

FLUIDRA, S.A.

REPORT ON THE COMPENSATION POLICY FOR 2007

March, 2008

TABLE OF CONTENTS

1. INTRODUCTION	2
1.1 Composition of the Board of Directors of the Company	2
1.2 Directors' compensation	4
1.3 Appointments and Compensation Committee	5
1.3.1 Composition	5
1.3.2 Functions	6
1.3.3 Meetings	7
2. GENERAL PRINCIPLES GOVERNING THE COMPENSATION POLICY FOR DIRECTORS	8
3. COMPENSATION SYSTEM FOR EXECUTIVE DIRECTORS	8
3.1 Fixed compensation	8
3.2 Variable compensation	9
3.3 Employee welfare systems	10
3.4 Other remuneration	10
3.5 Share-based incentive systems	10
3.6 Main features of employment contracts	14
4. COMPENSATION SYSTEM FOR NONEXECUTIVE DIRECTORS	16
4.1 Fixed compensation during 2007	17
4.2 Fixed compensation established for 2008	19
4.3 Variable compensation	19
4.4 Employee welfare systems	19
4.5 Other compensation	20
4.6 Share-based incentives	20
4.7 Main characteristics of employment contracts	20
5. SPECIAL REFERENCE TO THE FUTURE POLICY	20

1. INTRODUCTION

According to Article 25.10 of the Regulations governing the Board of Directors of FLUIDRA, S.A. (hereinafter, “Fluidra” or the “Company”), every year the Board of Directors will prepare a report on the compensation policy for the year in progress and on the application of the compensation policy in force in the preceding year, and the report will be made available to the shareholders in such manner as the Board considers appropriate, when an Annual Shareholders’ Meeting is called.

The obligation on the Company’s Board of Directors to prepare the annual report also complies with the recommendations contained in the report issued by the Special Working Group on Good Governance of Listed Companies (“Unified Code of Good Governance”) dated May 19, 2006.

1.1 Composition of the Board of Directors of the Company

At present, the composition of the Board of Directors of FLUIDRA, S.A. is as follows:

Name	Office	Type of office	Date of first appointment	Start date of current term of office	End date of current term of office
Mr. Joan Planes Vila	Chairman	Nonexecutive nominee (1)	09/05/07	09/05/07	09/05/13
Mr. Bernat Garrigós Castro	Member and Deputy Secretary	Nonexecutive nominee (2)	09/05/07	09/05/07	09/05/13
Mr. Óscar Serra Duffo	Member	Nonexecutive nominee (3)	09/05/07	09/05/07	09/05/13
Mr. Bernardo Corbera Serra	Member	Nonexecutive nominee (4)	10/03/02	09/05/07	06/27/13
BIDSA ⁽⁵⁾ (Mr. Carlos Ventura Santamans)	Member	Nonexecutive nominee (6)	01/07/03	09/05/07	09/05/13

Name	Office	Type of office	Date of first appointment	Start date of current term of office	End date of current term of office
Mr. Juan Ignacio Acha-Orbea Echevarría	Member	Nonexecutive independent	09/05/07	09/05/07	09/05/13
Mr. Kam Son Leong	Member	Nonexecutive independent	09/05/07	09/05/07	09/05/13
Mr. Richard Cathcart	Member	Nonexecutive independent	09/05/07	09/05/07	09/05/13
Mr. Eloy Planes Corts	Managing Director	Executive	10/31/06	09/05/07	09/05/13
Mr. Alberto Collado Armengol	Secretary	Nondirector		09/05/07	09/05/13

(1) Proposed by Dispur, S.L.

(2) Proposed by Aniol, S.L.

(3) Proposed by de Boyser, S.L.

(4) Proposed by Edrem, S.L.

(5) Bansabadell Inversió Desenvolupament, S.A. Sole-Shareholder Company.

(6) Proposed by Bansabadell Inversió Desenvolupament, S.A. Sole-Shareholder Company

Notwithstanding the above, the composition of the Board of Directors of the Company was modified in the shareholders' meeting held on January 12, 2008 at which the director Aurica XXI Sociedad de Capital Riesgo, S.A. tendered their resignation and Holabalear, S.L. was appointed as Board member. Furthermore, the composition of the Board of Directors of the Company was modified in the shareholders' meeting held on September 5, 2007, at which the following directors tendered their resignations: Aniol, S.L., Dispur, S.L., Bansabadell Inversió Desenvolupament, S.A. Sole-Shareholder Company, Beran Cartera, S.L., Hobalear, S.L., Consultoria de Servicios O. Serra, S.L., Boyser, S.L. and Edrem, S.L. At such meeting, the individuals mentioned above and who currently make up the Board were appointed as Board members.

None of the current directors receive any remuneration concerning services provided for other companies of the Group.

1.2 Directors' compensation

According to Article 44 of the Company's Bylaws, and Article 25 of the Board Regulations, the total, aggregate annual compensation for all of the Board and for all items will be 5% of the income recorded by the consolidated group and approved by the shareholders' Meeting, although the Board may reduce this percentage in such fiscal years as it deems appropriate.

Additionally, according to said articles, the directors' compensation is made up of a fixed monthly emolument and a share in income. When determining such amount, consideration will be given to any qualifications appearing in the report by the Company's auditors that reduce its income. Additionally, efforts will be made for the directors' compensation to reflect their professional performance and not only the general performance of the markets, of the sectors of activity in which the Company operates or of other similar circumstances.

Pursuant to the provisions of Article 130 of the Corporations Law, the compensation in the form of a share in income can only be received by directors after allocating the required amounts to the legal reserve and the reserve provided for by the Bylaws and after recognizing a minimum dividend to the shareholders of 4%.

The members of the Board of Directors will also receive attendance fees for attending each meeting of the Company's managing bodies and its committees. The Board will establish the amount of such attendance fees, although it may not exceed an amount equal to directors' fixed monthly emolument.

Additionally, the directors may be compensated by being awarded shares in the Company or in another company of the Group to which it belongs, or stock options, or instruments linked to their stock market price.

The compensation established for the members of the Board will be compatible with and independent from the salaries, payments, indemnification, pensions, contributions to

employee welfare systems, life insurance, share awards or stock options or compensation of any kind established in general or in particular for members of the Board who perform executive functions, regardless of whether of their relationship with the Company is an employment relationship (ordinary or special top executive relationships), a commercial relationship or a relationship for services, as such relationships are compatible with their status as members of the Board of Directors.

1.3 Appointments and Compensation Committee

The Board of Directors of Fluidra, at its meeting of September 17, 2007, resolved to create an Appointments and Compensation Committee.

The composition, powers and workings of such Committee are contained in Article 14 of the Board Regulations which, for such purpose, establish as follows:

1.3.1 Composition

The Committee will be formed by a minimum of three nonexecutive directors, mostly of an independent nature, who will be appointed by the Board of Directors, without prejudice to the attendance of executive directors or senior executives when the members of the Committee expressly so resolve.

The Chairman of the Committee will necessarily be an independent director, elected from among the nonexecutive directors, and he must be replaced every four years. The Chairman can be reelected once a period of one year has elapsed since the date of his standing down. The Committee Secretary will be chosen from among the Committee members.

At present, the Appointments and Compensation Committee is composed by:

First and last names	Office	Appointment date
Richard J. Cathcart	Chairman	September 17, 2007
Bernat Garrigós Castro	Member*	September 17, 2007
Kam Son Leong	Member	September 17, 2007

(*) Holding the office of Committee Secretary

1.3.2 Functions

Without prejudice to any other functions that may be conferred on it by the Company's Board of Directors, the Committee has the following basic responsibilities:

- (1) Devise and review the rules to be followed in determining the composition of the executive team of the Company and its subsidiaries and for the selection of candidates.
- (2) Evaluate the competencies, knowledge and experience needed on the Board, consequently defining the functions and abilities needed of the candidates to fill each vacancy, and evaluate the time and dedication required for them to successfully perform their brief.
- (3) Report and refer to the Board such appointments and removals of senior executives and executives as may be proposed by the Managing Director, in order for the Board to proceed to designate new ones.
- (4) Report to the Board on the issues regarding the diversity of the gender and qualifications of directors, as established in Article 6.2 of the Board Regulations (definitions of the different classes of director).
- (5) Propose to the Board: (i) the compensation policy for directors and senior executives; (ii) the individual compensation of executive directors and their other

contractual terms and conditions; (iii) hiring policies and the basic terms and conditions of the contracts for senior executives of the Company.

- (6) Scrutinize or arrange, in such way as is deemed adequate, for the succession of the Chairman and of the Managing Director and, if appropriate, make proposals to the Board in order for such succession to take place in an orderly and well-planned way.
- (7) Ensure that the compensation policy established by the Company is observed and that the compensation paid is transparent.

For optional performance of its functions, the Committee may seek the advice of outside experts as and when it deems this to be necessary.

In this connection, please note that in performing its functions related to compensation matters, the Appointments and Compensation Committee and the Board of Directors received advice in 2007 from Garrigues Human Capital Services, as experts on the compensation of directors and senior executives. Garrigues Human Capital Services also assisted the Appointments and Compensation Committee in the preparation of this report.

1.3.3 Meetings

The Committee will ordinarily meet each quarter. It will also meet whenever its Chairman calls a meeting, which must happen whenever the Board or its Chairman requests a report to be produced or proposals to be adopted and, in any case, whenever it proves necessary for the successful performance of its functions. Since its creation, the Committee has met once.

For 2008, the Committee is expected to meet four times.

2. GENERAL PRINCIPLES GOVERNING THE COMPENSATION POLICY FOR DIRECTORS

Both Article 25 of the Board Regulations and Article 44 of the Company's Bylaws establish that when determining the amount of directors' compensation, efforts shall be made so that the compensation reflects their professional performance and not only the general performance of the markets, of the sectors of activity in which the Company operates or of other similar circumstances.

Given that the Directors are currently receiving a fixed monthly emolument without receiving any amount as a share in income, in accordance with Article 44 of the Company's Bylaws and Article 25 of the Board Regulations, one of the aspects on which the future compensation policy will focus will be that of including a variable amount in their compensation package so that their compensation is in line with their professional performance.

3. COMPENSATION SYSTEM FOR EXECUTIVE DIRECTORS

At present, there is only one executive director at the Company, Mr. Eloy Planes Corts, who was appointed as Managing Director at the Board meeting held on October 1, 2006. Additionally, Mr. Planes holds the office of General Manager of the Company by virtue of the top executive employment contract executed on March 30, 2006.

Mr. Eloy Planes Corts is a member of the managing bodies of other Group companies but he does not receive any compensation in this respect.

3.1 Fixed compensation

The fixed compensation that Mr. Planes received as a member of the Company's managing body in 2007 was as follows:

Item	Gross amount (€)
Compensation as Board member	40,282.95
Compensation as General Manager	200,266.00
Total	240,548.95

On the other hand, the fixed compensation envisaged for 2008 shall be established considering market surveys and analysis that the Company is going to do so such compensation will be appropriate with the market practices followed by other comparable companies for similar positions.

3.2 Variable compensation

According to Mr. Planes' employment contract, he receives annual variable gross compensation linked to the fulfillment of several objectives related to the budget established by the Board for each fiscal year.

This variable compensation may be paid, in whole or in part, in such forms, that need not necessarily be monetary, as will be mutually agreed upon by Mr. Planes and the Company. In the absence of an agreement, the compensation will be paid in cash in a single lump sum.

The variable compensation will be paid once the financial statements for each fiscal year have been prepared and, in any case, by no later than April 30 following each fiscal year-end.

The variable compensation received in 2008, corresponding to the objectives established for year 2007, amounts € 66,754.

3.3 Employee welfare systems

The Company has not entered into any obligation or commitment whatsoever with regard to pensions, retirement or the like with the members of the Board of Directors.

Nonetheless, the senior management contract of Mr. Planes establishes that in case of sickness or accident, no matter what the cause, the Company will guarantee that he is paid the necessary supplement, which will be calculated on his total compensation so that, when added to the social security benefit to which he is duly entitled, he receives 100% of his total compensation until such time as he is declared to be subject to permanent disability rendering him incapable for his habitual work. Once the declaration of permanent disability is made, the Company agrees to pay Mr. Planes indefinitely a benefit equal to 75% of his fixed gross salary for the year in which his illness began.

3.4 Other remuneration

The CEO of Fluidra has received an extraordinary bonus of 400,000 Euros in 2007 for having managed and successfully concluded the process consisting of the incorporation of a business corporation to include all the companies in the group, the integration of the Water division into it and, lastly, the flotation of said business corporation (Fluidra) in the securities market.

3.5 Share-based incentive systems

The Shareholders' Meeting of the Company approved, on September 5, 2007, the implementation of a Share-based Incentive Plan called the "Fluidra Value Creation Plan 2007-2001" addressed to the executive team of the Company, including the executive directors.

The implementation of the Plan is due not only to the need to adapt to the trend followed by other companies comparable to Fluidra in share-based incentives, but also to the clear objective of motivating and building the loyalty of certain executives

and directors of the Company by linking part of their compensation to the increase in the Company's value and to the creation of value in the Group's business.

The Plan consists of the Board of Directors granting to the beneficiaries of the Plan a certain number of restricted stock units (RSUs) which shall be settled in shares in the Company when a period of four years has elapsed (known as the "Value Creation Period") following the date on which the Company's shares were admitted to trading on the stock market (i.e., October 31, 2007).

Specifically, Mr. Eloy Planes was granted 92,308 RSUs. If the objectives described below are met, the compensation to be obtained by Mr. Planes would amount to €1,200,000.

The features of the RSUs granted under the Plan are as follows:

- a. RSUs are free of charge and non-transferable.
- b. RSUs confer on their holder the possibility of receiving, during a certain period of time, one share in the Company for every RSU granted.
- c. Until they are converted into shares in the Company, RSUs do not attribute to their holder the status of shareholder of the Company.
- d. RSUs do not confer on their holder the right to receive more RSUs in the future since it is an isolated grant that does not ensure or give a vested right to future grants.

The Value Creation Period is a period of time during which the increase in the value of the Company's shares and the increase in the value of the Group's business are measured.

The number of RSUs that may be converted into what the Plan calls Convertible Units which will be exchanged for shares in the Company is determined by bearing in mind the following factors:

- a. Initial Reference Value (IRV): this is the value used to measure the increase in value of the Company's shares. The IRV will match the price established in the Public Offering (which, for such purpose, was €6.50 per share).
- b. Final Reference Value (FRV): this is the value corresponding to the average weighted market price of the Company's shares in the thirty stock market sessions prior to the end of the Value Creation Period.
- c. Initial Group Business Value (IGBV): this is the value used to measure the increase in the value of the Group's business. Such value will be calculated by applying a mathematical formula that resulted in such Value being €732,088,955, the amount at which the Company was valued for the purposes of the Public Offering by Fluidra, S.A. Such value was determined using the EBITDA and the Net Financial Debt budgeted at December 31, 2007. The application of the foregoing parameters results in a multiplier (k) of 10.08, rounded off to two decimal points. K is the multiplier which will be used to determine the Final Group Business Value.
- d. Final Group Business Value (FGBV) which is determined according to the following formula:

$$FGBV = (K \times EBITDA\ 2011) - DFN\ 2011$$

Where:

K = Multiplier applied in order to determine the Group value at the moment of the admittance on the stock market.

EBITDA = Value obtained considering the Group consolidated balance at December 31.

DFN = Group Net Financial Consolidated Debt at December, 31.

Based on the foregoing, the Convertible Units into which the RSUs granted may be converted in order to subsequently be exchanged for shares in the Company will be determined as follows:

- a. Sixty percent (60%) of RSUs granted will be linked to the realisation of the targeted appreciation of FLUIDRA's stock, whereby the VFR must be double the VIR by the end of the Value Creation Period. If the targeted appreciation of

FLUIDRA's stock is achieved, up to sixty percent (60%) of RSUs may be converted into Convertible Units.

Total Convertible Units will be calculated along a scale of degrees of realisation of the targeted appreciation of FLUIDRA's stock, as shown below:

- Achievement of less than eighty percent (80%) of the target appreciation will result in the automatic cancellation of sixty percent (60%) of RSUs.
 - Achievement of eighty percent (80%) of the target appreciation will result in fifty percent (50%) of the RSUs linked to the target being converted into Convertible Units, with the remainder being cancelled automatically.
 - Achievement of between eighty percent (80%) and one hundred percent (100%) of the target appreciation will result in the RSUs linked to the target being converted into Convertible Units according to the degree of achievement of the target. Thus, for every additional percentage point of achievement of the target, two and a half percent (2.5%) will be converted into Convertible Units and added to the first fifty percent (50%) of Convertible Units, with the remainder being cancelled automatically.
 - Achievement of more than one hundred percent of the target appreciation will result in sixty percent (60%) of the RSUs linked to the target being converted into Convertible Units.
- b. Forty percent (40%) of RSUs granted will be linked to the achievement of the targeted increase in value of the Group's business, whereby the VFNG must be double the VING by the end of the Value Creation Period. In the event of achieving the targeted increase in value of the Group's business, up to forty percent (40%) of RSUs will be converted into Convertible Units.

Total Convertible Units will be calculated using a scale of degrees of achievement of the targeted appreciation of the Group's business, as shown below:

- Achievement of less than eighty percent (80%) of the target appreciation will result in the automatic cancellation of forty percent (40%) of RSUs.
- Achievement of eighty percent (80%) of the target appreciation will result in fifty percent (50%) of the RSUs linked to the target being converted into Convertible Units, with the remainder being cancelled automatically.
- Achievement of between eighty percent (80%) and one hundred percent (100%) of the target appreciation will result in the RSUs linked to the target being converted into Convertible Units according to the degree of achievement of the target. Thus, for every additional percentage point of achievement of the target, two and a half percent (2.5%) will be converted into Convertible Units and added to the first fifty percent (50%) of Convertible Units, with the remainder being cancelled automatically.
- Achievement of more than one hundred percent of the target appreciation will result in forty percent (40%) of the RSUs linked to the target being converted into Convertible Units.”

Additionally, there are certain situations regulating total or partial RSUs liquidation (death, total or absolute permanent disability, retirement, unfair dismissal, etc).

3.6 Main features of employment contracts

On March 30, 2006, Mr. Eloy Planes and the Company executed a top executive employment contract under which Mr. Planes took up the position and office of General Manager of the Company. This contract took effect on April 1, 2006 and was made for an indefinite term.

The contract contains a post-contractual non-competition covenant and establishes certain rights in the event that it is terminated.

a) Post-contractual non-competition covenant

Without prejudice to the provision whereby Mr. Planes undertakes, during the term of the contract, not to compete with the Company, a post-contract non-competition covenant is established for 2 years following the end of the employment relationship.

The consideration established for the obligation entered into by Mr. Planes by virtue of the post-contractual non-competition covenant is two years' gross compensation for all items, based on the fixed gross compensation prevailing when the employment contract is terminated, along with the variable compensation corresponding to the last year in which it has actually or should have been received. Such consideration will be paid in four installments, with each installment falling due at the end of each of the four half-yearly periods in which the covenant applies, and will be independent from and compatible with the indemnification established in the contract for the cases in which Mr. Planes is removed.

b) Indemnification in the event of termination of the contract.

- Prior notice: in case of termination of the contract, a prior notice period of 6 months is established for both Mr. Planes and the Company.
- In the event of Mr. Planes' permanent disability, whatever the degree, it is established that the contract will be terminated in the month in which such disability is declared. In this case, notwithstanding the indemnification mentioned in the preceding section relating to employee welfare systems, the Company will pay Mr. Planes gross compensation equal to one year's total gross compensation for all items, including variable compensation.
- Termination of the contract by the Company for any cause, other than dismissal on disciplinary grounds held to be justified in a final judgment rendered by the labor courts. Mr. Planes will be entitled to receive the following indemnification:
 - 45 days' gross annual compensation for every year or part thereof of the duration of his ordinary employment relationship with the Company (16 years and 7 days).

- 2 years' gross annual compensation if the contract is terminated within the 5 years from the contract's commencement date (April 1, 2006)

As from the fifth year of the term of the contract, the above indemnification will be increased to 45 days' annual compensation per year of service.

The total indemnification agreed on may not exceed an amount equal to 48 monthly salary payments calculated as stated above.

- c) Resumption of the ordinary employment relationship: Mr. Planes will be entitled to choose, within 6 working days following notification of the termination of his contract, to resume his ordinary employment relationship.

4. COMPENSATION SYSTEM FOR NONEXECUTIVE DIRECTORS

The nonexecutive directors currently forming part of the Board of Directors of the Company are the following:

Name	Office
Mr. Juan Planes Vila	Chairman
Mr. Bernat Garrigós Castro	Member and Deputy Secretary
Mr. Óscar Serra Duffo	Member
Mr. Bernardo Corbera Serra	Member
Bansabadell Inversió Desenvolupament (Mr. Carlos Ventura Santamans)	Member
Mr. Juan Ignacio Acha-Orbea Echevarría	Member
Mr. Kam Son Leong	Member
Mr. Richard Cathcart	Member

4.1 Fixed compensation during 2007

The fixed compensation received by the nonexecutive directors of the Company in 2007 for their membership of the Board of Directors and of the various Committees at the Company (Managing Committee, Appointments and Compensation Committee, and Audit Committee) was as follows:

Nonexecutive directors through September 5, 2007.

Director	Amount (€)
Boyser, S.L.	58,410.16
Edrem, S.L.	58,410.16
Dispur, S.L.	58,410.16
Aniol, S.L.	58,410.16
Hobalear, S.L.	37,679.56
Bansabadell Inversió Desenvolupament, S.A. Sole-Shareholder Company	37,679.56
Consultoría de Servicios O. Serra, S.L.	16,948.95
Beran Cartera, S.L.	16,948.95
Total	342,897.7

Additionally, the Chairman of the Board of Directors, i.e. Dispur, S.L. received €163,333.33.

Nonexecutive directors since September 5, 2007.

Director	Body				Total
	Board of Directors	Appointments Committee	Audit Committee	Managing Committee	
Joan Planes*	35,334		2,000		37,334
Bernat Corbera	23,334			18,000	41,334
Oscar Serra	23,334			18,000	41,334
Bernat Garrigos	23,334	2,000		18,000	43,334
BIDSA	23,334		2,000	18,000	43,334
Kam S. Leong	26,666	2,000			28,666
Richard Cathcart	26,666	2,000			28,666
Juan Ignacio Acha	23,334		2,000		25,334
Total	205,336	6,000	6,000	72,000	289,336

* Chairman of the Board

4.2 Fixed compensation established for 2008

The fixed compensation established for 2008 and the Board meeting attendance fees are the following:

Director	Body				Total
	Board of Directors	Appointments Committee	Audit Committee	Managing Committee	
Joan Planes*	106.002		8.000		114.002
Bernat Corbera	70.002			20.000	90.002
Oscar Serra	70.002			20.000	90.002
Bernat Garrigos (1)	70.002	8.000		10.000	88.002
BIDSA	70.002		8.000	20.000	98.002
Kam S. Leong (2)	79.998	8.000			87.998
Richard Cathcart (2)	79.998	8.000			87.998
Juan Ignacio Acha	70.002		8.000	20.000	98.002
Total	616.008	24.000	24.000	90.000	754.008

* Chairman of the Board

(1) The amount that he receives for his participation on the Managing Committee is lower than that of the rest of the members because he is Secretary of the Committee and not a full-time member.

(2) They receive a higher amount than the rest of the members of the Board (except the Chairman) to encourage their participation on the Board since they do not reside in Spain.

Likewise, Directors Mr. Kam S. Leong, Mr. Richard Cathcart and Mr. Juan Ignacio Acha, will be reimbursed for those expenses connected with their attendance to Board and Committee meetings

4.3 Variable compensation

There are no variable compensation systems for nonexecutive directors.

4.4 Employee welfare systems

The Company has not assumed any obligation or commitment whatsoever in relation to pensions, retirement or the like with the members of the Board of Directors.

4.5 Other compensation

There are no other compensation systems for nonexecutive directors.

4.6 Share-based incentives

There are no share-based incentive systems in which the nonexecutive directors participate.

4.7 Main characteristics of employment contracts

The Company has not executed any employment contracts with the nonexecutive directors.

5. SPECIAL REFERENCE TO THE FUTURE POLICY

The Appointments and Compensation Committee, in the exercise of the functions attributed to it by the Regulations of the Company's Board, periodically reviews the policy for compensating the members of the Board, putting forward to the latter, within the framework established for such purpose, as many proposals as it considers advisable in relation to both items and amounts, bearing in mind the conditions in which the Company operates and its performance. In this sense, taking into consideration market surveys and analysis, the Appointments and Compensation Committee is working in order to adapt the current remuneration structure to the practice followed by any other companies comparable to Fluidra considering the specific points for each position.

Moreover, as set in point 2 of this report, the Appointment and Compensation Committee is working to include a variable amount in the compensation package during 2009.