benefits	<u>10,445</u>
	<u>588,558</u>

The average number of employees, all of whom are male, by professional category has been as follows:

	<u>Average number of employees</u>
Directors (including one senior manager)	<u>9</u>
	<u>9</u>

(Continued)

FLUIDRA, S.A.

Notes to the Annual Accounts

(21) Transactions with Group and Associated Companies(a) Transactions with group and associated companies

The most significant transactions with group and associated companies are as follows:

	<u>Euros</u>
Income	
Services rendered	1,227,453
Dividends	<u>17,141,616</u>
	<u>18,369,069</u>
Expenses	
Services received	<u>938,623</u>

(22) Information on the Members of the Board of Directors(a) Remuneration of and balances with directors

During 2007 the Company's directors have received remuneration totalling Euros 1,502,870. No advances or loans have been extended to the directors and the Company has not assumed any guarantee commitments on their behalf. The Company also has not assumed any pension or life insurance commitments on behalf of former or current directors.

(b) Investments and positions held in other companies by the directors

Details of the investments of the directors of FLUIDRA, S.A. in companies with a statutory activity that is identical, similar or complementary to that of the Company are provided in Appendix III, which forms an integral part of this note to the annual accounts.

(c) Transactions not related with the ordinary business or not at arm's length performed by the directors

During 2007 the directors have not performed any transactions with the Company or group companies that have not been related with the ordinary business or have not been at arm's length.

(Continued)

(23) Hedge Instruments

The Company has established a procedure with subsidiaries to hedge US Dollar flows, which has been in effect during 2007. This procedure covering a significant percentage of US Dollar flows involves financial derivatives such as Euro/US Dollar exchange-rate hedges and options. Open positions at the end of 2007 amount to US Dollars 4,000 thousand and do not have any impact on the statement of profit and loss.

During 2007 the Company has had several interest-rate hedges open relating to the Company's loans for an initial amount of Euros 83,106 thousand, which amounted to Euros 71,404 thousand at 31 December 2007. These interest-rate hedges have the same maturity as the loans, they are considered as hedges, and do not have an impact on the statement of profit and loss.

(24) Other Commitments and Contingencies

In a general meeting held on 5 September 2007 the shareholders approved a share option plan for the management team, including the executive directors.

Upon approval by the board of directors the Plan was started on 11 December 2007 and involves vesting the beneficiaries with a certain number of restricted stock units (RSUs) which will be converted into shares in the Company after a period of four years or once the "value creation period" has elapsed. The start date of the Plan is 1 January 2008 and therefore, no amount has been recognised for this Plan at 31 December 2007.

The RSUs are free of charge and non-transferable and confer the holders the possibility of obtaining one share in the Company for each RSU received, on fulfilling the objective of increasing the value of the Company's shares and the value of the Group's business during the term of the Plan compared to the values existing at the date of the Offer. The holders of the RSUs are not shareholders of the Company unless the RSUs are converted into shares in the Company and the RSUs do not confer the beneficiary the right to further RSUs in the future, as this is a one-off offer which does not establish or ensure future offers.

On 11 December 2007 the board of directors agreed that the maximum number of ordinary shares to be extended to the beneficiaries of the Plan on fulfilling the objectives described in the previous paragraph will be 646,150 shares.

(Continued)

(25) Subsequent Events

No significant events affecting the Company's annual accounts have arisen subsequent to the 31 December 2007 year end.

The directors consider that no significant contingencies exist concerning the protection and improvement of the environment, and accordingly, at 31 December 2007 no provision has been made in this regard.

26) Environmental Information

At 31 December 2007 the Company has no significant assets for protecting and improving the environment nor has it incurred any expenses of an environmental nature during the year.

The Company's 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 at 31 December 2007.

(27) Fees of Auditors and their Group and Related Companies

KPMG Auditores, S.L. and other companies related to the auditors as defined in the fourteenth additional provision of legislation governing the reform of the financial system, have invoiced the Company and its subsidiaries, associated companies and business combinations the following net fees for professional services during the year ended 31 December 2007:

	<u>Euros</u>
Audit services	1,121,313
Other services	<u>780,000</u>
Total	<u>1,901,313</u>

The amounts detailed in the above table include the total professional service fees for 2007, irrespective of the date of invoice.

(28) Statements of Source and Application of Funds

The statements of source and application of funds for 2007 and 2006 are as follows:

FLUIDRA, S.A.

Statements of Source and Application of Funds for the years ended 31 December 2007 and 2006

(Expressed in Euros)

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

Applications	2007	2006	Sources	2007	2006
Funds applied in operations			Funds generated from operations	13,655,188	56,500,671
Establishment and loan arrangement costs	26,813	40,000	Shareholders' contributions	-	79,610,000
Acquisitions of fixed assets			Share capital increases		
Intangible assets	56,166	-	Deferred income	145,550	60,438
Tangible assets	53,105	72,414	Long-term debt		
Investments			Debentures and similar liabilities	3,891,275	18,178,196
Group companies	-	99,341,927	Group companies	-	1,755,037
Other investments	500,009	-	Suppliers of fixed assets and others	-	7,790,000
Acquisition of own shares	1,420,507	-			
Reductions in capital					
Dividends	11,000,000	6,500,000	Disposal of fixed assets		
Cancellation or transfer to short term of long-term debt			Intangible assets	1,393	19,085
Debentures and similar liabilities			Tangible assets	4,710	314,452
Group companies	8,408,781	11,919,480	Investments		
Suppliers of fixed assets and others	1,755,037	-	Other investments	6,424,916	-
	6,424,916	-	Disposal of own shares	608,936	-
Total applications	29,645,334	117,873,821	Total sources	24,731,968	164,227,879
Excess of sources over applications (Increase in working capital)	-	46,354,058	Excess of applications over sources (Decrease in working capital)	4,913,366	-

Changes in working capital

	Euros			
	2007		2006	
	Increases	Decreases	Increases	Decreases
Debtors	2,751,187	-	-	1,500,770
Creditors	-	4,524,233	8,045,442	-
Short-term investments	-	41,744,778	-	51,741,643
Cash in hand and at banks	38,604,458	-	-	1,157,087
Total	41,355,645	46,269,011	8,045,442	54,399,500
Changes in working capital	-	4,913,366	-	46,354,058

Adjustments to be made to reach the funds generated from/(applied in) operations

	Euros	
	2007	2006
Profit for the year	11,832,769	55,694,667
Increases:		
Provisions	30,923	36,176
Prepaid interest	43,663	40,521
Changes in provisions for investments	1,815,643	729,307
Total increases	13,722,998	56,500,671
Decreases:		
Profits on operations involving own shares	7,372	-
Exchange differences on long-term operations	60,438	-
Total decreases	67,810	-
Total funds generated from operations	13,655,188	56,500,671

FLUIDRA, S.A.

Appendix I

Information on Group Companies

31 December 2007

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

Name	% ownership		Euros				Total shareholders' equity		Net book value of investment
	Dir.	Ind.	Capital & share premium	Reserves	Interim dividend	Profit/(loss) for the year	2007	2007	
Details of subsidiaries									
Astral Pool, S.A. and subsidiaries									
ASTRAL POOL, S.A.U.	100%		70,537,545	10,668,051	(10,402,069)	9,927,209	80,730,736	78,272,393	
ASTRAL POOL ESPAÑA, S.A.U.	100%		1,202,072	18,913,102	(5,396,446)	8,029,145	22,747,874		
ASTRAL PISCINE, S.A.S.	100%		4,777,889	1,595,157	(775,189)	1,476,368	7,074,225		
SCI 11 RUE DENFERT ROCHEREAU	50%		150,000	-	-	38,192	188,192		
ASTRAL UK LIMITED	100%		51,603	1,134,710	-	536,300	1,722,613		
MERCAMASTER GROUP, S.L.U.	100%		3,100	1,358	(300,000)	749,928	454,386		
ASTRAL SCHWIMMBADTECHNICK GmbH	100%		8,517,807	(1,096,688)	-	316,023	7,737,142		
ASTRAL ITALIA, S.P.A.	100%		620,000	4,160,709	-	1,159,890	5,940,599		
ASTRAL SERVICE, S.R.L.	100%		10,400	49,220	-	133,269	192,889		
ASTRAL POOL SWITZERLAND, S.A.	100%		647,478	(579,343)	-	312	68,447		
ASTRAL EXPORT, S.A.	95%		601,000	639,503	(500,000)	1,122,101	1,862,605		
YA SHI TU (Ningbo) Water Treatment Equipment, Ltd.	100%		58,612	(55,605)	-	22,432	25,439		
ASTRAL MIDDLE EAST FZE	100%		211,231	1,527,392	-	966,384	2,705,007		
ASTRAL HAVUZ EQUIPMANLARI S.V.T.A.	51%		168,796	1,288,793	-	609,089	2,066,678		
MAGHREBINE DES EQUIPEMENTS D'EAU, S.A.R.L.	51%		311,143	283,445	-	222,615	817,203		
ASTRAL BAZENOVE PRISLUSENTSVI, S.R.O.	85%		71,395	2,339,005	-	1,192,520	3,602,920		
ASTRAL SCANDINAVIA AS	100%		63,652	780,521	-	395,317	1,239,491		
ZAO "ASTRAL SNG"	70%		194,936	461,126	-	496,180	1,152,242		
ASTRAL EQUIPMENT AUSTRALIA PTY, LTD	94,54%		794,482	(741,487)	-	682,002	734,997		
MAGYAR ASTRAL POOL Kft.	90%		64,229	471,310	-	206,493	742,031		

ASTRAL POOL CHILE S.A.	60%	213,433	202,042	-	150,539	566,014
ASTRAL POOL POLSKA, SP. Z.O.O.	85%	99,293	303,082	-	246,993	649,368
ASTRAL INDIA Pvt. Ltd.	88%	55,059	106,356	-	314,522	475,937
MARAZUL, LDA.	100%	500,000	1,794,466	-	504,753	2,799,219
ASTRAL POOL HELLAS, S.A.	80%	441,250	(226,865)	-	165,045	379,430
ASTRAL PRODUCTS, INC.	97%	4,269,715	(4,027,690)	-	176,237	418,262
ASTRAL POOL MEXICO, S.A. DE C.V.	70%	1,164,946	(288,395)	-	(155,123)	721,429
CATPOOL S.A. de C.V.	99%	447,472	(44,172)	-	200	403,501
UNIPEN, S.L.	40%	9,595	50,597	-	1,668,374	1,728,567
POOL SUPPLIER, S.L.U.	100%	3,100	183,938	(130,000)	347,455	404,493
ASTRAL POOL GROUP, S.L.	100%	449,110	430,027	-	74,850	953,987
CONTROLPOOLS, S.A.	30%	60,100	47,180	-	(2,649)	104,631
TURCAT POLYESTER SANAYI VE TICARET, A.S.	49,85%	79,200	123,125	-	86,968	289,293
HURLCON HOLDINGS PTY LTD (4)	100%	145,450	3,533,010	-	1,540,192	5,218,652
ASTRAL HONG KONG CO, Ltd.	100%	994	2,163	-	12,530	15,687
ASTRAL SINGAPORE PTE. LTD	85%	103,597	(58,159)	-	11,604	57,042
ASTRALPOOL BALKANS JSC	66,67%	69,025	45,372	-	161,613	276,010
MTH-Moderne Wassertechnik AG	80%	103,000	900,814	-	(37,297)	966,517
PROHOGAR, S.L.	50%	3,017	1,374,359	-	25,889	1,403,265
BLUE WATER PARTS, S.A.S.	100%	300,000	(428,251)	-	(34,082)	(162,333)

Auric Pool, S.A. and subsidiaries

AURIC POOL S.A.U.	100%	25,242,000	7,981,046	(3,736,443)	5,288,258	34,774,861
METALAST, S.A.U.	100%	601,056	8,164,634	(1,900,000)	3,277,801	10,143,490
POLTANK, S.A.U.	100%	601,010	3,195,517	(100,000)	1,950,134	5,646,661
SACOPIA, S.A.U.	100%	601,000	3,957,233	(2,200,000)	4,435,083	6,793,316
UNISTRAL RECAMBIOS, S.A.U.	100%	60,110	122,478	(100,000)	266,043	348,631
REVICER, S.L.	100%	96,160	255,664	-	30,429	382,253
TALLERES DEL AGUA, S.L.	80%	3,756	677,119	-	404,556	1,085,432
MABER PLAST, S.L.	60%	12,020	989,401	-	119,527	1,120,949
TOGAMA, S.A.	69,97%	390,710	618,581	-	(421,968)	587,323
LLIERCA NAUS, S.A.	100%	60,110	242,485	-	154,078	456,673
EXEPOOL, S.L.	100%	54,090	294,513	-	239,568	588,172
PRODUCTES ELASTOMERS, S.A.	70%	60,200	60,118	-	71,579	191,896
INVERSIONES DELOSCUA, S.L.	100%	3,006	17,084	-	(261,762)	(241,672)
NINGBO LINYA SWIMMING POOL & WATER TREATMENT CO., LTD.	100%	911,344	(120,405)	-	82,175	873,114

47,577,685

CEPEX ITALIA S.R.L.	79%	101,490	1,246,753	-	625,115	1,973,358
CEPEX FRANCIA, S.A.S.	100%	460,000	(604,001)	-	(368,405)	(512,406)
CEPEX USA INC.	90%	350,448	(388,137)	-	113,983	76,294
CEPEX MEXICO, S.A. DE C.V.	100%	245,544	84,977	-	163,678	494,198
AGROCEPEX, S.A.L.L.	56%	8,938	5,824	-	3,696	18,458
CEPEX GMBH	100%	469,951	(447,841)	-	(2,277)	19,832
CEPEX MIDDLE EAST FZE	100%	226,449	(86,793)	-	9,961	149,616
PEXCE INMOBILIARIA, S.L.	100%	60,000	3,953	-	(42,043)	21,911
CEPEXSER, S.L.	100%	34,539	1	-	49,780	84,320
MASTERRIEGO, S.A.	86%	105,177	46,696	-	6,023	157,896
IRRIGARONNE	100%	969,419	2,660,622	-	769,616	4,399,657

NEOKEM Grup, S.A., and subsidiaries

NEOKEM GRUP, S.A.	100%	12,020,000	6,330,511	-	(3,006,987)	15,343,525
INQUIDE, S.A.U.	100%	2,303,732	2,230,202	-	711,620	5,245,554
INQUIDE FLIX, S.A.	100%	3,765,000	(2,383,933)	-	(540,139)	840,928
IWERQUIMICA, S.L.	100%	85,043	(44,976)	-	82,704	122,771
CTX, S.A.U.	100%	601,010	1,910,522	-	684,482	3,196,014
CTX Piscine, SARL	95%	240,000	318,917	-	120,409	679,326
CTX CHEMICALS, SRL	85%	520,000	690,055	-	346,940	1,556,994
AQUAAMBIENTE, S.A.	80%	450,000	940,037	-	36,031	1,426,068
WATERCHEM, S.L.	95%	36,000	31,533	-	(28,493)	39,041
MEIP INTERNATIONAL, S.L.	40%	420,700	772,074	-	166,624	1,359,398
CONTROLPOOLS, S.A.	40%	60,100	47,180	-	(2,649)	104,631

SNTE Agua Group, S.A., and subsidiaries

SNTE AGUA GROUP, S.A.	100%	9,085,110	241,290	-	(345,857)	8,980,542
SERVAQUA, S.A.	50%	420,720	1,280,380	-	209,053	1,910,153
MEMBRANE CONCEPTS, S.L.	100%	3,020	(27,430)	-	(4,384)	(28,794)
GRUPSENTE, A.I.E.	100%	10,000	6,067	-	2,057	18,124
ASTRAMATIC, S.A.	100%	180,300	562,637	-	103,852	846,790
SCI LA CERISAY	100%	1,524	-	-	375	1,899
SNTE España, S.L.	100%	3,010	365,356	-	222,157	590,523
APLICACIONES TÉCNICAS HIDRÁULICAS, S.L.	80%	120,202	3,028,625	-	2,052,627	5,201,455

ADBE CARTERA, S.A., and subsidiaries

ADBE CARTERA, S.A.U.	100%	300,510	33,690	-	(90)	334,109
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1,545,482

PROHOGAR, S.L.	50%	3,017	1,374,359	-	25,889	1,403,265
<u>INMOBILIARIA SWIM 38, S.L. and subsidiaries</u>						
INMOBILIARIA SWIM 38, S.L.	100%	3,100	33,189	-	82,787	119,076
A.P. IMMOBILIERE	99,90%	10,000	179,189	-	74,689	263,878
TRACE LOGISTICS.S.A.	100%	4,509,000	(420,577)	-	356,163	4,444,586
ACCENT GRAPHIC, S.L.	100%	72,120	276,270	-	214,990	563,380
FLUIDRA SERVICES, S.A.	100%	300,000	(22,148)	-	(340,316)	(62,464)
DISPREAU, GIE	100%	-	-	-	-	-
<u>Details of associated companies</u>						
INQUEVAP AIE	30%	323,224	5,164	-	(15,903)	312,486
ASTRAL NIGERIA, LTD (1)	25%	8,772	111,431	-	44,850	165,053
<u>Details of joint ventures</u>						
SCHWIMMBAD-SAUNA-AUSSTATTUNGS Gmbh	74%	1,158,434	917,605	-	1,367,197	3,443,236
<u>Details of cost consolidated companies</u>						
DISCOVERPOOLS COM, INC. (2)	11%	84,000	-	-	-	84,000
SOCIETE DE DISTRIBUTION ET DE MAINTENANCE (SODIMA) (3)	12,53%	100,000	47,017	-	(15,000)	132,017

This Appendix forms an integral part of note 8 to the annual accounts in conjunction with which it should be read.

FLUIDRA, S.A.

Details of the registered offices and statutory activity
of subsidiaries, associates
and jointly-controlled companies in which direct and indirect interests are held

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

Subsidiaries

- Astral Pool, S.A.U., with registered offices in Sabadell (Barcelona), dedicated to the holding and use of stocks and shares and advising, managing and administering the companies in which it has an interest.
- Astral Pool España, S.A.U., with registered offices in Polinyà (Barcelona), dedicated to the manufacture, sale and purchase and distribution of all types of machinery, equipment, components and parts of machinery, instruments, accessories and specific products for swimming pools, irrigation, and water treatment and purification systems.
- SCI 11 Rue Denfert Rochereau, with registered offices in Saint Dennis (France), operates in the real estate sector.
- Astral Piscine, S.A.S., with registered offices in Perpignan (France), the statutory activity of which involves the manufacture, sale and purchase, distribution, commercialisation, export and import of all types of swimming pool-related products.
- Astral 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.
- Mercamaster Group, S.L.U., with registered offices in Sabadell (Barcelona), the statutory activity of which involves commercial and service intermediation.
- Astral Schwimmbadtechnik, 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.
- Astral Service, S.R.L., with registered offices in Brescia (Italy), the statutory activity of which involves rendering services and conducting real estate activities.
- Astral Pool Switzerland, S.A., with registered offices in Bedano (Switzerland), the principal activity of which is the commercialisation of swimming pool-related materials.
- Astral Export, S.A., with registered offices in Sabadell (Spain) is dedicated to trading all type of products and goods on both domestic and foreign markets, whilst its principal activity involves the commercialisation of swimming pool-related products, basically acquired from related companies.
- Astral Middle East, Fze., with registered offices in Jebel Ali (Dubai), dedicated to the commercialisation of equipment for swimming pools and water treatment and related accessories.
- Astral Havuz Ekipmanlari, S.V.T.A., with registered offices in Kartal (Turkey), dedicated to the import of equipment, chemical products and other accessories for swimming pools, for their subsequent distribution.

- Maghrebine Des Equipements d'Eau, S.A.R.L., with registered offices in Casablanca (Morocco), the statutory activity of which is the import, export, manufacture, commercialisation, sale and distribution of parts for swimming pools, irrigation and water treatment systems.
- Astral Bazénové Prilslusenstvi Spol, S.R.O., with registered offices in Prague (the Czech Republic), the principal activity of which is the commercialisation of swimming pool-related accessories.
- Astral Scandinavia, A/S, with registered offices in Roedekro (Denmark), importer of technical components and equipment for all types of water treatment processes.
- Zao "Astral Sng", with registered offices in Moscow (Russia), the principal activity of which is the purchase of swimming pool-related materials for their subsequent sale on the national market.
- Astral Equipment Australia Pty, Ltd., with registered offices in Underwood (Australia), the principal activity of which is the distribution of swimming pool-related products.
- Magyar Astral Pool, Kft., with registered offices in Budapest (Hungary), the principal activity of which is the commercialisation and assembly of machinery and accessories for swimming pools, irrigation and water treatment and purification systems.
- Astral Pool Polska SP, Z.o.o., with registered offices in Wroclaw (Poland), the principal activity of which is the commercialisation of swimming pool-related accessories.
- Astral Pool Chile, S.A., with registered offices in Santiago de Chile (Chile), the principal activity of which is the distribution and commercialisation of products for swimming pools, irrigation and water treatment and purification systems.
- Astral Pool México, S.A. de C.V., with registered offices in Tlaquepaque (Mexico), the principal activity of which is the commercialisation of swimming pool-related materials.
- Astral Products, Inc., with registered offices in Florida (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.
- Marazul Importação, Exportação, Comercio e Industria Limitada, with registered offices in São Domingo da Rana (Portugal), dedicated to the manufacture, sale and purchase, distribution commercialisation, export and import of all types of swimming pool-related products.
- Pool Supplier, S.L.U., with registered offices in Polinyà (Barcelona), dedicated to the sale and purchase of swimming pool-related products and the distribution of these products among group companies.
- Astral Pool Group, S.L.U., with registered offices in Sabadell (Spain), the statutory activity of which involves economic support by rendering administration services, providing legal, financial and accounting advisory services, managing and training personnel, and providing IT, R&D and marketing services.
- Astral Pool Hellas, S.A., with registered offices in Aspropyrgos (Greece), the principal activity of which is the distribution of swimming pool accessories.
- Ya Shi Tu (Ningbo Water Treatment Equipment, LTD), with registered offices in Shanghai (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.

- Hurlcon Holdings PTY LTD, with registered offices in Noble Park Victoria (Australia), the principal activity of which is the purchase, sale, production and distribution of machinery, equipment, products and special equipment for the maintenance of swimming pools and water systems.
- Astral Pool Hongkong CO. LTD, with registered offices in Hong Kong (Hong Kong), the principal activity of which is the commercialisation of swimming pool-related accessories.
- Astral Pool Singapore PTE LTD, registered offices in Singapore (Singapore), the principal activity of which is the commercialisation of swimming pool accessories.
- Astral Pool Balkans JSK, with registered offices in Plovdiv (Bulgaria), the principal activity of which is the purchase, sale and distribution of machinery, equipment, materials, products and special equipment for the maintenance of swimming pools and water systems.
- MTH Moderne Wassertechnik AG, with registered offices in Gilching (Alemania), the principal activity of which is the sale and purchase, manufacture and distribution of machinery, equipment, products and special maintenance equipment for swimming pools and water systems.
- AP Immobiliere, with registered offices in Perpignan (France), the statutory activity of which is the development and rental of real estate.
- Blue Water Parts, S.A.S., with registered offices in Villeurbanne (France), mainly dedicated to selling replacement materials for swimming pools.
- 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.
- Unipen, S.L.U., with registered offices in Polinyà (Barcelona), the statutory activity of which is the development and rental of real estate.
- Poltank, S.A.U., with registered offices in Tortellà (Girona), the statutory activity of which involves the manufacture and commercialisation of swimming pool filters by injection-moulding, projection or lamination.
- Sacopa, S.A.U., with registered offices in Sant Jaume de Llierca (Girona), the principal activity of which is the transformation and commercialisation of plastic materials.
- Unistral Recambios, S.A.U., with registered offices in Massanet de la Selva (Girona), the statutory activity of which involves the manufacture, sale and purchase and distribution of machinery, accessories, spare parts, components and specific products for the treatment and purification of water.
- Revicer, S.L., with registered offices in Arganda del Rey (Madrid), dedicated to the manufacture and commercialisation, sale and distribution of various sized tiles and other materials for the construction industry.
- Talleres del Agua, S.L., with registered offices in Poligono Industrial de Barros, Ayuntamiento de los Corrales de Buelna (Cantabria), the statutory activity of which involves the construction, sale, installation, conditioning and maintenance of swimming pools, as well as the manufacture, sale and purchase, import and export of all types of swimming pool-related tools.
- Maber Plast, S.L., with registered offices in Sant Joan les Fonts (Girona), the principal activity of which is the transformation of plastic materials.
- Togama, S.A., with registered offices in Villareal (Castellón), the statutory activity of which is the manufacture of ceramic insulators and insulating parts for electrical installations.
- Llierca Naus, S.A., with registered offices in Sant Jaume de Llierca (Girona), rents its industrial buildings to several group companies.

- Exex Pool, S.L., with registered offices in Polinyà (Barcelona), the statutory activity of which involves rendering administration services, providing legal, financial and accounting advisory services, managing and training personnel, and providing IT, R&D and marketing services.
- Auric Pool, 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.
- Inversiones Deloscua, S.L., with registered offices in Barcelona, the statutory activity of which is the development of real estate.
- Productes Elastomers, S.A., with registered offices in Sant Joan Les Fonts (Girona), dedicated to the manufacture of moulded rubber parts and all types of natural and synthetic rubber items, the implementation and development of techniques for maintaining, repairing and adjusting pressure chambers, and in general, the preparation, manufacture and transformation of all types of rubber and plastic products.
- Ningbo Linya Swimming Pool & Water Treatment Co. Ltd., with registered offices in Ningbo (China), the statutory activity of which is the design, research and development and manufacture of equipment for swimming pools and water disinfection, pumps, dehumidifiers, metallic products, plastic products and vitreous linings.
- Turcat Polyester Sanayi Ve Ticaret A.S., with registered offices in Istanbul (Turkey), the statutory activity of which is the production, import, export and commercialisation of products and accessories, purification filters and chemical products.
- Europeenne de Couverteurs Automatiques, S.A.R.L., with registered offices in Perpignan (France), the statutory activity of which is the manufacture of motorised swimming pool covers.
- Rotoplastics, S.L. with registered offices in Saint Antonin Noble Val (France), the statutory activity of which is the manufacture of swimming-pool and water treatment materials.
- 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 storage of water treatment materials, filtration equipment and domestic and industrial accessories.
- Swimco Corp., S.L., with registered offices in Munguia (Vizcaya) the statutory activity of which involves the holding and use of shares, securities and other interests and advising, managing and administrating the companies in which it has an interest.
- Meip Internacional, S.L., with registered offices in Barberà del Vallès (Barcelona), dedicated to the sale of swimming pool-related products, materials and accessories.
- Manufacturas Gre, S.A., with registered offices in Munguia (Vizcaya), the statutory activity of which involves the manufacture and commercialisation of swimming pool-related products, materials and accessories.
- Gre, Aqua and Pool, S.L. with registered offices in Munguia Vizcaya (Spain), the principal activity of which is identical to the statutory activity consisting of the distribution and sale of swimming pools and spas.

- European Corner, S.A., with registered offices in Sabadell (Barcelona), the statutory activity of which is the holding and use of stocks and shares and advising, managing and administrating the companies in which it has an interest.
- Certikin Internacional, Ltd., with registered offices in Witney Oxon (England), the principal activity of which is the commercialisation of swimming pool-related products.
- Hydros swim International, S.A.S. (formerly MMC, S.A.S.), with registered offices in La Chevroliere (France), the principal activity of which involves the manufacture and commercialisation of swimming pool filters and pumps.
- Industrias Mecánicas Lago, S.A., with registered offices in Sant Julià de Ramis (Girona), the statutory activity of which involves the manufacture and commercialisation of water pumps, swimming pools and associated accessories.
- Certikin Ibérica S.L., with registered offices in Celrà (Girona), the principal activity of which is the commercialisation of swimming pool-related products.
- Comercial de Exclusivas Internacionales Blage, S.A. with registered offices on the Mas Puigvert Industrial Estate, Oeste, Parcela 3, nº 19, Palafolls, Barcelona, the statutory activity of which is the distribution and assembly of swimming pool products.
- Cepex Holding, S.A.U. with registered offices in La Garriga (Barcelona, Spain), the principal activity of which is the management of holding companies.
- 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.
- Foreplast, S.A.U., with registered offices in Les Franqueses del Vallès, Barcelona (Spain), the principal activity of which is the manufacture and distribution of injected plastics.
- Valvules i Racods Canovelles, S.A. with registered offices in La Garriga, Barcelona (Spain), the principal activity of which is the manufacture and distribution of injected plastics and in particular, plastic parts for valves.
- Manufactures de Plastics Sola, S.A.U., with registered offices in Vic, Barcelona (Spain), the principal activity of which is the manufacture of moulds for fluid conduction.
- Pro Cepex, S.A.R.L., with registered offices in Casablanca (Morocco), the principal activity of which is the commercialisation of fluid conduction products.
- Ningbo Xi Pei Valves and Fittings, with registered offices in Beilun, Ningbo (China), the principal activity of which is the manufacture and assembly of valves, accessories and moulds and their commercialisation and after-sales service.
- Cepex Comercial, S.A.U., with registered offices in Les Garrigues, Barcelona (Spain), the principal activity of which is the commercialisation of fluid conduction products.
- Cepex Portugal, with registered offices in Palmela, Setúbel (Portugal), 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 France, S.A.S with registered offices in Nimes (France), the principal activity of which is the commercialisation of piping 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.

- Cepex GmbH with registered offices in Munich (Germany), the principal activity of which is the commercialisation of piping products.
- Cepex Middle East, F.Z.E., with registered offices in Dubai (United Arab Emirates), the principal activity of which is the commercialisation of fluid conduction products.
- Pexce Inmobiliaria, S.L. with registered offices in Les Garrigues, Barcelona, (Spain), the principal activity of which is the acquisition and sale of real estate property.
- Cepexser, S.L., with registered offices in Les Garrigues, Barcelona (Spain), the principal activity of which is the rendering of services to its shareholders.
- Master Riego, S.A. with registered offices in Algete, calle El Nogal número 3, nave 2, polígono industrial Los Nogales (Madrid, Spain), the activity of which is the commercialisation of all types of sprinkler irrigation materials.
- Irrigaronne, S.A.S. with registered offices at Zone Industriekke 47550, 47000 Agen (France), the activity of which is the assembly and repair of hydraulic plant for irrigation, agricultural irrigation and mechanised agriculture.
- Neokem Grup, S.A., with registered offices in Barberá del Vallés, Barcelona (Spain), the principal activity of which is the rendering of administrative management services.
- Inquide, S.A., with registered offices in calle Mogoda 75 in Barberá del Vallés, Barcelona (Spain), the principal activity of which is the manufacture of products and chemical specialties in general, with the exclusion of pharmaceuticals.
- Inquide Flix, S.A. with registered offices in calle Mogoda 75 in Barberá del Vallés, Barcelona (Spain), the principal activity of which is the manufacture, purchase, sale, distribution and commercialisation of trichloroisocyanuric acid.
- Iwerquímica, S.L., with registered offices at calle Rio Gállego, 27 in Cuarte de Huerva (Zaragoza), the principal activity of which is the manufacture and commercialisation of chemical products for water disinfection.
- CTX, S.A. with registered offices in calle Pintor Fortuny 6 in Polinyá, Barcelona, (Spain), the principal activity of which is the commercialisation of chemical water disinfection products.
- CTX Piscine, S.A.R.L., with registered offices in Perpignan (France), the principal activity of which is the commercialisation of chemical water disinfection products.
- CTX Chemicals, S.R.L., with registered offices in Bedizzole, Brescia (Italy), the principal activity of which is the commercialisation of chemical water disinfection products.
- Aquambiente, S.A. with registered offices in Estrada Nacional 249 – Parque Industrial Cabra Figa, Lote 15 Cabra Figa (Portugal), the principal activity of which is the commercialisation of chemical water disinfection products.
- Waterchem, S.L., with registered offices at calle Mogoda 75 in Barberá del Vallés, (Barcelona), the principal activity of which is the rendering of services to group companies.
- SNTE Agua Group, S.A, with registered offices at C/Mogoda 75 P.Industrial Can Salvatella (Barberá del Vallés - Spain), the principal activity of which is the holding of shares in group companies.
- Servaqua, S.A.U., with registered offices in C/Industria S/N P. Ind La Coromina, Balsareny (Spain), the principal activity of which is the commercialisation and manufacture of water treatment filters and accessories.
- Membrane Concepts, S.L., with registered offices in C/Industria S/N P. Ind. La Coromina, Balsareny, (Spain), the principal activity of which is the research, development and operating of water treatment products, methods and procedures.

- Grupsente, S.L. with registered offices in C/Mogoda 75 P. Industrial Can Salvatella, Barberà del Vallès (Spain), the principal activity of which is the rendering of services for Snte Group companies.
- Astramatic, S.A.U., with registered offices in C/ Mogoda 75, P. Industrial Can Salvatella, Barberà del Vallès (Spain), the principal activity of which is the commercialisation and manufacture of industrial water treatment equipment and items to be applied in the water sector.
- S. C.I. Cerisay, with registered offices in Avenue Maurice Bellonte, Perpignan, (France), the principal activity of which is the holding of real estate securities.
- SNTE España, S.L. with registered offices in C/Mogoda 75, P. Industrial Can Salvatella, Barberà del Vallès (Spain), the principal activity of which is the manufacture and commercialisation of equipment for the treatment of household water supplies.
- 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 retailing and wholesale of machinery, materials, equipment and accessories for water installations and treatment..
- Trace Logistics, S.A., with registered offices in Massanet de la Selva (Girona), the statutory activity of which involves holding third-party assets on deposit in its warehouses and premises to store, control and distribute them to third parties at the request of its depositors, performing storage, loading and unloading and other associated tasks required to manage the distribution of these assets following the instructions of the depositors, as well as contracting and managing transport services.
- AP Immobiliere, with registered offices in Perpignan (France), the statutory activity of which is the development and rental of real estate.
- ADBE Cartera, S.A.U. with registered offices Sabadell (Spain), the principal activity of which is the rendering of administrative, legal, fiscal and financial advisory services.
- Dispreau, G.I.E. with registered offices in Perpignan (France), the principal activity of which is the rendering of administration services, providing legal, tax and financial advice, personnel management and training and IT services.
- Prohogar, S.L., with registered offices in Sabadell (Spain), operates in the real estate sector.
- Fluidra Services, S.A.U., with registered offices in Sabadell (Spain), mainly dedicated to rendering administration services and providing legal, tax and financial advice, personnel management and training and IT services.
- 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.
- Control Pools, S.A., with registered offices in Polinyà (Barcelona), mainly dedicated to manufacturing precision measurement and control instruments for swimming pools.
- Inmobiliaria Swim 38, S.L.U., with registered offices in Sabadell (Barcelona), the statutory activity of which is the development and rental of real estate.

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), the principal activity of which is electricity cogeneration.

Jointly-controlled companies

- Schwimmbad-Sauna-Ausstattungs, GMBH, with registered offices in Salzburg (Austria), the principal activity of which is the commercialisation of swimming pool products. This company is jointly managed with Mr Helmut Brabenetz and Mr Walter Brabenetz.

FLUIDRA, S.A.

Details of and movement in shareholders' equity
for the year ended
31 December 2007

(Expressed in Euros)

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

	Share capital	Share premium	Legal reserve	Own share reserve	Voluntary reserves	Profit for the year	Interim dividend	Total
Balance at 31/12/2006	112,629,070	92,831,008	1,928,253	-	3,015,831	55,694,667	(6,500,000)	259,598,829
Distribution of profit:								
Transfers	-	-	5,638,985	-	32,555,681	(44,694,667)	6,500,000	-
Dividend	-	-	-	-	-	(11,000,000)	-	(11,000,000)
Other movements	-	-	-	818,942	(818,942)	-	-	-
Profit for the year	-	-	-	-	-	11,832,769	-	11,832,769
Balance at 31/12/2007	112,629,070	92,831,008	7,567,238	818,942	34,752,570	11,832,769	-	260,431,597

This Appendix forms an integral part of note 12 to the annual accounts in conjunction with which it should be read.

FLUIDRA, S.A.

Details of investments and positions held by the directors in other companies
31 December 2007

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

Name	Company	Percentage ownership	Position
Eloy Planes Corts	Astral Nigeria, Ltd.	---	Director
	Maghrebine Des Equipments D'eau, S.A.R.L.	---	Joint and several director
	Astral Service, S.R.L.	---	Sole director
	Astral Italia, S.P.A.	---	Sole director
	Astral Bazenove Prislusentsvi, S.R.O.	---	Joint and several director
	Astral India Private, Limited	---	Director
	Astral Pool Singapore, Pte Ltd.	---	Director
	Astral Piscine, S.A.S.	---	Sole director
	Certikin International, Limited	---	Director
	AP Immobiliere	---	Sole director
	Turcat Polyester Sanayi Ve Ticaret Anonim Sirketi	---	Director
	Cepex USA, Inc.	---	Director
	Zao Astral, SNG	---	Director
	Astral Pool Polska, S.A.	---	Director
	Astral Pool México, S.A. de C.V.	---	Director
	Inmobiliaria Tralsa, S.A.	---	Several director
	Astral Scandinavia AS/	---	Director
	Magyar Astral Pool, Kft.	---	Joint and several director
	Astral Products, Inc.	---	Director
	Astral Pool Chile, Sociedad Anónima Cerrada	---	Director
	Manufacturas Gre, S.A.U.	---	Sole director
	ADBE Cartera, S.A.U.	---	Sole director
	Meip International, S.L.	---	Director
	Astal Pool Group, S.L.U.	---	Sole director
	Fluidra Services, S.A.U.	---	Director
	Prohogar, S.L.	---	Sole director
Astral Pool Deutschland GmbH	---	Joint and several director	
Astral Equipment Australia Pty, Ltd.	---	Director	

Name	Company	Percentage ownership	Position
	Astral Pool Hellas	---	Director
	Astral Pool Balkans JSC	---	Director
	Moderne Wassertechnik AG (MTH)	---	Director
	Catpool, S.A. de C.V.	---	Director
	Astral UK, Limited	---	Director
	Marazul, Lda.	---	Sole director
	Gre Aqua and Pool, S.L.U.	---	Sole director
	SNTE Agua Group, S.A.U.	---	Sole director
	European Corner, S.A.U.	---	Sole director
	Astral Pool España, S.A.U.	---	Sole director
	Cepex Holding, S.A.U.	---	Sole director
	Neokem Grup, S.A.U.	---	Sole director
	Auric Pool, S.A.U.	---	Sole director
	Astral Pool, S.A.U.	---	Sole director
	Manufacturas Gre, S.A.U.	---	Sole director
	Astral Export, S.A.	---	Sole director
	Mercamaster Group, S.L.U.	---	Sole director
	Pool Supplier, S.L.U.	---	Sole director
	Inmobiliaria Swim 38, S.L.U.	---	Sole director
	Swimco Corp, S.L.	---	Sole director
	Dispur, S.L.	4.724%	Board member

Name or company name of director	Company in which investment is held	Percentage ownership	Position held
Mr Juan Planes Vila	DISPUR, S.L.	72.445%	Chairman
Mr Oscar Serra Duffo	---	--	--
Mr Bernat Corbera Serra	--	--	
Mr Bernat Garrigós Castro	ANIOL. S.L.	0.6937%	Managing Director
BanSabadell Inversió Desenvolupament, S.A.	COMPANYIA D'AIGÜES DE SABADELL, S.A.	5.68%	---
Mr Juan Ignacio Acha-Orbea Echevarria	---	--	--
Mr Kam Son Leong	---	--	--
Mr Richard J. Cathcart	---	--	--

This Appendix forms an integral part of note 22 to the annual accounts in conjunction with which it should be read.

FLUIDRA, S.A.

Directors' Report

2007

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

General overview of the business

In 2007 the Company's income was much lower than in the prior year as a result of the smaller amount of dividends distributed, which decreased from Euros 57,341,028 in 2006 to Euros 17,141,617 in 2007.

The increase in operating expenses should be noted, mainly due to the flotation of the Company on the stock exchange (Euros 5.1 million).

At year end a large part of these expenses is payable, reflected in the rise in trade payables.

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 the Spanish Income Tax Law.

Initially, the shareholders contributing shares in the aforementioned transaction adhered to this tax exemption, therefore transferring the commitment with the tax 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 long-term deferred tax liability and a long-term 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 long-term deferred tax liability and the long-term receivable have been reduced by Euros 1,365 thousand.

Overview of risk policy

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

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

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 Pound Sterling, all transactions with the Euro are hedged using forwards.

*FLUIDRA, S.A.**Directors' Report*

The Group mitigates the interest-rate risk affecting its cash flows using floating-to-fixed barrier swaps with fixed rates of between 2.68% and 4.73% and barriers at an interval ranging from 4% to 5.75%.

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.

Own shares

During 2007 the Group has carried out several purchase (241,079 shares) and sale (102,157 shares) transactions involving treasury shares, within the legally established limits and having duly notified the Spanish National Securities Market Commission, generating an overall profit of Euros 7,372. At year end the Fluidra Group held 138,922 treasury shares, representing 0.12% of its share capital and with a total cost of Euros 818.9 thousand.

Research, development and technological innovation

Nothing to report.

Subsequent events

Nothing to report.

Article 116.b of the Spanish Securities Market Law

In accordance with Article 116.b of the Spanish Securities Market Law 24 of 28 July 1988, Fluidra, S.A.'s board of directors has included in this directors' report an explanation of any issues to be disclosed in the directors' report that are considered in this law for the purposes of informing the Company's shareholders in their annual general meeting.

a) The capital structure, including any securities that are not negotiated on official European Union markets, indicating where necessary, the different classes of shares and for each class of share, the rights and obligations they confer and the percentage of share capital they represent.

At 31 December 2007 the share capital of Fluidra, S.A. (hereinafter Fluidra) amounts to Euros 112,629,070 and is fully paid up. It is represented by 112,629,070 ordinary shares of a single class and series, with a par value of Euro 1 each, fully subscribed and paid up, which confer the holders thereof the same rights.

b) Restrictions on the transfer of securities

No statutory restrictions on the transfer of shares exist.

Article 6 of the articles of association establishes that shares are represented by book entries. Shares can be transferred by any means recognised by Law according to their nature and in accordance with legislation on the transfer of securities represented by book entries.

*FLUIDRA, S.A.**Directors' Report*

Nonetheless, article 81.2 of the Spanish Securities Market Law and Article 4 of the Internal Code of Conduct establish that individuals holding any form of privileged information must abstain from preparing or performing directly or indirectly on their own behalf or that of others, any operations involving any of the Company's marketable securities and financial instruments. Likewise, individuals subject to Fluidra's Internal Code of Conduct must abstain from purchasing or selling the Company's marketable securities or financial instruments during the following periods of restricted activity:

- (i) During the 15 days prior to the estimated date of publication of weekly, quarterly and annual reports on results which the Company has to send to the Spanish National Securities Market Commission and the Spanish Stock Exchange Councils, until the date of general publication.
- (ii) From the moment they obtain information on proposals of dividend distributions, share capital increases or reductions, or the issue of convertible securities of the Company until the date of general publication.
- (iii) From the moment they obtain any other relevant information (as defined in the Company's Internal Code of Conduct) until it is divulged or made public knowledge.

In accordance with the terms of article 5.3 of the Internal Code of Conduct, marketable securities and financial instruments may not be sold by individuals subject to Fluidra's Internal Code of Conduct on the same day on which the purchase operation has been carried out.

c) Significant direct or indirect shareholdings

Significant interests in Fluidra's share capital which are equal to or exceed 3% of share capital or voting rights and of which the Company has been informed at 31 December 2007 are as follows:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights*	% of total voting rights
EDREM S.L	15,204,914	0	13.500
ANIOL S.L	8,664,442	0	7.693
DISPUR S.L	13,240,444	0	11.755
BOYSER S.R.L	15,899,405	0	14.117
BANCO DE SABADELL, S.A	0	10,891,053	9.670
Bernat Corbera Bros	0	15,204,914	13.500
Robert Garrigós Ruiz	0	8,664,442	7.693
Juan Planes Vila	0	13,240,444	11.755
Juan Serra Aragonés	0	15,899,405	14.117
CAJA DE AHORROS Y M. PIEDAD DE NAVARRA	0	5,631,454	5.000

*Through:

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Name or company name of the direct shareholder	Number of direct voting rights	% of total voting rights
BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.	10,891,053	9.670
EDREM S.L.	15,204,914	13.500
ANIOL S.L.	8,664,442	7.693
DISPUR, S.L.	13,240,444	11.755
BOYSER, S.L.	15,899,405	14.117
GRUPO CORPORATIVO EMPRESARIAL DE LA CAJA DE AHORROS Y MONTE DE PIEDAD DE NAVARRA	5,631,454	5.000

d) Restrictions to voting rights

There are no legal or statutory restrictions to the exercising of voting rights.

e) Associative arrangements

Fluidra is aware of the existence of an associative arrangement entered into on 5 September 2007 by the Company's main shareholders (Dispur, S.L., Aniol S.L., Boyser, S.L., Edrem S.L. and Bansabadell Inversió Desenvolupament, S.A.U.) to jointly define their control over Fluidra, both in terms of their voting rights and the right to internally syndicate certain share transfers. The associative arrangement has a maximum duration of 7 years from the listing of Fluidra shares, although the provisions for vote syndication have a duration of 4 years from the aforementioned date.

The most noteworthy terms of this associative arrangement are as follows:

(i) Vote syndication: the signatories of the arrangement undertake to exercise their voting rights at Fluidra's annual general meetings as agreed by the syndicate's body appointed in the contract, known as the assembly.

The adoption of agreements by the assembly requires a favourable vote from syndicated shareholders representing 50% or more of the aforementioned syndicated shareholders' total voting rights. Notwithstanding the above, certain agreements require a reinforced majority (70%) or a unanimous vote (qualified majority).

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The agreements requiring a reinforced majority (favourable vote of at least 70% of the voting rights of syndicated shares) include, inter alia, the following: (i) modification of the Company's articles of association which include an increase or reduction of share capital - excluding those which require a qualified majority as outlined in the following paragraph -, the creation of shares with no voting rights, modifications to the par value of shares, replacement or modification of the statutory activity, etc; (ii) changes to the administration system or its number of members, appointments, dismissals or composition; (iii) the issue of bonds or any other debt instruments or securities that may be converted into shares; (iv) establishment of share option plans for Fluidra board members or employees; and (v) the authorisation of operations with treasury shares, to a maximum of 2%.

The following arrangements require a qualified majority (i.e. unanimous vote of the syndicated shareholders): (i) modification of articles of association which requires a capital increase of an amount exceeding 10% of Fluidra's capital at the date immediately preceding the date of the increase; (ii) transformation, merger, spin-off, etc.; (iii) exclusion of Fluidra shares from listing on the stock exchange; and (iv) authorisation of Fluidra treasury share operations exceeding 2%.

Limitations to the transfer of shares: the associative arrangement prohibits the signatories from selling or transferring shares subject to the arrangement for a period of 4 years from the date of Fluidra's flotation on the stock exchange. There are certain exceptions to this limitation.

Once the aforementioned 4 year period has elapsed and for the remaining term of the arrangement, the non-transferring syndicated shareholders have a preferential acquisition right in the case of transfer of shares subject to the arrangement.

Composition of governing bodies: the arrangement establishes a regulation relating to the number of members and the composition of certain governing bodies of Fluidra.

Anti-trust: the arrangement establishes an anti-trust clause for the syndicated shareholders whereby the shareholders agree not to compete against Fluidra during a period of 4 years from the date of Fluidra's flotation on the stock exchange, except in the case of prior written consent from Fluidra.

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f) Regulations applicable to the appointment and replacement of members of the Board of Directors and modification of the articles of association.

□ *Appointment and resignation of members of the board of directors*

The members of the administrative body are appointed by the shareholders at a General Meeting or provisionally appointed by the Board of Directors in accordance with the provisions of the Spanish Companies Act and the Company's articles of association.

Article 17.1 of the Regulations of the Company's Board of Directors establishes that directors should be appointed (i) at the request of the Appointments and Remuneration Committee, in the case of independent directors, and (ii) subsequent to notifying the Appointments and Remuneration Committee in the case of the other directors, by the shareholders at the annual general meeting or the Board of Directors in accordance with the provisions of the Spanish Companies Act.

For external directors, Article 18 of the Regulations of the Company's Board of Directors stipulates that the Board of Directors should ensure that the candidates elected are individuals of known solvency, competence and experience, and should take strict measures in relation to covering the positions of independent directors set out in Article 6 of the aforementioned Regulations.

The directors may not occupy this position for more than six years, and may be reelected once or twice for periods of equal duration.

Article 19 of the Regulations of the Board of Directors establishes that, before proposing the reelection of directors at the annual general meeting, the Board of Directors should assess, with the abstention of the individuals in question, the quality of the work and the dedication to the position of the proposed directors during the preceding term of office.

Article 21.1 of the Company's Board Regulations states that the directors will cease from their position when the period for which they were appointed has elapsed and when decided by the General Board using its powers conferred for legal and statutory purposes.

In accordance with article 21.2 of the Board of Directors Regulations, the directors must render their position available to the Board of Directors and formalise, where appropriate, their resignation in the following cases: a) when they cease to occupy the executive posts associated with their appointment as director; b) when they qualify for any of the legally established assumptions of incompatibility or prohibition; c) when they have been seriously reprimanded by the Board of Directors due to having breached their obligations as directors; d) when their permanence on the Board could pose a risk to or jeopardise the Company's interests, standing or reputation or when the reasons for their appointment no longer exist; e) independent directors may not remain as such for a continuous period of more than 12 years. Once this period has elapsed they must render their position available to the Board of Directors and formalise their resignation; f) In the case of directors representing shareholders ("consejeros dominicales") (i) when the shareholder represented sells all of its shares and also (ii) for the corresponding number, when the shareholder lowers its shareholding to a level requiring a reduction in the number of directors representing shareholders.

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Article 21.3 of the Board of Directors' Regulations stipulates that if, as a result of resignation or any other reason, directors have to leave their posts prior to the end of their term of office, the reasons must be explained in a letter sent to all members of the Board.

The Board of Directors can only propose the resignation of an independent director prior to the end of the statutory period when there is true cause, confirmed by the Board, and subsequent to informing the Appointments and Remuneration Committee. True cause is understood to exist when the director has breached the duties inherent to the post or has unexpectedly caused any of the preventive circumstances described in the definition of an independent director outlined in the prevailing good corporate governance recommendations.

□ Modification to articles of association

In accordance with article 5 of the Company's General Shareholders' Meeting Regulations, any modification to the articles of association must be agreed, inter alia, by the shareholders at a General Meeting.

g) Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares

The director Mr Eloy Planes Corts has been given the same powers conferred to the Board of Directors in the articles of association, except for those which cannot be delegated by law.

In an extraordinary general meeting held on 5 September 2007 the shareholders authorised the board of directors to directly or indirectly acquire treasury shares, especially and without limit, to fulfil the share option plan for the management team (including executive directors) and to cover the employees' tranche of the public offering of the Company's shares. This authorisation is for a period of 18 months as from 6 September 2007.

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h) Significant agreements made by the Company and which enter into force, are modified or concluded in the event of a change in control of the Company due to a public share offering and its effects, except when disclosure could be seriously detrimental to the Company. This exception shall not be applicable when the Company is legally under the obligation to publish this information.

The Company does not have any agreements which enter into force, are modified or are concluded as a result of a public share offering.

i) Agreements between the Company and its management and directors who receive indemnities when they resign or are dismissed unfairly or if the labour relationship is terminated due to a public share offering.

Except for the Managing Director, the Company does not have any agreements other than those set out in the Workers' Statute or in the Senior Management Decree 1382/1985 which provide indemnities upon resignation, unfair dismissal or if the labour relationship is terminated due to a takeover bid.

In order to strengthen the Managing Director's loyalty and permanence with the Company, a higher indemnity than that applicable in accordance with the aforementioned legislation has been recognised in the case of unfair dismissal.

CERTIFICATION

Certification provided by the Secretary to the Board of Directors hereby confirming that the members of the aforementioned Board of Directors of FLUIDRA, S.A. have subscribed the annual accounts, including the notes thereo, for the year ended 31 December 2007, signed by all of the Directors of the Company, the names and surnames of which are stated below.

Don Juan Planes Vila

BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.
Don Carlos Ventura Santamans

Don Eloy Planes Corts

Don Richard Cathcart

Don Bernat Garrigós Castro

Don Kam Son Leong

Don Oscar Serra Duffo

Don Juan Ignacio Acha-Orbea Echevarría

Don Bernardo Corbera Serra