FLUIDRA, S.A.
AND SUBSIDIARIES

Consolidated Annual Accounts and Consolidated 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 Consolidated 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.

We have audited the consolidated annual accounts of Fluidra, S.A. (hereinafter the Parent) and subsidiaries (hereinafter the Group) which comprise the consolidated balance sheet at 31 December 2007, the related consolidated statement of income for the year then ended, the consolidated statements of cash flow and changes in equity and the consolidated notes thereto, the preparation of which is the responsibility of the Parent's board of directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the consolidated annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

As explained in note 2(b), the accompanying consolidated annual accounts for 2007 are the Group's first consolidated annual accounts prepared in accordance with European Union endorsed International Financial Reporting Standards (hereinafter EU-IFRS), which generally require that comparative information be included for the previous year in the financial statements. Therefore, and in accordance with prevailing Spanish legislation, these consolidated annual accounts for 2007 also include, for each individual caption in the consolidated balance sheet, the consolidated statements of income, cash flows and changes in equity, and the consolidated notes thereto, comparative figures for 2006 which result from the application of EU-IFRS prevailing at 31 December 2007. Consequently, the figures for 2006 differ from those reported in the approved 2006 consolidated annual accounts prepared in accordance with the generally accepted accounting principles prevailing that year. We express our opinion solely on the consolidated annual accounts for 2007. On 2 April 2007 we issued our unqualified audit report on the consolidated annual accounts for 2006 prepared in accordance with generally accepted accounting principles prevailing that year. Furthermore, on 18 June 2007 we issued our unqualified audit report on the consolidated financial statements for 2006 and 2005 prepared in accordance with European Union endorsed International Financial Reporting Standards (EU-IFRS).

In our opinion, these consolidated annual accounts for 2007 present fairly, in all material respects, the consolidated equity and consolidated financial position of Fluidra, S.A. and subsidiaries at 31 December 2007 and the consolidated results of their operations and the changes in consolidated equity and consolidated cash flows for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding in accordance with European Union endorsed International Financial Reporting Standards, applied on a basis consistent with that used in the preparation of the figures for the preceding year which have been included in the 2007 annual accounts, for comparison purposes.

The accompanying consolidated directors' report for 2007 contains such explanations as the Parent's directors consider relevant to the situation of Fluidra, S.A. and subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2007. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the Group's accounting records.

KPMG AUDITORES, S.L.

Manuel Blanco Vera (signed)

26 March 2008

Fluidra, S.A. and Subsidiaries

Consolidated 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)

Assets	Note	31/12/2007	31/12/2006
Property, plant and equipment	6	143,320	142,915
Investment property	8	2,118	4,466
Goodwill	7	149,801	128,802
Other intangible assets	7	40,444	29,230
Investments accounted for using the equity method	9	137	68
Non-current financial assets	11	5,771	5,348
Other receivables	31	1,365	7,790
Deferred tax assets	31	5,382	4,733
Total non-current assets		348,338	323,352
Inventories	13	165,022	136,441
Trade and other receivables	14	167,350	143,757
Other current financial assets	11	930	3,055
Cash and cash equivalents	15	52,988	54,347
Total current assets		386,290	337,600
TOTAL ASSETS		734,628	660,952
Equity			
Issued capital		112,629	112,629
Share premium		92,831	92,831
Accumulated gains		99,183	84,125
Treasury shares		(819)	-
Recognised income and expense		(1,498)	(73)
Interim dividend		-	(6,500)
Equity attributable to equityholders of the Parent	16	302,326	283,012
Minority interest		7,121	5,981
Total equity		309,447	288,993
Liabilities			
Loans and borrowings	19	110,886	101,817
Derivative financial instruments	12	942	607
Deferred tax liabilities	31	26,800	30,855
Provisions	18	7,984	4,286
Government grants		351	202
Other non-current liabilities	21	9,101	1,570
Total non-current liabilities		156,064	139,337
Loans and borrowings	19	131,904	117,574
Trade and other payables	20	135,520	114,247
Provisions	18	1,590	753
Derivative financial instruments	12	103	48
		269,118	232,622
TOTAL EQUITY AND LIABILITIES		734,629	660,952

The accompanying consolidated notes form an integral part of the consolidated annual accounts of Fluidra, S.A. and subsidiaries for the years ended 31 December 2007 and 2006 prepared in conformity with EU-IFRS.

Fluidra, S.A. and Subsidiaries

Consolidated Income Statements

for the years ended 31 December 2007 and 2006

(Expressed in thousands of Euros)

(Free translation from the original in Spanish.
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	Note	31/12/2007	31/12/2006
Operating income			
Sales of goods for resale and finished products		657.202	521.938
Income on services rendered	24	17.022	9.104
Other income	25	4.639	3.318
Total operating income		678.863	534.360
Operating expenses			
Changes in inventory of finished products, work in progress and raw material supplies	23	(332.098)	(263.874)
Personnel expenses	26	(123.590)	(98.811)
Amortisation and impairment costs		(31.498)	(23.134)
Other operating expenses	27	(124.010)	(96.273)
Other expenses	28	(6.322)	(2.708)
Total operating expenses		(617.518)	(484.800)
Operating profit		61.345	49.560
Financial expenses/income			
Financial income		2.982	1.956
Financial expenses		(15.150)	(10.268)
Exchange losses		(791)	(1.459)
Net financial expense	30	(12.959)	(9.771)
Participation in profit/(losses) for the year of companies accounted for using the equity method		121	(77)
Profit before tax		48.507	39.712
Income tax expense	31	(13.777)	(11.253)
Profit after tax		34.730	28.459
Result attributable to minority interest		(2.136)	(986)
Profit attributable to equityholders of the Parent		32.594	27.473
EBITDA	36	94.647	72.007
Basic earnings per share (expressed in Euros)	17	0,28940	0,25664
Diluted earnings per share (expressed in Euros)	17	0,28940	0,25664

The accompanying consolidated notes form an integral part of the consolidated annual accounts of Fluidra, S.A. and subsidiaries for the years ended 31 December 2007 and 2006 prepared in conformity with EU-IFRS.

Fluidra, S.A. and Subsidiaries

Consolidated statement of changes in equity
for the years ended
31 December 2007 and 2006
(Expressed in thousands of Euros)

(Free translation from the original in Spanish.
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	Equity attributable to equityholders of the Parent										
							Recognised income and expense				
	Issued capital	Share premium	Legal reserve	Accumulated gains	Treasury shares	Interim dividend	Translation differences	Others	Total	Minority interest	Total equity
Balance at 1 January 2006	90,303	35,547	1,234	61,568	-	(6,150)	250	55	182,807	4,718	187,525
Net profit/loss recognised directly in equity	-	-	-	-	-	-	-	43	43	-	43
Profit for the year	-	-	-	27,473	-	-	-	-	27,473	986	28,459
Total recognised income and expense	-	-	-	27,473		-	-	43	27,516	986	28,502
Capital increase	22,326	57,284	-	-	-	-	-	-	79,610	-	79,610
Foreign exch. trans. diff. on business. abroad	-	-	-	-	-	-	(421)	-	(421)	(147)	(568)
Others	-	-	694	(694)	-	-	-	-	-	1,191	1,191
Transfer of interim dividend	-	-	-	(6,150)	-	6,150	-	-	-	-	-
Dividends	-	-	-	-	-	(6,500)	-	-	(6,500)	(767)	(7,267)
Balance at 31 December 2006	112,629	92,831	1,928	82,197	-	(6,500)	(171)	98	283,012	5,981	288,993
Net profit/loss recognised directly in equity	-	-	-	-	-	-	-	(98)	(98)	-	(98)
Profit for the year	-	-	-	32,594	-	-	-	-	32,594	2,136	34,730
Total recognised income and expense	-	-	-	32,594	-	-	-	(98)	32,496	2,136	34,632
Foreign exch. trans. diff. on business. abroad	-	-	-	-	-	-	(1,327)	-	(1,327)	36	(1,291)
Treasury shares	-	-	-	-	(819)	-	-	-	(819)	-	(819)
Others	-	-	5,638	(5,674)	-	-	-	-	(36)	(382)	(418)
Transfer of interim dividend	-	-	-	(6,500)	-	6,500	-	-	-	-	-
Dividends	-	-	-	(11,000)	-	-	-	-	(11,000)	(650)	(11,650)
Balance at 31 December 2007	112,629	92,831	7,566	91,617	(819)	-	(1,498)	-	302,326	7,121	309,447

The accompanying consolidated notes form an integral part of the consolidated annual accounts of Fluidra, S.A. and subsidiaries for the years ended 31 December 2007 and 2006 prepared in conformity with EU-IFRS.

Fluidra, S.A. and Subsidiaries

Consolidated cash flow statements
for the years ended
31 December 2007 and 2006
(Expressed in thousands of Euros)

(Free translation from the original in Spanish.
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	Note	2007	2006
Cash flows from operating activities			
Profit for the year before tax		48,507	39,712
Adjusted by:			
Amortisation and depreciation	6, 7 y 8	30,279	23,134
Provision for bad debts	14	3,210	3,236
Provision/(reversal) for/of impairment losses	11	1,247	72
Provision/(reversal) for/of losses for liabilities and charges	18	1,905	1,739
Provision/(reversal) for/of losses for inventories	13	4,347	2,650
Other financial income	30	(2,624)	(1,743)
Other financial expenses	30	14,759	9,933
Share of losses in associates	9	(121)	77
(Profit)/losses on sale of PPE and other intangible assets		(4,552)	83
Government grants taken to profit and loss		(33)	(5)
(Profit)/losses on derivative financial instruments at fair value	30	32	122
Operating profit before changes in working capital		96,956	79,010
Changes in working capital, excluding effect of acquisitions and translation differences			
Increase/decrease in trade and other receivables		(8,545)	9,350
Increase/decrease in inventories	23	(23,693)	(3,061)
Increase/decrease in trade and other payables		(1,837)	(11,421)
Payment of provisions	18	(467)	(66)
Cash generated from operations		62,414	73,812
Interest paid		(13,320)	(8,026)
Income taxes paid		(12,181)	(14,920)
Net cash from operating activities		36,913	50,866
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		8,574	2,919
Proceeds from sale of investments		4,978	2,575
Dividends received	9	-	4
Translation differences		(539)	(694)
Acquisition of property, plant and equipment		(19,472)	(21,986)
Acquisition of intangible assets		(6,988)	(2,549)
Acquisition of other investments		(3,575)	(3,901)
Acquisition of subsidiaries, net of cash and cash equivalents	5	(23,694)	(19,964)
Net cash from investing activities		(40,716)	(43,596)
Cash flows from financing activities			
Proceeds from capital increases		130	-
Payments arising from surrender of treasury shares		(1,421)	-
Proceeds on sale of treasury shares		602	-
Proceeds from grants		182	-
Proceeds from borrowings		69,497	52,418
Repayment of interest-bearing loans and borrowings		(50,268)	(39,645)
Payment of finance lease liabilities		(4,344)	(4,654)
Dividends paid		(11,650)	(7,267)
Net cash from financing activities		2,728	852
Net increase in cash and cash equivalents		(1,073)	8,122
Cash and cash equivalents at 1 January	15	54,347	46,022
Effect of exchange rate fluctuations on cash held		(286)	203
Cash and cash equivalents at 31 December	15	52,988	54,347

The accompanying consolidated notes form an integral part of the consolidated annual accounts of Fluidra, S.A. and subsidiaries for the years ended 31 December 2007 and 2006 prepared in conformity with EU-IFRS.

(Free translation from the original in Spanish.
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1. Nature, Principal Activities and Group Composition

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

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

The registered offices of the Company are located in Avenida Francesc Macià, nº 38, planta 16, in Sabadell (Barcelona).

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

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

2. Basis of Presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Fluidra, S.A. and Group companies. These consolidated annual accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards endorsed by the European Union (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Fluidra, S.A. and subsidiaries at 31 December 2007 and 2006 and the consolidated results of its operations and the changes in consolidated equity and consolidated cash flows for the years then ended.

a) Basis of presentation of the consolidated annual accounts

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

b) Comparison of information

The 2007 consolidated annual accounts are the first that the Group prepares in accordance with International Financial Reporting Standards endorsed by the European Union (EU-IFRS), which require, in a general manner, that the financial statements include comparative information. According to the Spanish mercantile legislation, the Parent company's directors include for each individual caption of the consolidated balance sheet and consolidated income statements, consolidated cash flow and consolidated changes in equity and the consolidated notes thereto, consolidated comparative figures for 2006, which were obtained through consistent application of EU-IFRS prevailing at 31 December 2007.

Consequently, the figures corresponding to the prior year differ from those included in the 2006 consolidated annual accounts which were prepared in accordance with generally accepted accounting standards and principles prevailing in 2006 and approved by the shareholders at an extraordinary meeting held on 30 June 2007.

On 15 June 2007 the board of directors prepared the consolidated financial statements prepared in accordance with International Financial Reporting Standards endorsed by the European Union (EU-IFRS) for the years ended 31 December 2006 and 2005 for the purpose of the stock market flotation, which were published in the related Spanish Prospectus. IFRS 1 First-time adoption of International Reporting Standars were applied in preparing those financial statements. The date of transition was 1 January 2005. Note 35 to those consolidated financial statements provides details of the differences arising from application of EU-IFRS on the consolidated equity at 1 January 2005 and at 31 December 2006 and 2005 and on the Group's consolidated results for 2006 and 2005 included in the consolidated annual accounts for these years.

The directors will submit the consolidated annual accounts for 2007 for approval in a general meeting. They consider that the consolidated annual accounts will be approved without significant changes.

(Continued)

The Group's accounting policies, described in note 3, have been consistently applied to the years ended 31 December 2007 and 2006.

(c) Relevant accounting estimates, assumptions and judgements

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

The Group's consolidated annual accounts for 2007 and 2006 include Group and consolidated entities' management's estimates on the value of assets, liabilities, income, expenses and commitments recognised, which were subsequently ratified by the board of directors. These estimates mainly comprise:

The useful life of customer portfolios and other intangible assets,

- Assumptions used to calculate the value in use of various Cash Generating Units (CGU) or groups of CGU to measure the impairment of goodwill or other assets (see note 7), and

Fair value of financial instruments and certain unquoted assets.

The fair value of intangible assets recognised in the Pacific Industries business combination (see note 5) has been provisionally estimated based on the Group management's current knowledge of the businesses acquired. The figures presented in these consolidated annual accounts could vary once the process of allocating the acquisition price has been completed.

Although estimates were based on the best information available at 31 December 2007 and 2006, future events may require these estimates to be modified (increased or decreased) in subsequent years. Any change in accounting estimates would be recognised prospectively in the corresponding consolidated income statement, in accordance with IAS 8.

During 2007 and 2006 no changes have taken place in accounting judgements and estimates used by the Company in previous years.

d) Standards and interpretations not applied

These consolidated annual accounts have been prepared without taking into consideration the following EU-IFRS, modifications thereto and interpretations which came into force on or subsequent to 1 January 2008:

- IAS 23 Borrowing costs (revised in 2007) (effective for years starting on or after 1 January 2009).
- IAS 1 Presentation of financial statements (revised in 2007) (effective for years starting on or after 1 January 2009).
- IFRIC 13 Customer Loyalty Programmes (effective for years starting on or after 1 July 2008).
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008).
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for years starting on or after 1 January 2008)
- IFRS 8 Operating segments (effective 1 January 2009).

The impact of applying these standards and interpretations on future consolidated annual accounts is not expected to be significant.

3. Significant Accounting Principles

The consolidated annual accounts have been prepared in accordance with the accounting principles and measurement standards set out in the International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU-IFRS) at 31 December 2007.

(Continued)

A summary of the most significant principles is as follows:

a) Consolidation principles

i) Subsidiaries

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

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

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

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

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

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

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

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

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

ii) Minority interests

Any minority interest in a subsidiary is stated at the minority's portion of the net fair values of identifiable net assets acquired. Minority interests are presented in the consolidated balance sheet within equity, separately from the Parent shareholders' equity. Minority interests in the profit and loss are also separately disclosed.

Current EU-IFRS do not establish a specific accounting treatment for the recognition of obligations arising from put options on shares in subsidiaries extended by the Group to minority interests at the acquisition date of a business combination. However, based on recent statements issued by the International Financial Reporting Interpretations Committee (IFRIC) the Group recognises put options on shares in subsidiaries extended to minority interests on the acquisition date of a business combination, considered as an advance acquisition of these interests, and registers a liability for the present value of the best estimate of the amount payable at the acquisition date. The difference between this value and the percentage of the interests in the fair value of identifiable net assets acquired is recognised as goodwill.

(Continued)

In subsequent years the variation in liabilities for the effect of financial discounting is recognised as a financial expense in the consolidated income statement and the remaining amount is recognised as an adjustment to the cost of the business combination. Dividends, where applicable, paid to minority interests prior to the exercise date of the options are also recognised as adjustments to the cost of the business combination. If the options are not exercised the transaction is recognised as a sale of shares to minority interests.

iii) Associates

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

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

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

iv) Impairment

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

v) Joint ventures

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

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

b) Foreign currency

i) Functional and presentation currency

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

ii) Foreign currency transactions and balances

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

iii) Translation of foreign operations

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

- The assets and liabilities, including goodwill and net asset adjustments, arising from the acquisition of businesses, including comparatives, are translated to Euros at foreign exchange rates ruling at the balance sheet date.
- Revenue and expenses, including comparatives, are translated to Euros at foreign exchange rates ruling at the dates of the transactions.

(Continued)

- Exchange differences arising from the application of the aforementioned criteria are recognised as exchange differences within equity;

The Group presents the effect of translating deferred tax assets and liabilities in foreign currency together with the deferred income tax liability in the consolidated income statement.

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

Conversion differences relating to foreign operations registered within equity are recognised in the consolidated income statement jointly and are released into the income statement upon disposal

(c) Property, plant and equipment

i) Owned assets

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

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

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

ii) Leased assets

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

iii) Subsequent costs

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

iv) Depreciation

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

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

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

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

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

d) Intangible assets

i) Goodwill

Goodwill acquired in a business combination that occurred since the transition date (1 January 2005) is measured at inception at an amount equivalent to the difference between the cost of the business combination and the Group's interest in the net fair value of assets, liabilities and contingent liabilities of the subsidiary or joint venture acquired. Negative goodwill arising on an acquisition is recognised directly in consolidated profit or loss.

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

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

Internally generated goodwill is not recognised as an asset.

ii) Internally generated intangible assets

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

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

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

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

(Continued)

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

iii) Intangible assets acquired in business combinations

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

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

iv) Other intangible assets

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

(v) Useful life and amortisation

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

Intangible assets with indefinite useful lives identified in the Group's consolidated annual accounts, relate to trademarks and goodwill which are not subject to amortisation but are tested for impairment at least on a yearly basis.

Intangible assets with finite useful lives are amortised on a straight-line basis based on the following useful lives:

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

(*) Based on the rate of decrease of customers

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

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

(vi) Impairment

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

e) Investment property

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

(Continued)

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

f) Impairment of non-financial assets subject to amortisation or depreciation

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

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

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

Negative differences arising from comparison of carrying amounts of assets with their recoverable amounts are expensed.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

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

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

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

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

g) Leases

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

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

i) Finance leases

At the commencement of the lease term the Group recognises finance leases as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Initial direct costs are included as an increase in the value of the leased asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

ii) Operating leases

Lease payments under an operating lease, net of any incentives received, are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(Continued)

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

h) Financial instruments

i) Classification of financial instruments

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

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

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

ii) Offsetting principles

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

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

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

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

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

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

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

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

iv) Loans and receivables

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

v) Available-for-sale financial assets

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

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

(Continued)

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

vi) Financial assets and liabilities carried at cost

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

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

vii) Fair value

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

- First the Group applies quoted prices in the most advantageous active market to which it has immediate access, adjusted where applicable, to reflect any difference in credit risk between normally traded instruments and that which is being measured. For this purpose the purchaser price is used for assets purchased or liabilities to be issued and the seller price is used for assets to be purchased or liabilities issued. If the Group has assets and liabilities which set off market risks, average market prices are used for set off risk positions, applying the adequate price to the net position.

- If no market prices are available, recent transaction prices are used, adjusted by related terms.

- On the contrary, the Group applies generally accepted valuation techniques, using where possible market data and to a lesser extent Group-specific data.

viii) Amortised cost

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

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

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

ix) Impairment and uncollectability of financial assets

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

(Continued)

- *Impairment of financial assets carried at amortised cost*

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

- *Impairment of financial assets carried at cost*

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

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

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

Impairment losses for investments in equity instruments cannot be reversed and are recognised directly against the value of the asset and not as an adjusting provision.

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

x) Financial liabilities

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

(i) Derivatives and hedge accounting

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

The Group has decided not to use hedge accounting for derivative financial instruments and therefore changes in the fair value of its derivative financial instruments are recognised immediately in the income statement.

j) Inventories

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

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

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

(Continued)

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

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

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

- Raw materials and other materials consumed: At replacement value. Nevertheless, the Group does not make any adjustment in those cases where it is expected that the finished products, which include raw materials and other supplies, will be sold at a value equivalent to their cost of production or at a higher value.
- Goods held for resale and finished products: at estimated selling price, less selling expenses;
- Work in progress: at estimated selling price of corresponding finished products, less estimated costs of completion and selling expenses;

A reduction in the previously recognised value is reversed against profit and loss if the reasons causing the decrease in value no longer exist or when there is clear evidence of a rise in the net realisable value as a result of a change in economic circumstances. The reversal of the reduction in value is limited to the lower of cost and the new net realisable value of inventories.

k) Cash and cash equivalents

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

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

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

l) Equity instruments

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

Where any Group entity purchases the Company's shares, the consideration paid is deducted from equity and presented in a separate category of equity called Treasury Shares. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company' own equity during the year. Treasury shares may be acquired and held by the Company or by other companies of the consolidated Group. Consideration paid or received is recognised directly as a reduction in equity.

m) Government grants

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

i) Capital grants

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

ii) Operating grants

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

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

(Continued)

iii) Interest rate grants

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

n) Employee benefits

i) Termination benefits

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

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

ii) Other long-term employee benefits

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

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

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

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

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

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

iii) Short-term employee benefits

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

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

(Continued)

o) Provisions

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

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

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

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

p) Measurement of revenue

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

i) Sale of goods

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

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

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

ii) Dividends

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

q) Income taxes

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

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for a period. Current tax assets or liabilities are measured at the amount expected to be paid or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the closing date.

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

(Continued)

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

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

The Spanish tax authorities have granted a consolidated tax regime to Fluidra, S.A. and a number of other subsidiaries of the Company. This regime establishes that the taxable income calculated individually for the companies included in Appendix I (except for non-resident companies in Spain and resident companies that 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, S.L., ID Electroquimica S.L., Master Riego, S.A. and ATH - Aplicaciones Técnicas Hidráulicas, S.L. is included in the consolidated taxable income of the Parent of the consolidated tax group. Likewise, the Basque Country tax authorities have granted a consolidated tax regime to Swimco Corp, S.L. and the subsidiaries Manufacturas Gre, S.A. and Gre, Aqua and Pool, S.L.

i) Recognition of taxable temporary differences

Taxable temporary differences are recognised in all cases, unless:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss;

- They relate to differences associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and if it is probable that the temporary difference will not reverse in the foreseeable future.

ii) Recognition of deductible temporary differences

Deductible temporary differences are recognised to the extent that:

- It is probable that future taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit/tax loss;

- They relate to temporary differences associated with investments in subsidiaries and joint ventures to the extent that temporary differences will revert in the foreseeable future and it is probable that future taxable profit will be available against which the differences can be utilised;

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

iii) Measurement

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

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

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

(Continued)

iv) Classification and offsetting

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

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

r) Offsetting assets and liabilities, income and expenses

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

s) Classification of assets and liabilities as current

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

- Assets are classified as current where they are expected to be realised in, or are intended for sale or consumption in the Group's normal operating cycle, within twelve months after the balance sheet date or when they are held primarily for the purpose of being traded. Cash and cash equivalents are also classified as current, unless they are restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, are held primarily for the purpose of being traded, are due to be settled within twelve months after the balance sheet date or where the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.
- The Group classifies financial liabilities as current when they are due to be settled within twelve months after the balance sheet date, even if the original term was for a period longer than twelve months and an agreement to refinance or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the consolidated annual accounts are authorised.
- Deferred tax assets and liabilities are recognised on the consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of realisation or settlement.

t) Segment Reporting

A business segment is a distinguishable component of the Group that is engaged in providing an individual product of service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments within the Group. The factors that the Group considers in determining whether products or services are related include: the type of end customer, the risk and the return on the products or services.

A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

u) Environment

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

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

Long term assets used by the Group to minimise the environmental impact of its activity and protect and improve the environment, are recorded as tangible assets, applying the valuation criteria described above.

(Continued)

The Group makes provision for environmental activity when expenses incurred during the year or in prior years become known and are clearly specified as being of an environmental nature, although the amount and date to be incurred is not determined. These provisions are best estimates of the expense necessary to cover the obligation, taking into consideration the financial effect in the event of it being material. Compensation receivable by the Group in relation to the origin of environmental obligations is recognised as collection rights under assets, when it is assured that this reimbursement will be received, and without exceeding the amount of the obligation recognised.

4. Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. The Group uses business segments as its primary reporting format and geographical segments as its secondary reporting format.

At 31 December 2007 the Group comprises the following business segments, broken down into the following main products and services:

- Pool

The Pool division manufactures and commercialises in the swimming pool sector and complimentary sectors.

The Pool division includes private swimming pools (swimming pool equipment and accessories for which a whole range of items for the building, maintenance and usage of swimming pools, except for civil works, is manufactured and commercialised), public swimming pools (equipment and accessories for public swimming pools such as water parks, competition pools, hotels and resorts and wellness clinics) and large consumption swimming pools which cover swimming pool components, equipment and accessories ready for assembly and usage.

This division of Fluidra is the most consolidated from a production and commercial standpoint, with wide distribution networks in proximity to customers.

- Water

The Water division manufactures and distributes equipment and accessories for the piping, control, distribution and treatment of water.

The Water division includes the piping, control and distribution of fluids (manufacture of fittings and valves in all kinds of plastics and irrigation applications), water treatment (both for domestic and industrial use). This segregation by segments is based on strategic reasons, as due to the acquisitions of Cepex, Neokem and SNTE at the beginning of 2006 the Group commits itself to being a leader in the water sector, complementing a strategy based until then on development within the swimming pool sector. In addition, the types of distribution, customers, competitors etc are sufficiently broad enough in both segments to enable separate monitoring.

Inter-segment sales prices are established in accordance with normal commercial terms and conditions governing non-related third parties.

The Group operates geographically in all areas of the world, its main market being that of Europe. Its future strategic commitment will aim towards reducing the weight of activity in Europe in favour of developing international activity, including the US market. Therefore, the current geographical segments are: Europe and International.

For the presentation of information by geographical segment, ordinary revenue is presented based on the geographical location of the customers, while the segment's assets are presented based on their geographical location.

Details of financial information by the Group's business and geographical segments for 2007 and 2006 are shown in Appendix II to these consolidated annual accounts.

(Continued)

5. **Business Combinations**

Details of operations involving the most significant additions during 2006 and 2007 are as follows:

2006

- For the purpose of the capital increase carried out on 30 March 2006, the Group acquired the business run by Neokem Grup, S.A. (Neokem) and Cepex Holding, S.A. (Cepex) and acquired all the shares of ADBE Cartera, S.A. (ADBE), which are all Parents of their respective company groups (see Appendix I). Some of the Group's shareholders were shareholders of the acquired groups and they exercised no previous control over the businesses and shares acquired. Consequently, this transaction, with the exception of the acquisition of ADBE, were within the scope of IFRS 3 Business combinations, and was recognised in accordance with this standard using the acquisition price method. The main asset of ADBE consisted of a 50% interest in a company owning a building. The other 50% of the interest in this company was held by the Group and was considered as an interest in an associate. The measurement performed in this case for the purpose of increasing capital coincided with the equivalent percentage of participation in the amount resulting from the appraisal carried out on the asset by an independent third party, plus the carrying amount of the remaining assets and liabilities contributed. Therefore, in substance, this transaction involved the acquisition of the remaining 50% of the building and did not comply with the business definition included in IFRS 3 Business combinations. Consequently, given that the substance of the transaction comprises the acquisition of the remaining 50% of the building through the issue of equity instruments, this transaction is included in the scope of IFRS 2 Share based payments. Therefore, the net assets contributed, which are principally equivalent to 50% of the building and the increase in Group equity were recognised at fair value of the building, as this value has been measured reliably. The contribution value was allocated to the building acquired based on the relative fair value estimated at Euros 1,271 thousand.

- On 28 February 2006 the Group acquired 100% of the capital of SNTE Agua Group, S.A., Parent of the group of companies mentioned in Appendix I. The information mentioned in the previous paragraph relating to the existence of common shareholders is applicable.

- On 9 August 2006 the Group acquired 100% of the capital of the Australian company Huricon Holdings Pty Ltd, Parent of a group of companies (see Appendix I), all located in Australia.

- On 26 July 2006 the Group acquired 60% of the capital of I.D. Electroquímica, S.L. (Idegis). As a result of the aforementioned acquisition, it was agreed to give the Group the right to a call option on 10% of the share capital of this company. This call option can be exercised from the date the profits after income tax reach Euros 1,650 thousand and will expire on 31 December 2017. The strike price of the call option is subject to the results of the aforementioned company until the option is exercised, with a minimum limit of Euros 1,155 thousand. In addition, the Group extended a right to a put option to the minority shareholder equivalent to 30% of the share capital of the company, the exercise period of which is between 1 January 2018 and 31 December 2023. The strike price of this put option is subject to the results of the company until the option is exercised.

- On 11 October 2006 the Group acquired 67% of the capital of Comercial de Exclusivas Internacionales Blage, S.A. (CEIBSA). As a result of this acquisition the vendor is under the obligation to sell and the Group is under the obligation to purchase, prior to notification by either of the parties, 20% of the share capital of this company, the exercise period of which is between 1 January 2007 and 31 December 2010. The strike price of the put and call option is the result of multiplying by six the net profit after income tax, plus the shareholders' equity relating to these shares of the last year closed immediately prior to the date on which the share and purchase commitment is formalised. At 31 December 2006 the Group recognised a current liability at the present value of the price of the aforementioned right amounting to Euros 864 thousand, and derecognised the carrying amount of the minority interest. On 8 May 2007 the Group exercised the call option on 20% of CEIBSA's share capital as agreed in the aforementioned sale and purchase agreement and derecognised the liability. The Group has also acquired an additional 1.8% of share capital.

- On 2 February 2006 the Company acquired 80% of the capital of the German company MTH-Moderne Wassertechnik, A.G. As a result of this acquisition, the Group granted the minority shareholder the right to a put option equivalent to the remaining 20%, the exercise period of which is between 1 January 2008 and 31 December 2009. The strike price of the option will be the result of multiplying the average results of this company by eight until the date of exercising the option on the remaining 20%. At 31 December 2007 the Group has recognised a non-current liability at the present value of the price of the aforementioned right, amounting to Euros 240 thousand and has derecognised the carrying amount of the minority interest.

(Continued)

- In addition, on 10 January 2006 the Group acquired an additional 25% of the capital of the Austrian subsidiary Schwimmbad-Sauna-Ausstattungs GmbH (SSA). The Group already held 49% of the capital of this company and continues with its joint control status in accordance with the agreements signed between shareholders. The Group granted a put option to a minority shareholder for the remaining 26% of the share capital, the exercise period of which falls due on 30 September 2010, extendable until 2012. So that this option can be exercised this company's average profit since the date of first acquisition must exceed Euros 694 thousand. The strike price of the put option amounts to Euros 1,900 thousand. As business control has not been obtained, this acquisition is not considered as an acquisition by stages and therefore the proportion of net assets from the first acquisition has not been re-measured. The fair value of the option at 31 December 2007 is considered immaterial, due to the favourable growth in profits of this company.

<u>2007</u>

- On 20 February 2007 the Group acquired 100% of the Irrigaronne Group and its subsidiaries (Irrigaronne, Airria and CFI Environnement), with turnover of approximately Euros 19,228 thousand at 31 December 2007, at a fixed price.

- On 2 April 2007 the Group acquired 80% of Aplicaciones Técnicas Hidráulicas S.L. (ATH), a company with a turnover of approximately Euros 18,225 thousand, to reinforce its presence in the water treatment sector. A fixed price has been paid for this acquisition and contingent quantities have been established subject to certain conditions. As a result of the aforementioned acquisition, the Group has extended a minority shareholder the right to a put option on 20% of the remaining amount, the exercise period of which is between 1 January 2010 and 31 December 2012 and the price of which is subject to the evolution of the results of this company in the two years prior to exercising the put and call option. If the option is not exercised the Group will be entitled to exercise a call option equivalent to the aforementioned percentage to be exercised between 1 January 2013 and 31 December 2018 based on the same price formula as mentioned above. At 31 December 2007 the Group has recognised a non-current liability at the present value of the price of the aforementioned right amounting to Euros 2,286 thousand and has derecognised the carrying amount of the minority interest.

- On 18 May 2007 the Group acquired 86% of the share capital of Master Riego, S.A. to reinforce its presence in the irrigation equipment distribution sector. As a result of the aforementioned acquisition, a right over a call option has been extended to the Group on the remaining 14%, the exercise period of which is between 1 January 2010 and 1 January 2015 and the price of which is subject to the evolution of the results of this company in the year prior to being exercised.

- On 1 October 2007 the Group acquired 80.06% of the share capital of Pacific Industries, S.A.S. As a result of the aforementioned acquisition, a right over a put option has been extended to the minority shareholder on the remaining 19.94%, the exercise period of which expires on 15 April 2011 and the price of which is subject to the performance of the results of this company in the year prior to exercising the option. At 31 December 2007 the Group has recognised a non-current liability at the present value of the price of the aforementioned right, amounting to Euros 2,463 thousand, and has derecognised the carrying amount of the minority interest.

The price fixed for the aforementioned business combinations totals Euros 39,207 thousand.

During 2007 and 2006 no subsidiaries or associates have been derecognised.

The main businesses acquired, as mentioned above, have generated for the Group a consolidated profit of Euros 1,833 thousand for the Group, from the acquisition date to year end (Euros 5,470 thousand for those acquired during 2006).

Sales of goods and finished products (including inter-Group company sales) corresponding to the acquired companies IRRIGARONNE, ATH, Master Riego, S.A. and Pacific Industries, S.A.S. during 2007 amounted to Euros 35,489 thousand. Sales to third parties (excluding inter-Group company sales) of these companies during this year amounted to Euros 34,984 thousand.

Had the acquisitions of IRRIGARONNE, ATH, Master Riego, S.A. and Pacific Industries, S.A.S. taken place on 1 January 2007, the Group's sales of goods and finished products and the consolidated profit for 2007 would have been Euros 18,194 thousand and Euros 1,566 thousand higher, respectively.

(Continued)

If the acquisitions of the businesses made in 2006 and corresponding to the Cepex, Snte and Neokem groups (Water division) had taken place at 1 January 2006, the Group's sales of goods for resale and finished products and the consolidated profit for the year ended 31 December 2006 would have amounted to Euros 546,178 thousand and Euros 27,813 thousand, respectively. If the remaining acquisitions carried out during 2006 had taken place at 1 January 2006, the Group's sales of goods for resale and finished products and the consolidated profit for the year ended 31 December 2006 would have increased by Euros 14,536 thousand, and decreased by Euros 87 thousand, respectively.

Aggregate details of the cost of business combinations during 2006, the fair value of net assets acquired and goodwill are as follows:

	Thousands of Euros
Cost of business combinations	
Cash paid	24,474
Fair value of deferred payments	4,155
Directly attributable costs	737
Fair value of instruments issued	78,000
Total cost of combinations	107,366
Fair value of net assets acquired	69,106
Goodwill	38,260

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

The amounts recognised at the acquisition date of assets, liabilities and contingent liabilities in the businesses acquired during 2006 are as follows:

	Thousands of Euros	
	Fair value	Carrying amount
Property, plant and equipment	71,339	47,291
Investment property	3,250	1,037
Other intangible assets	29,962	631
Investments accounted for using the equity method	845	845
Available-for-sale financial assets	1,011	1,011
Trade and other receivables	68,175	68,401
Inventories	41,407	41,478
Cash and cash equivalents	4,510	4,510
Deferred tax assets	272	272
Total assets	220,771	165,476
Loans and borrowings	68,248	68,248
Financial liabilities for financial leases	17,635	17,635
Other financial liabilities	126	126
Trade and other payables	43,141	43,019
Current tax liabilities	116	116
Other provisions and other non-current liabilities	1,399	1,249
Other current liabilities	1,127	1,127
Deferred tax liabilities	19,400	118
Total liabilities and contingent liabilities	151,192	131,638
Total net assets	69,579	33,838
Minority interest	473	
Total net assets acquired	69,106	
Consideration paid, satisfied in cash	24,474	
Cash and cash equivalents	4,510	
Cash flow paid for acquisitions	19,964	

(Continued)

Aggregate details of the cost of business combinations during 2007, the fair value of net assets acquired and goodwill are as follows:

	Thousands of Euros
Cost of business combinations	
Cash paid	24,464
Fair value of deferred payments	14,147
Directly attributable costs	596
Fair value of instruments issued	-
Total cost of combinations	39,207
Fair value of net assets acquired	16,708
Goodwill	22,499

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

(Continued)

The amounts recognised at the acquisition date of assets, liabilities and contingent liabilities in the businesses acquired during 2007 are as follows:

	Thousands of Euros	
	Fair value	Carrying amount
Property, plant and equipment	1,820	1,820
Investment property	-	-
Other intangible assets	12,804	916
Investments accounted for using the equity method	-	-
Available-for-sale financial assets	76	76
Trade and other receivables	18,815	18,815
Inventories	9,139	9,334
Cash and cash equivalents	825	825
Deferred tax assets	-	-
Total assets	43,479	31,786
Loans and borrowings	5,943	5,943
Financial liabilities for financial leases	1	1
Other financial liabilities	-	-
Trade and other payables	14,329	14,329
Current tax liabilities	528	528
Other provisions and other non-current liabilities	679	679
Other current liabilities	1,335	1,335
Deferred tax liabilities	3,862	27
Total liabilities and contingent liabilities	26,677	22,842
Total net assets	16,802	8,944
Minority interest	(94)	
Total net assets acquired	16,708	
Consideration paid, satisfied in cash	24,464	
Cash and cash equivalents	825	
Cash flow paid for acquisitions	23,639	

(Continued)

6. Property, Plant and Equipment

Details of and movement in property, plant and equipment during 2007 and 2006 are as follows:

	Thousands of Euros						
	Balances at 31.12.05	Business combinations	Additions	Disposals	Transfers	Translation differences	Balances at 31.12.06
Cost							
Land and buildings	29,729	45,606	1,495	(441)	(3,103)	43	73,329
Plant and machinery	51,815	39,729	5,681	(1,631)	8,392	(163)	103,823
Other installations, equipment and furniture	44,828	29,463	8,061	(1,690)	1,244	24	81,930
Other fixed assets	10,843	3,502	1,913	(1,532)	911	(83)	15,554
Work in progress	2,240	3,759	6,916	(249)	(7,444)	-	5,222
	139,455	122,059	24,066	(5,543)	-	(179)	279,858
Accumulated depreciation							
Buildings	(4,635)	(2,496)	(1,165)	25	(654)	12	(8,913)
Plant and machinery	(26,362)	(24,518)	(8,698)	864	460	66	(58,188)
Other installations, equipment and furniture	(31,128)	(21,302)	(7,774)	783	(420)	78	(59,763)
Other fixed assets	(7,355)	(2,404)	(1,821)	869	614	18	(10,079)
	(69,480)	(50,720)	(19,458)	2,541	-	174	(136,943)
Net carrying amount	69,975	71,339	4,608	(3,002)	-	(5)	142,915

	Thousands of Euros						
	Balances at 31.12.06	Business combinations	Additions	Disposals	Transfer s	Translation differences	Balances at 31.12.07
Cost							
Land and buildings	73,329	437	2,547	(538)	455	(101)	76,129
Plant and machinery	103,823	1,124	7,454	(3,605)	(90)	(195)	108,511
Other installations, equipment and furniture	81,930	984	7,532	(3,554)	201	(338)	86,755
Other fixed assets	15,554	806	2,760	(1,564)	2,896	(107)	20,345
Work in progress	5,222	-	2,932	(146)	(3,480)	(3)	4,525
	279,858	3,351	23,225	(9,407)	(18)	(744)	296,265
Accumulated depreciation							
Buildings	(8,913)	(98)	(1,992)	(7)	480	61	(10,469)
Plant and machinery	(58,188)	(456)	(10,174)	3,205	692	99	(64,822)
Other installations, equipment and furniture	(59,763)	(450)	(8,268)	3,183	1,545	237	(63,516)
Other fixed assets	(10,079)	(527)	(2,176)	1,283	(2,699)	60	(14,138)
	(136,943)	(1,531)	(22,610)	7,664	18	457	(152,945)
Net carrying amount	142,915	1,820	615	(1,743)	-	(287)	143,320

(Continued)

a) Mortgaged property, plant and equipment

At 31 December 2007 property, plant and equipment with a net carrying amount of Euros 10,506 thousand (Euros 11,221 thousand in 2006) are mortgaged to secure payment of certain bank loans (see note 19).

b) Insurance

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

(c) Assets acquired through finance lease

The Group has the following kinds of asset contracted through finance lease at 31 December 2007 and 2006:

	Thousands of Euros	
	2007	2006
Buildings	27,756	24,531
Plant and machinery	7,317	8,073
Other installations	561	1,238
Furniture	160	57
Information technology equipment	491	521
Moulds	1,026	1,045
Motor vehicles	875	1,059
Other assets	563	420
	38,749	36,944
Less, accumulated depreciation	(7,139)	(6,744)
Balance at 31 December	31,610	30,200

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

1) Pexce Inmobiliaria, S.L.: property lease with BBVA for the purchase of an industrial building in La Garriga at a cost value of Euros 10,700 thousand. Contract signed on 21 December 2004 and the last instalment falling due on 21 December 2019. Instalments are settled on a monthly basis and the amount due at 31 December 2007 is Euros 9,800 thousand (Euros 10,269 thousand in 2006), with a purchase option of Euros 100 thousand. This property lease accrues interest at a fixed rate of 3.8% until 2013 and a floating interest rate based on Euribor plus a 0.5% spread.

2) Aquambiente, S.A.: property lease with BPI bank for an industrial building in Portugal at a cost value of Euros 1,674 thousand. Contract signed on 4 November 2005 and the last instalment falling due on 4 November 2020. Instalments are settled on a monthly basis and the amount due at 31 December 2007 is Euros 1,508 thousand (Euros 1,581 thousand in 2006), with a purchase option of Euros 167 thousand. This property lease accrues floating interest based on Euribor plus a 1% spread.

(Continued)

3) Astral Italia, S.P.A.: property lease with Italease Spa for an industrial building in Bedizzole (Italy) at a cost value of Euros 2,006 thousand. Contract signed on 4 October 2001 and the last instalment falling due on 4 October 2009. Instalments are settled on a monthly basis and the amount due at 31 December 2007 is Euros 517 thousand (Euros 812 thousand in 2006), with a purchase option of Euros 25 thousand. This property lease accrues floating interest based on Euribor plus a 1% spread.

4) Trace Logistics, S.A.: property lease with Banco Sabadell for the acquisition of machinery at a cost value of Euros 2,444 thousand. Contract signed on 29 July 2002 and the last instalment falling due on 31 March 2008. Instalments are settled on a quarterly basis and the amount due is Euros 129 thousand (Euros 633 thousand in 2006), with a purchase option of Euros 129 thousand. This property lease accrues floating interest based on Euribor plus a 0.75% spread.

5) Hydroswim International: property lease with Fructicomi (the Natixis Group) and Natiocredimurs to finance an industrial unit in La Chevrolière (France), at a cost value of Euros 1,900 thousand. Contract signed on 25 May 2007 and the last instalment falling due on 1 July 2019. Instalments are settled on a quarterly basis and the amount due at 31 December 2007 is Euros 1,900 thousand, with a purchase option of Euros 0.001 thousand. This property lease accrues floating interest based on Euribor plus a 0.85% spread.

A reconciliation between the minimum payments due for the leases at 31 December 2007 and 2006 and their fair values are shown in note 19.

Details of the terms in which these payments fall due are shown in note 19, together with the rest of the Group's borrowings. Finance lease liabilities are effectively guaranteed in such a way that the rights to the leased asset are reverted to the lessor in the event of non-compliance.

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

7. Goodwill and Other Intangible Assets

Details of and movement in goodwill and other intangible assets during 2007 and 2006 are as follows:

a) Goodwill

	Thousands of Euros					
	Balances at 31.12.05	Business combinations	Additions	Impairment	Translation differences	Balances at 31.12.06
Cost						
Goodwill	90,542	38,260	-	-	-	128,802

	Thousands of Euros					
	Balances at 31.12.06	Business combinations	Additions	Impairment	Translation differences	Balances at 31.12.07
Cost						
Goodwill	128,802	22,499	188	(1,282)	(406)	149,801

(Continued)

b) Other intangible assets

	Thousands of Euros						
	Balances at 31.12.05	Business combinations	Additions	Disposals	Transfers	Translation differences	Balances at 31.12.06
Cost							
Product development costs in progress	-	-	1,000	-	-	-	1,000
Customer relationships	-	27,104	-	-	-	(81)	27,023
Software	1,647	980	436	(47)	69	(16)	3,069
Patents	1,072	715	301	(42)	16	4	2,066
Trademarks	-	2,227	-	-	-	-	2,227
Other intangible assets	165	30	46	(7)	(39)	-	195
	2,884	31,056	1,783	(96)	46	(93)	35,580
Accumulated amortisation							
Product development costs	-	-	-	-	-	-	-
Customer relationships	-	-	(2,968)	-	-	6	(2,962)
Software	(1,218)	(461)	(462)	19	93	6	(2,023)
Patents	(629)	(613)	(161)	106	1	(3)	(1,299)
Other intangible assets	(12)	(20)	(27)	-	(7)	-	(66)
	(1,859)	(1,094)	(3,618)	125	87	9	(6,350)
Net carrying amount	1,025	29,962	(1,835)	29	133	(84)	29,230

	Thousands of Euros						
	Balances at 31.12.06	Business combinations	Additions	Disposals	Transfers	Translation differences	Balances at 31.12.07
Cost							
Product development costs in progress	1,000	-	4,107	(60)	-	(27)	5,020
Customer relationships	27,023	7,085	-	-	-	11	34,119
Software	3,069	284	997	(40)	11	(15)	4,306
Patents	2,066	2,493	247	(249)	6	(21)	4,542
Trademarks	2,227	-	-	-	-	-	2,227
Other intangible assets	195	4,803	834	(69)	(8)	(62)	5,693
	35,580	14,665	6,185	(418)	9	(114)	55,907
Accumulated amortisation							
Product development costs	-	-	(691)	(8)	(21)	7	(713)
Customer relationships	(2,962)	-	(5,742)	-	-	10	(8,694)
Software	(2,023)	(188)	(629)	36		9	(2,795)
Patents	(1,299)	(1,673)	(249)	220	10	17	(2,974)
Trademarks		-	-	-	-	-	-
Other intangible assets	(66)	-	(300)	29	2	48	(287)
	(6,350)	(1,861)	(7,611)	277	(9)	91	(15,463)
Net carrying amount	29,230	12,804	(1,426)	(141)	-	(23)	40,444

There are no guaranteed intangible assets.

(Continued)

Additions of product development costs in progress of Euros 4,107 thousand comprise own expenses capitalised.

The cost of fully amortised intangible assets in use at 31 December 2007 amounts to Euros 1,467 thousand (Euros 1,281 thousand in 2006). These items mainly relate to software.

Details of the net carrying amount and residual amortisation period of individually significant intangible assets at 31 December 2007 and 2006, before translation differences, are as follows:

		Thousands of Euros	
Description of asset	Residual useful life	2007	2006
Customer portfolio			
Cepex	3 - 8	8,153	9,081
Neokem and SNTE	5 -20	11,339	10,726
Hurlcon	6 - 7	2,985	3,553
Irrigaronne	1,7 – 5,5	2,382	-
Contractual relationships	5	611	776
Other intangible assets			
Pacific	5	4,803	-
		30,273	24,136

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

In addition to goodwill the Group has recognised a trademark for a net carrying amount of Euros 2,227 thousand. This trademark has an indefinite useful life as no clear factors exist which enable a conclusion to be reached on its useful life. Group management considers that the current margin premium associated with this trademark will be maintained. As a result of the business combination carried out in 2006 this trademark is assigned to the Neokem subgroup.

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

Goodwill allocated by CGU or groups of CGUs at 31 December 2007 and 2006 is as follows:

		Thousands of Euros	
	Segment	2007	2006
Astral Pool, S.A.U. and subsidiaries	Pool	33,250	33,301
Auric Pool, S.A.U. and subsidiaries	Pool	26,927	26,927
Manufacturas Gre, S.A	Pool	23,741	23,741
Hydroswim International, S.A.S.	Pool	749	749
Certikin Internacional, LTD	Pool	4,047	4,362
Schwimmbad-Sauna-Ausstattungs, GmbH	Pool	3,346	3,346
MTH-Moderne Wassertechnik, AG	Pool	1,465	1,279
I.D. Electroquímica, S.L	Pool	2,680	2,674
Comercial de Exclusivas Internacionales Blage, S.A	Pool	2,728	2,685
Hurlcon Holdings, PTY LTD and subsidiaries	Pool	6,624	6,653
Pacific Industries, S.A.S.	Pool	6,404	-
Cepex Holding, S.A. and subsidiaries	Water	20,553	15,637
Neokem Grup, S.A. and subsidiaries and Snte Agua Group, S.A. and subsidiaries	Water	9,791	7,448
Irrigaronne, S.A.S.	Water	7,496	-
Total		149,801	128,802

The recoverable amount of each CGU is based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by management which cover a period of five years. Cash flows beyond the period of five years are extrapolated using a 1% estimated growth rate. The growth rate does not exceed the long-term average growth rate for the Pool and Water businesses in which the CGUs operate.

Management has calculated the budgeted gross margin based on past earnings and expectations of market growth. Weighted average growth rates are consistent with forecasts included in industry reports. Discount rates after tax range between 9% and 11% depending on the CGU and reflect specific risks relating to the relevant segments.

During 2007 the Group has redefined the CGUs initially established for the Neokem Group and the Snte Agua Group, unifying them as a result of the joint management of these CGUs by a common general manager and a joint approach towards the water treatment market.

8. Investment Property

Details of and movement in investment property during 2007 and 2006 are as follows:

	Thousands of Euros				
	Balances at 31.12.05	Business combinations	Additions	Disposals	Balances at 31.12.06
Cost					
Land	502	2.800	-	-	3.302
Buildings	1,193	566	-	-	1.759
	1,695	3.366	-	-	5.061
Accumulated depreciation					
Buildings	(421)	(116)	(58)	-	(595)
	(421)	(116)	(58)	-	(595)
Net carrying amount	1,274	3.250	(58)	-	4.466

(Continued)

	Thousands of Euros				
	Balances at 31.12.06	Business combinations	Additions	Disposals	Balances at 31.12.07
Cost					
Land	3,302	-	-	(2,081)	1,221
Buildings	1,759	-	-	(694)	1,065
	5,061	-	-	(2,775)	2,286
Accumulated depreciation					
Buildings	(595)	-	(35)	462	(168)
	(595)	-	(35)	462	(168)
Net carrying amount	4,466	-	(35)	(2,313)	2,118

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

9. Investments Accounted for Using the Equity Method

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

	Thousands of Euros	
	2007	2006
Balance at 1 January	68	206
Additions	63	36
Business combinations	-	845
Transfers	(115)	(938)
Share of losses	121	(77)
Dividends received	-	(4)
Balance at 31 December	137	68

Summarised details of the investments accounted for using the equity method for 2007 and 2006 are as follows:

			2007				
			Thousands of Euros				
	Country	% ownership	Assets	Liabilities	Equity	Income	Profit/(loss)
Inquevap AIE	Spain	30	1,257	945	312	1,021	(16)
Astral Nigeria, LTD	Nigeria	25	277	109	168	63	45
			1,534	1,054	480	1,084	29

(Continued)

	Country	% ownership	2006 Thousands of Euros Assets	Liabilities	Equity	Income	Profit/(loss)
Inquevap AIE	Spain	30	1,173	1,048	125	1,021	5
Astral Nigeria, LTD	Nigeria	25	171	49	122	688	87
Blue Waters Parts, S.A.S.	France	20	513	1,190	(677)	750	(501)
			1,857	2,287	(430)	2,459	(409)

10. Joint Ventures

The Group has a joint venture in Schwimmbad-Sauna-Ausstattungs GmbH in which it participates in 74% of the economic rights. In accordance with an agreement between shareholders, common control is exercised over the business combination. Details of the total current assets and liabilities, non-current assets and liabilities, income and expense of the joint venture for 2007 and 2006 are as follows:

	Thousands of Euros 2007	2006
Current assets	4,379	3,978
Non-current assets	202	267
Current liabilities	1,008	1,020
Non-current liabilities	1,025	1,000
Sales income	18,038	15,268
Costs of sale	13,072	10,941

Schwimmbad-Sauna-Ausstattungs, GMBH, with registered offices in Salzburg (Austria), the principal activity of which is the commercialisation of swimming pool products, is invested in by Astral Pool, S.A. and other individuals with which it has common control.

11. Current and Non-current Financial Assets

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

	Note	Thousands of Euros 2007	Thousands of Euros 2006
Available-for-sale financial assets		2,571	2,312
Guarantee deposits		2,426	1,981
Other financial assets		238	735
Derivative financial instruments	12	604	423
Value adjustments due to impairment		(68)	(103)
Total non-current		5,771	5,348
Available-for-sale financial assets		712	2,541
Guarantee deposits		37	510
Derivative financial instruments	12	181	4
Total current		930	3,055

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

	Thousands of Euros 2007	Thousands of Euros 2006
At 1 January	4,853	4,325
Additions	897	2,030
Business combinations	76	1,011
Disposals	(2,438)	(2,575)
Adjustment to fair value recognised in equity	(105)	62
At 31 December	3,283	4,853
Less: current portion	(712)	(2,541)
Total non-current	2,571	2,312

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

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

(Continued)

12. Derivative Financial Instruments

Details of derivative financial instruments are as follows:

	2007				
		Thousands of Euros			
	Notional amount	Fair values			
		Assets		Liabilities	
		Non-current	Current	Non-current	Current
Derivatives held for trading					
a) Exchange-rate derivatives					
Foreign currency forwards	7,683	-	181	-	79
Options contracted in OTC markets	1,359	-	-	-	24
Total derivatives contracted in OTC markets		-	181	-	103
b) Interest-rate derivatives					
Interest rate swaps	181,276	599	-	851	-
Interest-rate and currency swaps	4,684	-	-	91	-
Interest-rate options in OTC markets	5,990	5	-	-	-
Total derivatives contracted in OTC markets		604	-	942	-
Total derivatives held for trading		604	181	942	103
		(Note 11)	(Note 11)		

	2006				
		Thousands of Euros			
	Notional amount	Fair values			
		Assets		Liabilities	
		Non-current	Current	Non-current	Current
Derivatives held for trading					
a) Exchange-rate derivatives					
Foreign currency forwards	9,457	-	4	-	41
Total derivatives contracted in OTC markets		-	4	-	41
b) Interest-rate derivatives					
Interest rate swaps	84,916	340	-	607	7
Interest-rate and currency swaps	5,375	77	-	-	-
Interest-rate options in OTC markets	5,990	6	-	-	-
Total derivatives contracted in OTC markets		423	-	607	7
Total derivatives held for trading		423	4	607	48
		(Note 11)	(Note 11)		

The total variation in estimated fair value using measurement techniques recognised in profit and loss has been Euros 33 thousand (Euros 122 thousand in 2006) (see note 30).

(Continued)

a) Interest rate swaps

The Group uses derivative interest rate swaps instruments for floating to fixed rates with deactivating barriers, with fixed rate values ranging between 2.68% and 4.73% and with barrier intervals between 4-5.75% to manage interest rate fluctuation exposure, mainly relating to its bank loans. The inception and maturity dates of derivatives at 31 December 2007 are as follows:

Notional amount in thousands of Euros	Start date	End date	Type of hedge
2,709	24/11/2004	24/11/2009	Knock-in Knock-out
350	27/12/2004	27/09/2009	Fixed-rate swap
9,758	21/12/2004	21/10/2019	Barrier swap
943	28/01/2005	28/01/2010	Barrier swap with rebate
2,792	22/02/2005	22/02/2010	Knock-in Knock-out
7,467	30/06/2005	30/06/2010	Up-and-out barrier swap
8,000	07/06/2006	07/06/2011	Up-and-out barrier swap
8,779	22/09/2006	22/09/2011	Up-and-out barrier swap
12,000	02/02/2007	08/03/2009	Up-and-out barrier swap
2,844	10/04/2006	22/12/2009	Fixed-rate swap
4,900	22/05/2006	22/05/2011	Up-and-out barrier swap
1,000	06/06/2006	06/06/2011	Up-and-out barrier swap
11,000	29/09/2006	29/09/2011	Up-and-out barrier swap
2,980	11/10/2006	13/10/2014	Up-and-out barrier swap with rebate
2,981	25/10/2006	24/10/2014	Up-and-out barrier swap with rebate
1,200	25/10/2006	24/10/2011	Up-and-out barrier swap with rebate
5,990	21/11/2006	21/11/2009	Cap option
4,684	01/12/2006	20/10/2013	Cap option and exchange-rate hedge
12,800	16/02/2008	16/02/2014	Barrier swap
2,362	23/03/2007	31/03/2011	Barrier swap
8,500	30/03/2007	30/03/2014	Barrier swap
4,500	03/05/2007	03/05/2014	Barrier swap
4,684	09/05/2007	20/10/2013	Barrier swap
1,820	29/05/2007	28/05/2012	Up-and-out barrier swap
3,425	28/06/2007	28/06/2012	Barrier swap
700	20/04/2006	20/04/2011	Up-and-out barrier swap
1,719	28/07/2005	28/07/2010	Barrier swap
4,380	11/11/2005	11/11/2010	Barrier swap
15,000	02/07/2007	29/03/2010	Up-and-out barrier swap
15,000	02/07/2007	29/03/2010	Up-and-out barrier swap
15,000	02/07/2007	29/03/2010	Up-and-out barrier swap
5,000	02/07/2007	29/03/2010	Up-and-out barrier swap
1,793	27/07/2007	24/06/2012	Up-and-out barrier swap
3,340	14/09/2007	30/08/2013	Knock-in Knock-out
1,550	17/10/2007	08/10/2012	Knock-in Knock-out
191,950			

(Continued)

The Group does not apply hedge accounting on these contracts due to the difficulty in testing effectiveness in accordance with the standard. Therefore, although these contracts hedge the group's exposure to interest rate fluctuations, they are recognised as though they are held for trading.

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

	Thousands of Euros	
	2007	2006
Up to 1 year	-	2,376
Between 1 and 5 years	137,723	74,087
More than 5 years	54,227	19,818
	191,950	96,281

The fair value of financial swaps is based on the market value of equivalent financial instruments at the balance sheet date.

b) Foreign currency forward contracts

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

A breakdown by type of currency, of the notional amounts of forward contracts at 31 December 2007 and 2006, the residual values of which are of less than one year, is as follows:

	Thousands of Euros	
	2007	2006
USD	3,478	2,278
GBP	5,564	7,179
	9,042	9,457

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

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

(Continued)

13. Inventories

Details of inventories are as follows:

	Thousands of Euros 2007	Thousands of Euros 2006
Goods for resale	47,108	32,496
Raw materials and other materials consumed	34,220	26,860
Finished products and work in progress	83,694	77,085
	165,022	136,441

At 31 December 2007 and 2006 the Group does not have any inventories, the recovery period of which is estimated to be greater than 12 months since the consolidated balance sheet date.

As a result of business combinations taking place in 2007, inventories have been included as follows:

	Thousands of Euros
Raw materials and other materials consumed	820
Finished products and work in progress	8,319
	9,139

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

There are no relevant commitments to purchase or sell goods.

During 2007 the Group has impaired inventories to adjust them to their net realisable value amounting to Euros 4,347 thousand (Euros 2,650 thousand in 2006).

14. Trade and Other Receivables

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

	Thousands of Euros 2007	Thousands of Euros 2006
Non-current		
Other non-current receivables (see note 31)	1,365	7,790
Current		
Trade receivables	157,837	136,735
Other receivables and prepayments	8,878	7,075
Public entities	13,489	10,785
Current income tax assets	258	857
Provisions for impairment and bad debts	(13,112)	(11,695)
Total current	167,350	143,757

(Continued)

Fair values of trade and other receivables coincide with their carrying amounts.

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

The most significant balances in foreign currencies at 31 December 2007 and 2006 are as follows:

Trade debtors:

	Thousands of Euros	
	2007	2006
US Dollar	4,824	7,109
Australian Dollar	6,040	5,742
United Arab Emirates Dirham	3,793	2,722
Pounds Sterling	6,500	7,626
Chilean Peso	1,244	1,426
Turkish Lira	759	1,166
Moroccan Dirham	1,987	1,014
Mexican Peso	952	403
	26,099	27,208

Accounts receivable from public entities are as follows:

	Thousands of Euros	
	2007	2006
Tax authorities		
VAT	12,301	9,839
Other items	1,188	946
	13,489	10,785

Movement in value adjustments for impairment and uncollectability for 2007 and 2006 is as follows:

	Thousands of Euros
Balance at 31 December 2005	8,098
Charge for the year	4,005
Business combinations	2,643
Translation differences	(107)
Impairment reversals	(769)
Write-offs	(2,175)
Balance at 31 December 2006	11,695
Charge for the year	4,515
Business combinations	403
Translation differences	(81)
Impairment reversals	(1,305)
Write-offs	(2,115)
Balance at 31 December 2007	13,112

(Continued)

15. Cash and Cash Equivalents

Details of cash and cash equivalents are as follows:

	Thousands of Euros	
	2007	2006
Cash in hand and at banks	49,115	43,415
Short-term bank deposits	3,873	10,932
	52,988	54,347

Short-term bank deposits accrue interest at market rates.

During 2007 and 2006 the Group has carried out investment and/or financing operations which have not involved the use of cash or cash equivalents. These operations are as follows:

- The Group has acquired property, plant and equipment under finance lease in 2007 amounting to Euros 3,754 thousand financed with a debt of the same amount (Euros 790 thousand financed with a debt for the same amount in 2006)
- In 2007 the Group has acquired businesses for Euros 38,611 thousand, financed by a debt of Euros 14,147 thousand (Euros 28,629 thousand financed by a debt of Euros 4,155 thousand in 2006). In 2006 the Group also acquired the businesses of Cepex and Neokem through a capital increase and non-monetary contribution of shares relating to these businesses which amounted to Euros 78,000 thousand.

16. Equity

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

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, which are fully paid up. These shares are represented by book entries which are recognised in the corresponding accounting record. All shares have the same voting and profit-sharing rights.

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

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

The Company only becomes aware of the identity of its shareholders when information is voluntarily provided by them or in compliance with prevailing legislation. Based on the information held by the Company, its most significant shareholders at 31 December 2007 are as follows:

	Percentage ownership
Boyser, S.R.L.	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%
	100.00%

Based on an agreement reached by the shareholders at a General Extraordinary Meeting held on 30 March 2006, the Company increased its share capital by Euros 22,326 thousand by the issue of 22,326,138 new shares of Euros 1 par value each, counterbalancing non-monetary contributions consisting of 100% interests in the capital of Cepex Holding, S.A., Neokem Grup, S.A. and ADBE Cartera, S.A., all parents of their respective subgroups of companies (see note 5). The shares have been issued with a share premium of Euros 2.565776 per share, i.e. Euros 57,284 thousand as a whole. Consequently, the total value of the new shares issued amounted to Euros 79,610 thousand. The capital increase was fully subscribed and paid up using the aforementioned non-monetary contributions.

For the purpose of establishing the global amount of the capital increase, the three aforementioned subgroups were previously measured, with the operation being assessed by an independent expert appointed by Barcelona Mercantile Registry, in compliance with the legal requirement included in article 38 of the Amended Text of the Spanish Companies Act and by articles 133, 340 and thereafter of the Spanish Mercantile Registry Regulation.

b) Share premium

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

c) Legal reserve

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

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

d) Reserve for Parent's shares

The reserve for treasury shares issued by the Parent is not freely distributable and must be maintained for an amount equal to the carrying amount of the shares, unless these shares are disposed of or redeemed.

Movement in treasury shares during the year has been as follows:

(Continued)

		Euros	
	Number of shares	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 31.12.07	138.922	138.922	5,8950

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.

e) Recognised income and expense

These include translation differences and variations in the fair value of available-for-sale financial assets.

f) Dividends and restrictions on dividend distribution

Distribution of the Parent's voluntary reserves amounting to Euros 35,366 thousand, the share premium and the profit for the year are subject to legal restrictions for distribution.

In accordance with the minutes of the extraordinary shareholders' meeting held on 28 March 2006, it was agreed to distribute an interim dividend of Euros 0.0720 per share to the shareholders, totalling Euros 6,500 thousand.

In accordance with article 216 of the Spanish Companies Act (Amended Text) dated 27 December 1989, the dividend to be distributed did not exceed the results obtained by the Parent since the end of the last year, deducting the estimated income tax payable thereon.

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.

17. Earnings per share

a) Basic earnings

Basic earnings per share are calculated by dividing profit or loss for the year attributable to equityholders of the Parent entity by the weighted average number of ordinary shares issued during the year, excluding treasury shares.

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

	2007	2006
Net profit attributable to equityholders of the Parent (in thousands of Euros)	32,594	27,473
Weighted average number of ordinary shares issued	112,624,808	107,047,536
Basic earnings per share	0.28940	0.25664

Profit for the year corresponds to profit attributable to equityholders of the Parent.

(Continued)

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

	2007	2006
Ordinary shares issued at 1 January	112,629,070	90,302,932
Effect of capital increase carried out on 30 March 2006	-	16,744,604
Effect of treasury shares	(4,262)	-
Weighted average number of ordinary shares issued at 31 December	112,624,808	107,047,536

b) Diluted earnings

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

18. Provisions

Details of provisions are as follows:

	Thousands of Euros			
	2.007		2.006	
	Non-current	Current	Non-current	Current
Guarantees	-	1,590	-	753
Provisions for tax	4,457	-	1,769	-
Provisions for employee commitments	2,059	-	1,280	-
Litigation and other liabilities	1,468	-	1,237	-
Total	7,984	1,590	4,286	753

(Continued)

Movement in provisions during 2007 and 2006 is as follows:

	Guarantees	Provision for employee commitments	Litigation and other liabilities	Provisions for tax	Total
At 1 January 2006	232	1,016	1,375	147	2,770
Charges	541	277	86	1,082	1,986
Payments	(66)	-	-	-	(66)
Recoveries	-	(13)	(234)	-	(247)
Transfers	-	-	10	-	10
Business combinations	58	-	-	540	598
Translation differences	(12)	-	-	-	(12)
At 31 December 2006	753	1,280	1,237	1,769	5,039
Charges	987	783	736	2,745	5,251
Payments	-	(206)	(197)	(64)	(467)
Recoveries	(372)	(60)	(244)	(694)	(1,370)
Transfers	-	277	(204)	451	524
Business combinations	229	-	200	250	679
Translation differences	(7)	(15)	(60)	-	(82)
At 31 December 2007	1,590	2,059	1,468	4,457	9,574

Other provisions include provisions to cover probable contingencies in litigations underway.

19. Loans and borrowings

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

	Thousands of Euros	
	2007	2006
Bank loans	95,726	86,667
Finance leases	15,160	15,150
Total non-current	110,886	101,817
Bank loans	49,124	41,372
Credit facilities	69,462	57,342
Discounting facilities	9,937	14,834
Finance leases	3,381	4,026
Total current	131,904	117,574
Total loans and borrowings	242,790	219,391

(Continued)

At 31 December 2007 and 2006 bank loans and credits accrue interest at an average market rate, except for those extended by public entities which accrue interest at rates of between 0% and 5%. There are no significant differences between the carrying amount of financial liabilities and their fair value at 31 December 2007 and 2006.

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

		Company	Amount due (Thousands of Euros)	
			2007	2006
1	Loan for nominal amount of Euros 12,800 thousand falling due on 16/02/14 and with floating interest rate based on Euribor at 12 months, plus a margin of 0.50%, requested for the acquisition of Irrigaronne.	Cepex Holding	12,800	N/A
2	Property lease for nominal amount of Euros 10,700 thousand falling due on 21/01/20 and with fixed interest rate of 3.80% until 2013 and floating interest rate based on Euribor plus a margin of 0.5%	Pexce Inmobiliaria	9,800	10,269
3	Loan for nominal amount of Euros 10,750 thousand falling due on 20/10/11 and with floating interest rate based on Euribor at 6 months, plus a margin of 0,65%, requested for the acquisition of Hurlcon Holdings Pty Ltd.	Astralpool SAU	9,368	10,750
4	Loan for nominal amount of Euros 8,500 thousand falling due on 30.03.14 and with floating interest rate based on Euribor at 12 months, plus a margin of 0.50%, requested for the acquisition of Aplicaciones Técnicas Hidráulicas, SA	SNTE Agua Group, SAU	8,500	N/A
5	Mortgage loan for nominal amount of Euros 10,962 thousand falling due on 31/12/12 and with floating interest rate based on Euribor plus a margin of 0.50%	Trace Logistics, SAU	7,497	8,758
6	Loan for nominal amount of Euros 5,990 thousand falling due on 21.11.11 and with floating interest rate based on Euribor at 12 months plus a 0.50% spread, requested for the acquisition of Manufacturas Gre, S.A.	Fluidra, SA	5,990	5,990
7	Loan for nominal amount of Euros 7,000 thousand falling due on 22/05/11 and with floating interest rate based on Euribor at 6 months plus a 0.50% spread, requested for the acquisition of SNTE Agua Group, S.A.	Fluidra, SA	4,900	6,300
8	Loan for nominal amount of Euros 4,500 thousand falling due on 03.05.14 and with floating interest rate based on Euribor at 12 months plus a 0.50% spread, requested for the acquisition of Master Riego, SA	Cepex Holding	4,500	N/A
9	Loan for nominal amount of Euros 5,840 thousand falling due on 11.11.10 and with floating interest rate based on Euribor at 12 months plus a 0.50% spread, requested for the acquisition of Manufacturas Gre, S.A.	Fluidra, SA	4,380	5,840

The most significant balances in foreign currencies at 31 December 2007 and 2006 are as follows:

Borrowings:

	Thousands of Euros	
	2007	2006
US Dollar	2,482	2,161
Australian Dollar	3,310	3,518
Pounds Sterling	7,570	10,539
Other currencies	539	509
	13,901	16,727

(Continued)

The Group has the following credit and discounting facilities at 31 December 2007 and 2006:

	Thousands of Euros			
	2007		2006	
	Drawn down	Limit	Drawn down	Limit
Credit facilities	69,462	155,690	57,342	109,751
Discounting facilities	9,937	72,948	14,834	81,589
	79,399	228,638	72,176	191,340

The following borrowings are guaranteed (see note 6):

		Thousands of Euros	
Creditor	Guarantee	2007	2006
Trace Logistics, S.A.	Mortgage guarantee	7,497	8,758
AP Inmobilière	Mortgage guarantee	1,140	1,380
SCI La Cerisay	Mortgage guarantee	388	442
		9,025	10,580

Bank loans mature as follows:

	Thousands of Euros	
Maturity	2007	2006
Up to 1 year	131,904	117,574
2 years	32,302	31,808
3 years	24,081	25,199
4 years	18,083	17,425
5 years	12,054	9,077
More than 5 years	24,366	18,308
	242,790	219,391

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

	Thousands of Euros					
	2007			2006		
	Minimum payments	Interest	Principal	Minimum payments	Interest	Principal
Up to 1 year	3,590	209	3,381	4,525	499	4,026
Between 1 and 5 years	7,185	1,703	5,482	7,533	1,596	5,937
More than 5 years	10,786	1,109	9,677	10,542	1,329	9,213
	21,561	3,021	18,540	22,600	3,424	19,176

(Continued)

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

With the exception of the property lease which accrues fixed interest until 2013, the carrying amount of which at 31.12.07 stands at Euros 9,800 thousand, group loan interest rates are renewed quarterly, six-monthly or yearly.

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

20. Trade and other payables

Details are as follows:

	Thousands of Euros	
	2007	2006
Payables for purchases and services	95,224	79,088
Other payables	5,678	7,262
Fixed asset suppliers	9,424	9,129
Public entities	12,428	9,330
Current income tax liabilities (note 31)	4,014	3,073
Salaries payable	8,752	6,365
	135,520	114,247

The most significant balances in foreign currencies at 31 December 2007 and 2006 are as follows:

Payables for purchases and services:

	Thousands of Euros	
	2007	2006
US Dollar	2,000	4,773
Australian Dollar	3,844	3,923
Pounds Sterling	2,307	2,487
Turkish Pound	18	57
	8,169	11,240

(Continued)

Balances payable to public entities are as follows:

	Thousands of Euros	
	2007	2006
Tax authorities		
VAT	4,734	3,450
Withholdings	3,043	2,641
Social Security	3,765	2,518
Others	886	721
	12,428	9,330

21. Other non-Current Liabilities

Details of non-current liabilities are as follows:

	Thousands of Euros	
	2007	2006
PPE suppliers	8,660	1,570
Others	441	-
Total	9,101	1,570

22. Risk Management

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

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

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

a) Credit risk

The Group does not have significant concentrations of credit risk. The Group has policies to ensure that sales are made to clients with a history of sufficient credit. Derivative operations on foreign currencies and operations on a cash basis are only carried out with financial institutions with high credit ratings. The Group has policies to limit the amount of risk with any financial institution.

A provision is made to cover all balances past due by more than 120 days. A provision is also made to cover an estimated 10% of total trade receivables past due (by less than 120 days).

(Continued)

b) Liquidity risk

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

The Group's exposure to liquidity risk at 31 December 2007 is presented below in the table analysing financial liabilities by maturity date.

	Thousands of Euros					
	1 year	2 years	3 years	4 years	5 years	More than 5 years
Loans and borrowings	136,597	34,246	25,465	18,882	12,005	16,048
Issued capital	128,523	30,360	22,684	16,990	11,004	14,689
Interest	8,074	3,886	2,781	1,892	1,001	1,359
Financial liabilities for financial leases	3,590	2,394	1,839	1,510	1,442	10,786
Issued capital	3,381	1,942	1,397	1,093	1,050	9,677
Interest	209	452	442	417	392	1,109
Trade and other payables	131,506					
	271,693	36,640	27,304	20,392	13,447	26,834

c) Currency risk

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

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

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

Although future currency purchase contracts entered into by the Group are used to hedge the currency risks incurred, hedge accounting is not used, due to the difficulty in complying with the requirements established in IAS 39 for testing their effectiveness.

(Continued)

At 31 December 2007 if the Euro had strengthened 10% against the US Dollar, the Australian Dollar and the Pound Sterling, whilst maintaining other variables, consolidated profit after income tax would have been Euros 342 thousand higher. Had the Euro weakened 10% against the aforementioned currencies, consolidated profit after income tax would have fallen by Euros 412 thousand, primarily because of the translation of financial debt. The translation differences recognised in income and expenses would have been Euros 2,388 thousand lower had the Euro appreciated by 10%, and Euros 2,918 thousand higher had the Euro dropped by 10%.

d) Interest rate risks in cash flows

As the Group does not hold significant interest-bearing assets, income and cash flows on the Group's operating activities are not subject to fluctuations in market interest rates.

The Group's interest rate risk arises from other long-term financing, issued at variable rates that expose the Group to cash flow interest rate risk. As can be observed in note 19, the Group's main loans are linked to market interest rates which are updated on a quarterly, six-monthly or yearly basis.

The Group manages the interest rate risk in cash flows through floating to fixed interest rate swaps with barriers. These interest rate swaps have the financial effect of converting financing with floating interest rates to fixed rates. In general, the Group obtains long-term other resources with floating interest rates and swaps these for fixed rates which are usually lower than those which would have been available had the Group obtained the resources directly at fixed interest rates. Under interest rate swaps, the Group undertakes to exchange the difference between the fixed interest and floating interest rates, calculated based on the notional amounts of the principals contracted, with other parties and with a specified regularity (usually quarterly). The Group's policy is to contract interest rate hedging instruments for loans exceeding Euros 1 million.

Although swaps contracted by the Group hedge interest rate risks in cash flows, they do not comply with the requirements established in IAS 39 for hedge accounting purposes. Consequently, the variation in the fair value of swaps at each balance sheet date is taken to the consolidated income statement for the year.

Had interest rates been 25 basic points higher at 31 December 2007, whilst maintaining other variables, consolidated profit before income tax would have been Euros 537 thousand (Euros 441 thousand in 2006) lower or higher, primarily due to a higher financial expense because of floating-rate debts.

23. Purchase Costs and Changes in Inventories

This caption of the income statement is as follows:

	Thousands of Euros	
	2007	2006
Raw materials and materials purchased	351,540	243,054
Variation in goods for resale	(14,612)	11,273
Changes in inventory of raw materials	(6,540)	(251)
Changes in inventory of finished products and work in progress	(2,637)	7,148
Provision for obsolescence	4,347	2,650
Total	332,098	263,874

24. Services rendered (*)

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

25. Other Income

This caption mainly includes profit on the sale of plant, property and equipment and the surplus current provisions not related to inventories or trade receivables.

26. Personnel Expenses

Details of personnel expenses in 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	2006
Wages and salaries	94,384	74,771
Compensation for termination of employment	2,095	1,801
Social Security	23,709	19,352
Other welfare charges	3,402	2,887
	123,590	98,811

The average headcount in 2007 and 2006, distributed by category, is as follows:

	2007	2006
Management	145	163
Sales, logistics and production	3,093	2,672
Administration and purchasing	510	434
	3,748	3,269

The Parent's personnel and directors by gender are as follows at year end:

	Headcount	
Categories and levels	Female	Male
Directors (including 1 member of senior management)	-	9

27. Other Operating Expenses

Details are as follows:

	Thousands of Euros	
	2007	2006
Rentals and royalties	16,416	13,350
Repairs and maintenance	7,040	5,550
Independent professional services	7,440	6,155
Temporary employment expenses	9,567	6,509
Commission	4,155	3,498
Sales transport	27,336	23,441
Insurance premiums	3,527	4,722
Banking services	1,465	1,223
Marketing and publicity	9,294	7,182
Supplies	9,749	5,473
Communication	3,336	3,149
Travel expenses	6,783	5,621
Other taxes	3,497	2,564
Changes in trade provisions	3,210	3,236
Others (*)	11,195	4,600
	124,010	96,273

(*) Includes office supplies, logistics, remuneration to the Board of Directors, guarantees, R&D expenses and other expenses.

28. Other Expenses

This caption mainly includes the non-recurrent expenses incurred during the stock market floatation and other expenses not related to inventories or trade receivables.

29. Operating Leases

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

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

	Thousands of Euros	
	2007	2006
Up to 1 year	10,954	11,105
Between 1 and 5 years	21,395	20,507
More than 5 years	7,114	7,552
	39,463	39,164

Operating lease instalments recognised as expenses for the year amount to Euros 16,416 thousand (Euros 13,350 thousand in 2006).

(Continued)

30. Financial Income and Expenses

Details are as follows:

	Thousands of Euros	
	2007	2006
Financial income		
Gains on fair value of financial instruments	358	213
Derivative financial instruments held for trading	252	27
Other financial income	2,372	1,716
Total financial income	2,982	1,956
Financial expenses		
Debt interest (leases and loans)	(11,616)	(6,923)
Interest on discounted notes	(1,322)	(1,148)
Derivative financial instruments held for trading	(157)	(115)
Other financial expenses	(1,664)	(1,747)
Losses on fair value of financial instruments	(391)	(335)
Total financial expenses	(15,150)	(10,268)
Exchange differences		
Exchange gains	3,358	1,895
Exchange losses	(4,149)	(3,354)
Total exchange differences	(791)	(1,459)
Net expense	(12,959)	(9,771)

31. Deferred Tax and Income Tax

During 2006 the Group filed consolidated tax returns through five tax subgroups: Aquaria de Inv. Corp., S.A., and subsidiaries, Cepex Holding, S.A. and subsidiaries, Neokem Grup, S.A. and subsidiaries, SNTE Agua Group, S.A. and subsidiaries and Swimco Corp S.L. and subsidiaries (the latter with the Basque Country tax authorities). The head of each subgroup is the Parent of this tax consolidation and responsible for filing the corresponding tax returns with the tax authorities. Non-resident companies in Spain and resident companies which file individual tax returns such as Accent Graphic, S.L., Control Pools, S.A., ADBE Cartera, S.A., Aquapoint, S.L., Meip Internacional, S.L., Prohogar, S.L., Maber Plast, S.L., Togama, S.A., Productes Elastòmers, S.A., Comercial de Exclusivas Internacionales Blage, S.A., Waterchem, A.I.E., Kompritec, S.L., Iwerquimica, S.L., Cepexser, A.I.E. and ID Electroquimica SL., are excluded from the tax consolidated groups at Spanish and Basque tax authority level. Profit calculated in accordance with prevailing fiscal legislation in Spain is subject to tax of 35% of the taxable income for companies located in Spain (excluding Basque Country) and at the corresponding rate for companies located abroad or in the Basque Country. The Company and the other subsidiaries (except Astral Middle East FZE) are obliged to file an annual income tax return.

During 2007 the Group has filed consolidated tax returns through two tax subgroups: Fluidra, S.A. and Swimco Corp S.L. (the latter with the Basque Country tax authorities). The head of each subgroup is the Parent of this tax consolidation and is 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., Maber Plast, S.L., Togama, S.A., Productes Elastòmers, S.A., Comercial de Exclusivas Internacionales Blage, S.A., Waterchem, A.I.E. e ID Electroquimica, S.L., Master Riego, S.A. and ATH - Aplicaciones Técnicas Hidráulicas, S.L. are excluded from the tax consolidated groups at Spanish and Basque tax authority level. Profit calculated in accordance with prevailing fiscal legislation in Spain is subject to a tax rate of 32.5% of the taxable income for companies located in Spain (excluding Basque Country).

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

(Continued)

In accordance with Personal Income Tax Law 35 of 28 November 2006, partially modifying the 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. On 22 March 2007 the Economy and Treasury Commission of the General Assemblies of Bizkaia approved the Basque income tax reform establishing a general tax rate of 28% for large companies. The approved reform affects tax rates and tax deductions. The general tax rate therefore drops from 32.6% to 28% for years starting 1 January 2007.

Consequently, in 2007 and 2006 the Group has re-estimated deferred tax assets and liabilities by applying the corresponding rate based on their estimated reversal period, recognising the total effect under Income tax expenses on the consolidated income statement for the year, which has resulted in profit of Euros 389 thousand (Euros 2,334 thousand in 2006).

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

	Thousands of Euros					
	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Finance lease	-	-	1,742	1,779	(1,742)	(1,779)
Property, plant and equipment and investment property	27	-	6,976	8,022	(6,949)	(8,022)
Establishment of companies abroad	-	-	953	1,101	(953)	(1,101)
Deferred gains on incorporation of Cepex, Neokem and ADBE Cartera	-	-	1,365	7,790	(1,365)	(7,790)
Deferred gains on incorporation of the profit from the sale of Certikin France and Snte SAS	-	-	751	-	(751)	-
R&D costs	39	-	11	-	28	-
Exchange differences	-	-	197	231	(197)	(231)
Customer portfolio	-	-	9,054	7,087	(9,054)	(7,087)
Trademarks	-	-	662	662	(662)	(662)
Contractual relationships	-	-	183	240	(183)	(240)
Inventories	2,199	3,075	199	1,008	2,000	2,067
Provisions	2,400	885	24	-	2,376	885
Establishment costs	187	542	-	-	187	542
Other items	530	231	4,683	2,935	(4,153)	(2,704)
	5,382	4,733	26,800	30,855	(21,418)	(26,122)

(Continued)

Details of the variation in deferred tax assets and liabilities, by type, are as follows:

	Thousands of Euros						
	31.12.2005	Profit and loss	Exchange-rate effect on P&L	Equity	Business combinations	Other	31.12.2006
Finance lease	(1,121)	(658)	-	-	-	-	(1,779)
Property, plant and equipment and investment property	-	(81)	1,275	-	(9,216)	-	(8,022)
Establishment of companies abroad	-	(1,101)	-	-	-	-	(1,101)
Deferred gains on incorporation of Cepex, Neokem and ADBE Cartera	-	-	-	-	(7,790)	-	(7,790)
R&D costs	152	(176)	8	-	-	16	-
Exchange differences	(142)	(55)	16	-	-	(50)	(231)
Customer portfolio	-	958	908	-	(8,953)	-	(7,087)
Trademarks	-	29	88	-	(779)	-	(662)
Contractual relationships	-	66	34	-	(340)	-	(240)
Inventories	1,173	900	12	-	-	(18)	2,067
Provisions	483	402	-	-	-	-	885
Establishment costs	237	112	(73)	-	-	266	542
Other items	(91)	(2,721)	66	19	(112)	135	(2,704)
Total	691	(2,325)	2,334	19	(27,190)	349	(26,122)

	Thousands of Euros						
	31.12.2006	Profit and loss	Exchange-rate effect on P&L	Equity	Business combinations	Other	31.12.2007
Finance lease	(1,779)	15	-	-	(27)	49	(1,742)
Property, plant and equipment and investment property	(8,022)	982	-	-	-	90	(6,950)
Establishment of companies abroad	(1,101)	148	-	-	-	-	(953)
Deferred gains on incorporation of Cepex, Neokem and ADBE Cartera	(7,790)	-	-	-	-	6,425	(1,365)
Deferred gains on incorporation of the profit from the sale of Certikin France and Snte SAS	-	(751)	-	-	-	-	(751)
R&D costs	-	28	-	-	-	-	28
Exchange differences	(231)	37	-	-	-	(2)	(196)
Customer portfolio	(7,087)	1,867	-	-	(3,835)	-	(9,055)
Trademarks	(662)	-	-	-	-	-	(662)
Contractual relationships	(240)	56	-	-	-	-	(184)
Inventories	2,067	(261)	-	-	-	194	2,000
Provisions	885	1,228	-	-	-	264	2,377
Establishment costs	542	(355)	-	-	-	-	187
Other items	(2,704)	(1,861)	389	45	-	(21)	(4,152)
Total	(26,122)	(1,133)	389	45	(3,862)	6,999	(21,418)

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.

(Continued)

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.

Items charged and credited directly to equity for the year relate to available-for-sale financial assets and amount to Euros 45 thousand.

Remaining deferred tax assets and liabilities recognised in 2006 and 2007 have been charged or credited to the income statement.

Deferred tax assets and liabilities expected to revert in the next 12 months amount to Euros 4,721 thousand and Euros 6,156 thousand, respectively.

Details of the income tax expense are as follows:

	Thousands of Euros	
	2007	2006
Current tax expense		
Current year	17,147	12,843
Tax credits	(3,124)	(2,383)
Prior year adjustments	(775)	802
Provisions for tax	2,051	-
Deferred taxes		
Origination and reversal of temporary differences	(1,133)	2,325
Effect of change in tax rate in Spain	(389)	(2,334)
Total income tax expense	13,777	11,253

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

	Thousands of Euros	
	2007	2006
Current tax expense	14,023	10,458
Withholdings and payments on account during the year	(10,243)	(7,501)
Current income tax assets	(258)	(857)
Additional liabilities on business combinations	234	116
	3,756	2,216

(Continued)

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

	Thousands of Euros	
	2007	2006
Profit before income tax on continuing operations	48,507	39,712
Tax at 32.5%	15,765	
Tax at 35%		13,899
Effect of application of tax rates in different countries	(724)	(514)
Permanent differences	1,098	(550)
Offset of loss carryforwards not recognised in prior years	(536)	(34)
Differences in prior years' income tax expense	(775)	802
Provisions for tax	2,051	-
Tax credits	(3,124)	(2,383)
Effect of change in tax rate in Spain	(389)	(2,334)
Others	411	2,367
Income tax expense	13,777	11,253

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

	Thousands of Euros	
	2007	2006
Deductions	1,775	1,742
Tax losses	1,901	1,402
	3,676	3,144

Deduction amounts and reversal periods at 31 December 2007 are as follows:

Years	Thousands of Euros	Final date
2006	993	2,016
2007	782	2,017
	1,775	

(Continued)

Tax loss carryforward amounts and reversal periods are as follows:

Years	Thousands of Euros	Final date
2001	18	2021
2002	14	2007
2002	94	2022
2003	80	2007
2003	222	2008
2004	32	2008
2004	78	2011
2004	129	2009
2005	580	2010
2005	264	2012
2005	63	2020
2005	3	2025
2006	516	2011
2006	230	2013
2006	29	2021
2006	212	2026
2007	40	2012
2007	423	2022
2002-2007	3,704	No obligatory time limit for offset of loss
	6,731	

The Group companies have open to inspection by the tax authorities all applicable taxes for all years which legally can be open to inspection in each country. It is not expected that any significant additional liabilities would arise for the Companies in the event of an inspection.

The Spanish companies have the following years open to inspection:

Tax	Years open
Income tax	2003 to 2007
VAT	2004 to 2007
Personal income tax	2004 to 2007
Business activities tax	2004 to 2007

Exceptionally, SNTE S.A.S., Unipen. S.L. and Euroopeenne de Couvertures Automaitises are being inspected by the tax authorities as explained in the notes to their annual accounts, although no significant liabilities for the Fluidra Group are expected to arise as a result of these inspections.

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

32. Transactions and Balances with Related Parties

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

	Thousands of Euros			
	2007		2006	
	Receivables	Payables	Receivables	Payables
Trade receivables	694	-	656	-
Debtors	2,223	-	167	-
Suppliers	-	3,069	-	3,902
Trade payables	-	354	-	787
Loans	-	-	-	846
Total current	2,917	3,423	823	5,535

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

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

a. Purchases of finished products, in particular the purchase of spas and accessories from Iberspa S.L. and swimming pool liners from Interpool Ibérica SL and Interpool SAS.

b. Building lease contracts between the Group and Inmobiliaria Tralsa S.A., Constralsa SL and Stick Inmobiliere, included under service expenses.

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

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

Furthermore, during the first half of 2007 four buildings (three in Spain and one in France) have been sold on an arm's length basis, for a sales price of Euros 6,150 thousand, for which the Group obtained a profit of Euros 3,691 thousand. These buildings were sold to Constralsa S.L., a company related to the Fluidra Group.

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

	Thousands of Euros					
	2007			2006		
	Associates	Joint ventures	Related entities	Associates	Joint ventures	Related entities
Sales	470	4,854	1,191	344	3,178	806
Income on services	20	13	701	44	18	454
Purchases	-	(41)	(10,082)	-	(41)	(10,853)
Expenses on services and others	(409)	(29)	(2,270)	(228)	(7)	(1,428)
Sale of buildings	-	-	(6,150)	-	-	-

(Continued)

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

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

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

	Thousands of Euros	
	2007	2006
Total key management personnel	1,922	1,520
Total, Parent directors	1,503	724

The members of the Company's board of directors have received a total of Euros 836 thousand in 2007 (Euros 464 thousand in 2006), respectively, from the consolidated companies in which they are directors. In addition, they have received a total of Euros 667 thousand for executive functions in 2007 (Euros 260 thousand in 2006). They have also received subsistence allowances amounting to Euros 23 thousand.

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

(c) **Transactions outside ordinary trading or under non-market conditions carried out by Parent directors**

The directors of the Parent have not carried out any transactions outside ordinary trading or under non-market conditions with the Company or with Group companies in 2007.

d) **Investments and positions held in other companies by the Parent's directors**

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

33. Environmental Information

The most significant systems, equipment and installations included as property, plant and equipment at 31 December 2007 and 2006, the purpose of which is to minimise the environmental impact and protect and improve the environment, are as follows:

	2007		
	Thousands of Euros		
	Cost	Accumulated depreciation	Net book value
Waste treatment	4,150	(1,565)	2,585
Energy saving	13	(2)	11
Emissions reduction	519	(91)	428
Contamination reduction	514	(141)	373
Others	6	(6)	-
	5,202	(1,805)	3,397

	2006		
	Thousands of Euros		
	Cost	Accumulated depreciation	Net book value
Waste treatment	612	(375)	237
Energy saving	13	(2)	11
Emissions reduction	483	(34)	449
Contamination reduction	514	(90)	424
Others	6	(6)	-
	1,628	(507)	1,121

Expenses incurred to protect and improve the environment during 2007 and 2006 have been as follows:

	Thousands of Euros	
Description of expenses	2007	2006
External services	218	81
Environmental protection	194	109
Ordinary expenses	32	6

The directors consider that no significant contingencies exist concerning the protection and improvement of the environment, and accordingly, no provision has been made for liabilities and charges by any Group company at 31 December 2007.

During the year ended 31 December 2007 no environmental grants have been received.

34. Other Commitments and Contingencies

At 31 December 2007 the Group has mortgaged various assets to secure a bank loan, the capital pending repayment of which amounts to Euros 9,025 thousand at 31 December 2007 (see note 19).

Certain Group companies have obtained short and long-term financing from financial institutions amounting to Euros 119,777 thousand (Euros 3,057 thousand in US Dollars), jointly for several subsidiaries, each of which acts as a joint guarantor of these operations.

At 31 December 2007 the Group has extended the following guarantees to banks and other companies:

	Thousands of Euros
Astral Pool, S.A.U.	264
Astral Pool España, S.A	26
Magyar Astral Pool Kft	5
Metalast, S.A.	529
Poltank, S.A.	444
Sacopa, S.A.	248
Talleres del Agua, S.A.	6
Certikin Ibérica, S.L.	12
Certikin International, Ltd.	218
Válvulas y Racords Canovelles, S.A.	116
Master Riego, S.A.	28
Inquide, S.A.	1
CTX, S.A.U.	4
CTX Piscine, SAS	2
Astramatic, S.A.U.	478
Servaqua, S.A.U.	1
SNTE Esp, S.L.	127
SNTE, SAS	483
	2,992

The Group has share purchase commitments with some of its subsidiaries (IDEGIS and Master Riego, S.A.), which could enable it to increase its interest in these subsidiaries in the future (see note 5):

- IDEGIS: a call option on 10% of the share capital of this company which can be exercised from the date the profits after income tax reach Euros 1,650 thousand and will expire on 31 December 2017. The strike price of the call option is subject to the results of the aforementioned company until the option is exercised, with a minimum limit of Euros 1,155 thousand.

- MASTERRIEGO: a call option on 14% of the share capital of this company which can be exercised between 1 January 2010 and 1 January 2015. The strike price of the call option will be the sum of this company's shareholders' equity and five times the amount of profit after tax for the year immediately preceding the year in which the call option is exercised.

In the case of SSA and IDEGIS, the minority shareholders of these companies have also been extended a right to a put option which could involve a commitment to purchase these shares if certain conditions are met. These conditions have not been fulfilled at 31 December 2007.

- IDEGIS: a put option on 30% of the share capital of the company, the exercise period of which is between 1 January 2018 and 31 December 2023 on the condition that the abovementioned 10% call option is previously exercised. The strike price of this put option is subject to the results of the company until the option is exercised.

(Continued)

- SSA: a put option on 26% of the share capital of this company, subject to average profits between 2004 and 2008 exceeding Euros 694 thousand. The strike price of this put option is Euros 1,900 thousand and the option must be exercised before 30 September 2010.

The put options of MTH, ATH and Pacific Industries are recognised in the balance sheet for Euros 240 thousand, Euros 2,286 thousand and Euros 2,463 thousand, respectively.

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.

At the date of preparing the accompanying consolidated annual accounts, the best estimate of this commitment is Euros 785 thousand.

35. Fees of the Auditor and the Auditor's 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, associates and joint ventures, fees and expenses for professional services during the year ended 31 December 2007, as follows:

	Euros
Audit services	1,121,313
Other services	780,000
Total	1,901,313

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

36. EBITDA

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

Sales of goods and finished products + Services rendered (see note 24) - Purchase costs and changes in inventories – Personnel expenses – Other operating expenses + Share of profit/loss of companies accounted for using the equity method

Calculation of EBITDA for 2007 and 2006	Thousands of Euros	
	2007	2006
Sale of goods and finished products (*)	657,202	521,938
Services rendered	17,022	9,104
Purchase costs and changes in inventories	(332,098)	(263,874)
Personnel expenses (*)	(123,590)	(98,811)
Other operating expenses (*)	(124,010)	(96,273)
Share of profit/(losses) for the year of companies accounted for using the equity method	121	(77)
EBITDA	94,647	72,007

Calculation of EBITDA based on information by segment
included in Appendix II (also see note 4)

	POOL	WATER
	2007	2007
Sale of goods and finished products	523,035	193,148
Services rendered	13,753	3,269
Purchase costs and changes in inventories	(281,679)	(109,029)
Personnel expenses	(90,946)	(32,644)
Other operating expenses (*)	(92,867)	(31,143)
Share of profit/(losses) for the year of companies accounted for using the equity method	126	(5)
EBITDA (*)	71,422	23,596

(Continued)

Calculation of EBITDA based on information by segment
included in Appendix II (also see note 4)

	POOL	WATER
	2006	2006
Sale of goods and finished products	451,996	110,229
Services rendered	7,162	1,696
Purchase costs and changes in inventories	(241,893)	(58,919)
Personnel expenses	(79,750)	(19,061)
Other operating expenses (*)	(75,920)	(20,511)
Share of profit/(losses) for the year of companies accounted for using the equity method	(78)	2
EBITDA	61,517	13,436

(*) Difference between the sum of these key indicators of the Pool and Water segments and the total of these key indicators in the consolidated income statement is equivalent to the intra-segment consolidation adjustments, primarily Water's sales to Pool and the corresponding adjustment to the inventories margin.

37. Subsequent Events

On 15 January 2008 the Group acquired 90% of Swimming Pool Equipment Italy, S.r.l. (SPEI), a company with a turnover of approximately Euros 7,452 thousand. A fixed price has been paid for this acquisition and contingent amounts have been established subject to certain conditions. As a result of the aforementioned acquisition, the Group has extended the minority shareholder the right to a put option on 10% of the remaining amount, the exercise period of which is between 30 June 2010 and 31 December 2010 and the price of which is subject to the performance of the results of this company in the three years prior to exercising the right.

On 15 January 2008 the Group acquired 100% of ME 2000, S.r.l. for a fixed price.

The price fixed for the aforementioned business combinations totals Euros 3,147 thousand.

The Group is analysing how to allocate the price to the aforementioned business combination and therefore, the fair value of the net assets acquired is provisional and could be modified once the entire process has been completed.

Provisional aggregate details of the cost of the aforementioned business combinations, the fair value of net assets acquired and goodwill are as follows:

	Thousands of Euros
Cost of business combinations	
Cash paid	1,788
Fair value of deferred payments	1,359
Directly attributable costs	-
Total cost of combinations	3,147
Fair value of net assets acquired	1,794
Goodwill	1,353

Goodwill includes intangible assets mainly relating to the distribution networks, workforce and synergies of the businesses acquired, as they are intangible assets which are non-separable.

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

Overview of business performance

The Fluidra Group has closed 2007 with consolidated net sales of Euros 657.2 million, up 25.92% on the previous year due to a combination of significant organic growth in Fluidra's main markets and, to a lesser extent, acquisitions and the incorporation of the figures of the Water Division for the full year.

EBITDA (see note 36) is up 31.4% from the previous year to Euros 94.7 million, increasing from 13.8% of total sales to 14.4%.

Operating profit has amounted to Euros 61.3 million. It should be noted that operating expenses include the non-recurrent expenses of the stock market flotation amounting to Euros 5.1 million.

Net profit has amounted to Euros 32.6 million, having risen by 18.6%, after deducting the cost of the stock market flotation.

The Pool division has achieved sales of Euros 523 million (+15.6%) and EBITDA of Euros 71.4 million (+16.1%), reflecting the sharp growth in sales of strategic products and the impact of reinforcing the commercial and distribution structures in Europe, Asia and Australia.

The Water division has achieved sales of Euros 193.1 million (+75.2%) and EBITDA of Euros 23.6 million (+75.6%) as a result of growth factors such as the inclusion of the first full period of the division in 2007 compared to nine months in 2006. From a pro forma perspective, sales have risen by 30.7% in 2007.

The Water division's presence in Southern Europe has been strengthened in the irrigation line through the acquisitions of Irrigaronne (France) and Masterriego (Spain), and in the water treatment line by acquiring ATH.

Net working capital has dropped slightly from 30.8% to 30.5% as a percentage of sales, fully offsetting the impact of the acquisitions, while net financial debt is within the lower target range (2-2.5 times EBITDA).

All these achievements are in line with the Group's strategy:

- International expansion: Robust organic growth in all our key markets: Southern and Western Europe, Eastern Europe, Asia and Australia.
- Reinforcement of added value products as growth drivers and a solid base for future growth.
- Consolidation of Water in Southern Europe through acquisitions made.

All these achievements have been compatible with the stock market flotation as a result of the ability and strength of the Group's workforce.

The results in 2007 make Fluidra a more diverse and international company, placing it in an excellent position to continue developing its value creation strategy in 2008.

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).

Sales in foreign currency: USD – 24,999 thousand, GBP – 44,574 thousand and AUD – 26,638 thousand.
Purchases in foreign currency: USD -30,726 thousand, GBP – 25,964 thousand and AUD -13,067 thousand.

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.

(Continued)

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%. At the closing date an amount equivalent to Euros 192 million is hedged, representing 79% of loans and borrowings.

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

Treasury shares

During 2007 the Group has carried our 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 innovation

Investments in research, development and innovation have amounted to Euros 4,107 thousand during 2007.

Subsequent events

On 15 January 2008 the Group acquired 90% of Swimming Pool Equipment Italy, S.r.l. (SPEI), a company with a turnover of approximately Euros 7,452 thousand. A fixed price has been paid for this acquisition and contingent amounts have been established subject to certain conditions. As a result of the aforementioned acquisition, the Group has extended the minority shareholder the right to a put option on 10% of the remaining amount, the exercise period of which is between 30 June 2010 and 31 December 2010 and the price of which is subject to the performance of the results of this company in the three years prior to exercising the right.

On 15 January 2008 the Group acquired 100% of ME 2000, S.r.l. for a fixed price.

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) Any restrictions on the transfer of shares

No statutory restrictions on the transfer of shares exist.

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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, and represented by book entries.

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:*

(Continued)

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).

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 (ie, the 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%.

(ii) 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.

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

(iv) 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.

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 shareholders' at a General Meeting using their 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.

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

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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, interalia, 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.

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.

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On 25 March 2008, the board of directors of Fluidra, S.A. prepared the consolidated annual accounts in conformity with International Financial Reporting Standards endorsed by the European Union (comprising the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows, notes to the consolidated annual accounts and consolidated directors' report) for the year ended 31 December 2007, signed by all of the directors on this page, to indicate their conformity thereof, and also by the non-board member secretary to the board of directors, Mr Albert Collado Armengol, on each of the pages of the aforementioned documents for identification purposes.

Mr Juan Planes Vila (signed)

BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.
Mr Carlos Ventura Santamans (signed)

Mr Eloy Planes Corts (signed)

Mr Richard Cathcart (signed)

Mr Bernat Garrigós Castro (signed)

Mr Kam Son Leong (signed)

Mr Oscar Serra Duffo (signed)

Mr Juan Ignacio Acha-Orbea Echevarría (signed)

Mr Bernat Corbera Serra (signed)

(Continued)

FLUIDRA, S.A.
AND SUBSIDIARIES

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)

Fully consolidated 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 administrating 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 Schwimmbadtechnick, 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.

FLUIDRA, S.A.
AND SUBSIDIARIES

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

- 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 Importaçao, Exportaçao, 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.

FLUIDRA, S.A.
AND SUBSIDIARIES

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

- 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 Inmobiliere, 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 Polígono Industrial de Barros, Ayuntamiento de los Corrales de Buelna (Cantabria), the statutory activity of which involves the construction, sale, installation, conditioning and maintenance of swimming pools, as well as the manufacture, sale and purchase, import and export of all types of swimming pool-related tools.

FLUIDRA, S.A.
AND SUBSIDIARIES

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

- 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.

FLUIDRA, S.A.
AND SUBSIDIARIES

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

- 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.

- Hydroswim 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 Racords 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.

FLUIDRA, S.A.
AND SUBSIDIARIES

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

- 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.

FLUIDRA, S.A.
AND SUBSIDIARIES

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

- 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.

- Iwerquimica, 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 (Barberà del Vallès - 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.

FLUIDRA, S.A.
AND SUBSIDIARIES

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

- 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 Inmobiliere, 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.

<u>Equity accounted associates</u>

- 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.

<u>Proportionally consolidated jointly-controlled companies</u>

- 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.

SUBSIDIARIES

31 December 2007

(Expressed in Euros)

Details of fully consolidated subsidiaries

	% Ownership Direct	% Ownership Indirect
Astral Pool, S.A. and subsidiaries		
ASTRAL POOL, S.A.U.	100%	
ASTRAL POOL ESPAÑA, S.A.U.		100%
ASTRAL PISCINE, S.A.S.		100%
SCI 11 RUE DENFERT ROCHEREAU		50%
ASTRAL UK LIMITED		100%
MERCAMASTER GROUP, S.L.U.		100%
ASTRAL SCHWIMMBADTECHNICK GmbH		100%
ASTRAL ITALIA, S.P.A.		100%
ASTRAL SERVICE, S.R.L.		100%
ASTRAL POOL SWITZERLAND, S.A.		100%
ASTRAL EXPORT, S.A.		95%
YA SHI TU (Ningbo) Water Treatment Equipment, Ltd.		100%
ASTRAL MIDDLE EAST FZE		100%
ASTRAL HAVUZ EQUIPMANLARI S.V.T.A.		51%
MAGHREBINE DES EQUIPEMENTS D'EAU, S.A.R.L.		51%
ASTRAL BAZENOVE PRISLUSENTSVI, S.R.O.		85%
ASTRAL SCANDINAVIA AS		100%
ZAO "ASTRAL SNG"		70%
ASTRAL EQUIPMENT AUSTRALIA PTY, LTD		94,54%
MAGYAR ASTRAL POOL Kft.		90%
ASTRAL POOL CHILE S.A.		60%
ASTRAL POOL POLSKA, SP. Z.O.O.		85%
ASTRAL INDIA Pvt, Ltd.		88%
MARAZUL, LDA.		100%
ASTRAL POOL HELLAS, S.A.		80%
ASTRAL PRODUCTS, INC.		97%
ASTRAL POOL MEXICO, S.A. DE C.V.		70%
CATPOOL S.A. de C.V.		99%
UNIPEN, S.L.		40%
POOL SUPPLIER, S.L.U.		100%
ASTRAL POOL GROUP, S.L.		100%
CONTROLPOOLS, S.A.		30%
TURCAT POLYESTER SANAYI VE TICARET,A.S.		49,85%
HURLCON HOLDINGS PTY LTD (4)		100,00%
ASTRAL HONG KONG CO, Ltd.		100,00%
ASTRAL SINGAPORE PTE. LTD		85%
ASTRALPOOL BALKANS JSC		66,67%
MTH-Moderne Wassertechnik AG		80% (5) - 100%
PROHOGAR, S.L.		50%
BLUE WATER PARTS, S.A.S.		100%
Auric Pool, S.A. and subsidiaries		
AURIC POOL S.A.U.	100%	
METALAST,S,A,U.		100%
POLTANK, S.A.U.		100%
SACOPA, S.A.U.		100%
UNISTRAL RECAMBIOS, S.A.U.		100%
REVICER, S.L.		100%
TALLERES DEL AGUA, S.L.		80%
MABER PLAST, S.L.		60%
TOGAMA, S.A.		69,97%
LLIERCA NAUS, S.A.		100%
EXEXPOOL, S.L.		100%
PRODUCTES ELASTOMERS, S.A.		70%
INVERSIONES DELOSCUA, S.L.		100%
NINGBO LINYA SWIMMING POOL & WATER TREATMENT CO., LTD.		100%
TURCAT POLYESTER SANAYI VE TICARET,A.S.		50,00%
UNIPEN, S.L.		60,00%
EUROPEENNE DE COUVERTEURS AUTOMATIQUES S.A.R.L.		100%
CONTROLPOOLS, S.A.		30%
SWIMCO CORP., S.L.		22,58%
ROTOPLASTICS, S.L.		100%
AQUANT TRADING CO, Ltd.		100%
NINGBO DONGCHUAN SWIMMINGPOOL		70%
IDEGIS, S.L.		60%
PACIFIC INDUSTRIES, S.A.S.		80% (5) - 100%
Swimco Corp., S.L. and subsidiaries		
SWIMCO CORP., S.L.	77,42%	
MEIP INTERNACIONAL,S.L.		60%
MANUFACTURAS GRE, S.A.		100%
GRE, AQUA AND POOL, S.L.		100%
European Corner, S.A. and subsidiaries		
EUROPEAN CORNER, S.A.	100%	
CERTIKIN INTERNATIONAL, LTD.		100%
HYDROSWIM International, S.A.S.		100%
INDUSTRIAS MECANICAS LAGO, S.A.U.		100%
CERTIKIN IBERICA, S.L.		100%
COMERCIAL DE EXCLUSIVAS INTERNACIONALES BLAGE, S.L.		88,8%
Cepex Holding, S.A. and subsidiaries		

CEPEX HOLDING,SA	100%	
CEPEX S.A.U.		100%
FORPLAST, SAU		100%
VALVULES I RACORDS CANOVELLES, S.A.		100%
MANUFACTURES DE PLÁSTICS SOLÁ, S.A.		100%
PROCEPEX, S.R.L.		70%
NINGBO XI PEI VALVES AND FITTINGS		100%
CEPEX COMERCIAL, S.A.		100%
CEPEX PORTUGAL, LD		80%
CEPEX ITALIA S.R.L.		79%
CEPEX FRANCIA, S.A.S.		100%
CEPEX USA INC.		90%
CEPEX MEXICO, S.A. DE C.V.		100%
AGROCEPEX, S.A.L.L.		56%
CEPEX GMBH		100%
CEPEX MIDDLE EAST FZE		100%
PEXCE INMOBILIARIA, S.L.		100%
CEPEXSER, S.L.		100%
MASTERRIEGO, S.A.		86%
IRRIGARONNE		100%

NEOKEM Grup, S.A. and subsidiaries

NEOKEM GRUP, S.A.	100%	
INQUIDE, S.A.U.		100%
INQUIDE FLIX, S.A.		100%
IWERQUIMICA, S.L.		100%
CTX, S.A.U.		100%
CTX Piscine, SARL		95%
CTX CHEMICALS, SRL		85%
AQUAAMBIENTE, S.A.		80%
WATERCHEM, S.L.		95%
MEIP INTERNATIONAL, S.L.		40%
CONTROLPOOLS, S.A.		40%

SNTE Agua Group, S.A. and subsidiaries

SNTE AGUA GROUP, S.A.	100%	
SERVAQUA, S.A.		100%
MEMBRANE CONCEPTS, S.L.		50%
GRUPSENTE, A.I.E.		100%
ASTRAMATIC, S.A.		100%
SCI LA CERISAY		100%
SNTE España, S.L.		100%
APLICACIONES TÉCNICAS HIDRÁULICAS, S.L.		80% (5) - 100%

ADBE CARTERA, S.A. and subsidiaries

ADBE CARTERA, S.A.U.	100%	
PROHOGAR, S.L.		50%

INMOBILIARIA SWIM 38, S.L. and subsidiaries

INMOBILIARIA SWIM 38, S.L.	100%	
A.P. IMMOBILIERE		99,9%

TRACE LOGISTICS.S.A.	100%	
ACCENT GRAPHIC, S.L.	100%	
FLUIDRA SERVICES, S.A.	100%	
DISPREAU, GIE	100%	

Detalils of equity accounted associates

INQUEVAP AIE	30%
ASTRAL NIGERIA, LTD. (1)	25%

Details of proportionally consolidated joint ventures

SCHWIMMBAD-SAUNA-AUSSTATTUNGS Gmbh	74%

Details of companies consolidated at cost

DISCOVERPOOLS COM, INC. (2)	11%
SOCIETE DE DISTRIBUTION ET DE MAINTENANCE (SODIMA) (3)	12,53%

(1) Companies belonging to the Astral Pool, S.A. and subsidiaries subgroup.
(2) Companies belonging to the Astral Pool, S.A. and subsidiaries subgroup and Auric Pool, S.A. and subsidiaries subgroup.
(3) Company belonging to the Astral Pool, S.A. and subsidiaries subgroup and to Manufacturas Gre, S.A.
(4) Hurlcon Holdings Pty Ltd is a group of companies in which the Parent holds 100% of the capital of Hurlcon Manufacturing & Sales Pty Ltd, Hurlcon Staffing Pty Ltd, Hurlcon Investments Pty Ltd, Hurlcon Research Pty Ltd, Rolachem Australia Pty Ltd and Hendy Manufacturing Pty Ltd.
(5) Companies for which the % indicated in the condensed interim financial statements has been integrated and which have derocognised the carrying amount of the minority interest (see note

Fluidra, S.A. and Subsidiaries

Details of results by segment
for the years ended 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)

	Pool		Water		Write-offs		Total consolidated figures	
	2007	2006	2007	2006	2007	2006	2007	2006
Sales to third parties	516,844	448,642	140,358	73,296	-	-	657,202	521,938
Inter-segment sales	6,191	3,354	52,790	36,933	(58,981)	(40,287)	-	-
Segment's sales of goods for resale and finished goods	523,035	451,996	193,148	110,229	(58,981)	(40,287)	657,202	521,938
Income from services rendered	13,753	7,162	3,269	1,696	-	246	17,022	9,104
Segment profit and operating profit on continuing operations	53,960	48,284	7,756	4,205	(371)	(2,929)	61,345	49,560
Net financial expenses							(12,959)	(9,771)
Share of profits/(losses) of associates							121	(77)
Profit before tax							48,507	39,712
Income taxes							(13,777)	(11,253)
Profit for the year from continuing operations							34,730	28,459

This Appendix forms an integral part of note 5 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2007 and 2006 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

Fluidra, S.A. and Subsidiaries

Details of results by segment
for the years ended 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)

	Pool		Water		Not assigned		Write-offs		Total consolidated figures	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Assets										
Total non-current assets	203.832	189.130	131.851	116.284	12.655	17.938	-	-	348.338	323.352
Total current assets	259.160	204.500	116.303	83.887	54.175	68.012	(43.348)	(18.799)	386.290	337.600
Total assets	462.992	393.630	248.154	200.171	66.830	85.950	(43.348)	(18.799)	734.628	660.952
Liabilities										
Total non-current liabilities	11.357	5.268	6.080	794	138.627	133.275	-	-	156.064	139.337
Total current liabilities	116.871	98.399	41.236	31.024	136.021	120.381	(25.011)	(17.182)	269.117	232.622
Total liabilities	128.228	103.667	47.316	31.818	274.648	253.656	(25.011)	(17.182)	425.181	371.959
Other information										
Amortisation costs	15.768	13.714	15.730	9.420	-	-	-	-	31.498	23.134
Expenses not requiring cash disbursement	5.390	7.679	2.305	453	-	-	-	-	7.695	8.132
Property, plant and equipment, goodwill and intangible asset additions for the year	26.099	31.620	25.367	32.489	-	-	-	-	51.466	64.109

This Appendix forms an integral part of note 5 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2007 and 2006 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

Fluidra, S.A. and Subsidiaries

Details of results by segment
for the years ended 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)

2007	Pool		Water		Not assigned	Write-offs	Total
	Europe	International	Europe	International			
Assets	409,204	53,789	242,778	5,376	66,830	(43,348)	734,628
Sales (1)	430,297	86,544	131,925	8,436	-	-	657,202
Investments	24,406	1,692	25,271	96	-	-	51,466

2006	Pool		Water		Not assigned	Write-offs	Total
	Europe	International	Europe	International			
Assets	357,810	35,820	197,232	2,939	85,950	(18,799)	660,952
Sales (1)	376,218	72,424	65,611	7,685	-	-	521,938
Investments	22,952	8,668	32,330	159	-	-	64,109

(1) Only includes sales of goods for resale and finished products

This Appendix forms an integral part of note 5 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2007 and 2006 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

Fluidra, S.A. and Subsidiaries

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

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

Name	Company	% ownership %	Position held
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 Inmobiliere	---	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

This Appendix forms an integral part of note 32 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2007 and 2006 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

Fluidra, S.A. and Subsidiaries

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

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

	Astral Pool Hellas	---	Director
	Astral Pool Balkans JSC	---	Director
	Moderne Wassertechnick 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	% 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 Echevarría	---	--	--
Mr Kam Son Leong	---	--	--
Mr Richard J. Cathcart	---	--	--

This Appendix forms an integral part of note 32 to the consolidated annual accounts of Fluidra, S.A. and subsidiaries as at and for the years ended 31 December 2007 and 2006 prepared in conformity with EU-IFRS, in conjunction with which it should be read.

ESTATEMENT REGARDING THE RESPONSABILITY ABOUT THE CONTENT OF THE ANUAL FINANCIAL STATEMENTS OF FLUIDRA, S.A. RELATED TO THE YEAR 2007

The signatories parties stated herein below as members of the Board of Directors declare as far as they know, that the consolidated and individual financial statements of the year 2007, stated in the meeting held in March 2008, 25th. and elaborated according to the applicable accountancy principles, provide the true and accurate picture of the Fluidra's patrimony, financial situation and of the financial results, and in addition of the companies included in the consolidated group which is deemed as a whole, and the management report approved along with them include a trustful analysis of both the development and results of the company, and the position of Fluidra, S.A. and all the companies included in the consolidation deemed as a whole and the description of the principal risks and uncertainties to face with.

Sabadell, 25th. March 2008

Signature of the members of the Board of Directors :

Fdo. Juan Planes Vila

Fdo. Eloy Planes Corts

Fdo. Bernat Corbera Serra

Fdo. Oscar Serra Duffo

Fdo. Bernat Garrigós Castro

Bansabadell Inversió Desenvolupament, S.A.
Fdo. Carles Ventura Santamans

Fdo. Richard Cathcart

Fdo. Juan Ignacio Acha-Orbea Echevarría

Fdo. Kam Son Leong