FLUIDRA

FLUIDRA, S.A.
AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union

31 December 2018

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

Fluidra, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements
31 December 2018 and 2017
(Expressed in thousands of Euros)

Fluidra, S.A. and Subsidiaries

Interim Condensed Consolidated Statements of Financial Position
31 December 2018 and 31 December 2017
(Expressed in thousands of Euros)

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

Assets	Notes	31/12/2018	31/12/2017
			(Audited)
Property, plant, and equipment	6	116,222	98,506
Investment property		3,220	3,298
Goodwill	7	1,093,689	196,218
Other intangible assets	6	787,325	35,192
Investment accounted for using the equity method		28	-
Non-current financial assets	8	6,709	4,202
Other receivables		2,383	3,053
Deferred tax assets		85,020	22,326
Total non-current assets		2,094,596	362,795
Non-current assets held for sale	10	43,869	-
Inventories		253,330	172,764
Trade and other receivables		312,070	159,975
Other current financial assets	8	4,922	4,138
Derivative financial instruments	9	356	78
Cash and cash equivalents		170,061	64,756
Total current assets		784,608	401,711
TOTAL ASSETS		2,879,204	764,506
Equity			
Share capital		195,629	112,629
Share premium		1,148,591	92,831
Retained earnings and other reserves		107,259	136,145
Treasury shares		(13,690)	(6,888)
Other comprehensive income		(5,282)	(1,067)
Equity attributable to equity holders of the parent	11	1,432,507	333,650
Non-controlling interests		8,214	10,034
Total equity		1,440,721	343,684
Liabilities			
Bank borrowings and other marketable securities	14	856,454	137,774
Derivative financial instruments	9	7,870	1,349
Deferred tax liabilities		199,266	21,034
Provisions	13	18,786	14,807
Government grants		352	661
Other non-current liabilities		26,469	22,733
Total non-current liabilities		1,109,197	198,358
Liabilities linked to non-current assets held for sale	10	5,818	-
Bank borrowings and other marketable securities	14	51,593	79,310
Trade and other payables		247,736	135,433
Provisions	13	24,111	7,249
Derivative financial instruments	9	28	472
Total current liabilities		329,286	222,464
TOTAL EQUITY AND LIABILITIES		2,879,204	764,506

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements of Fluidra, S.A. and subsidiaries for the twelve-month period ended 31 December 2018 prepared in accordance with IFRS as adopted by the European Union.

Fluidra, S.A. and Subsidiaries

Interim Condensed Consolidated Income Statements
for the twelve-month periods ended
31 December 2018 and 31 December 2017
(Expressed in thousands of Euros)

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

	Notes	31/12/2018	31/12/2017 (*)
			(Audited)
Operating income			
Sales of goods and finished products	17	1,029,641	776,514
Income from the rendering of services	18	18,184	15,734
Work performed by the Group and capitalized as non-current assets		7,854	5,338
Total operating income		1,055,679	797,586
Operating expenses			
Change in inventories of finished goods and work in progress and raw materials consumables	16	(538,250)	(389,599)
Employee benefits expense	19	(222,952)	(164,570)
Amortization and depreciation expenses and impairment losses		(66,727)	(36,142)
Other operating expenses	20	(229,585)	(150,395)
Total operating expenses		(1,057,514)	(740,706)
Other gains and losses			
Profit/(loss) from sales of fixed assets		406	2,192
Total other gains and losses		406	2,192
Operating profit		(1,429)	59,072
Finance income / costs			
Finance income		1,951	2,177
Finance costs		(28,111)	(12,573)
Exchange gains/(losses)		(1,436)	(2,679)
Net financial profit / (loss)	21	(27,596)	(13,075)
Share of profit / (loss) for the year of entities accounted for using the equity method		64	(32)
Profit/ (loss) before tax from continuing operations		(28,961)	45,965
Income tax expense	22	(3,856)	(12,983)
Profit/ (loss) after tax from continuing operations		(32,817)	32,982
Profit/ (loss) after tax from discontinued operations	10	895	(168)
Consolidated profit/ (loss) after tax		(31,922)	32,814
Profit / (loss) attributable to non-controlling interests		2,000	1,761
Profit / (loss) attributable to equity holders of the parent		(33,922)	31,053
From continuing operations		(34,817)	31,221
From discontinued operations		895	(168)
EBITDA	25	65,362	95,182
Basic and diluted earnings per share from continuing operations (Euros)	12	(0.22893)	0.28148
Basic and diluted earnings per share (Euros)	12	(0.22305)	0.27997

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements of Fluidra, S.A. and subsidiaries for the twelve-month period ended 31 December 2018 prepared in accordance with IFRS as adopted by the European Union.

Fluidra, S.A. and Subsidiaries

Interim Condensed Consolidated Statements of Financial Position
31 December 2018 and 31 December 2017
(Expressed in thousands of Euros)

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

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements of Fluidra, S.A. and subsidiaries for the twelve-month period ended 31 December 2018 prepared in accordance with IFRS as adopted by the European Union.

Fluidra, S.A. and Subsidiaries

Interim Condensed Consolidated Statements of Comprehensive Income
for the twelve-month periods ended 31 December 2018
and the year ended 31 December 2017
(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31/12/2018	31/12/2017 (*)
Profit / (loss) for the period	(31,922)	32,814
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss		
Recalculation of the measurement of defined benefit plans	-	-
Tax effect	-	-
Items that will be subsequently reclassified to profit or loss		
Cash flow hedges	(6,790)	828
Actuarial gains and losses	11	-
Exchange differences on translation of foreign operations	971	(10,378)
Tax effect	1,567	(207)
Other comprehensive income for the year, net of tax	(4,241)	(9,757)
Total comprehensive income for the year	(36,163)	23,057
Total comprehensive income attributable to:		
Equity holders of the parent	(38,137)	21,843
From continuing operations	(38,060)	22,886
From discontinued operations	(77)	(1,043)
Non-controlling interests	1,974	1,214
	(36,163)	23,057

(*) The consolidated statement of comprehensive income at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements of Fluidra, S.A. and subsidiaries for the twelve-month period ended 31 December 2018 prepared in accordance with IFRS as adopted by the European Union.

Fluidra, S.A. and Subsidiaries

Interim Condensed Consolidated Statements of Changes in Equity
for the twelve-month period ended 31 December 2018
(Expressed in thousands of Euros)

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

	Equity attributable to equity holders of the parent									
						Other comprehensive income				
	Capital	Share premium	Legal reserve	Accumulated gains	Treasury shares	Currency translation differences	Other	Total	Non-controlling interests	Total equity
Balance at 1 January 2018	112,629	92,831	15,642	120,503	(6,888)	(125)	(942)	333,650	10,034	343,684
Total comprehensive income for the year	-	-	-	(33,922)	-	996	(5,211)	(38,137)	1,974	(36,163)
Inclusion of entities	-	-	-	-	-	-	-	-	-	-
Share capital increase	83,000	1,055,760	-	(137)	-	-	-	1,138,623	575	1,139,198
Change in ownership interest	-	-	-	(822)	-	-	-	(822)	(724)	(1,546)
Treasury shares	-	-	-	1,430	(6,802)	-	-	(5,372)	-	(5,372)
Equity-based payments	-	-	-	4,576	-	-	-	4,576	-	4,576
Other	-	-	24,498	(24,509)	-	-	-	(11)	4	(7)
Dividends	-	-	-	-	-	-	-	-	(3,649)	(3,649)
Balance at 31 December 2018	195,629	1,148,591	40,140	67,119	(13,690)	871	(6,153)	1,432,507	8,214	1,440,721

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements of Fluidra, S.A. and subsidiaries for the twelve-month period ended 31 December 2018 prepared in accordance with IFRS as adopted by the European Union.

Fluidra, S.A. and Subsidiaries

Interim Condensed Consolidated Statement of Changes in Equity
for the twelve-month period ended 31 December 2017
(Expressed in thousands of Euros)

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

	Equity attributable to equity holders of the parent									
						Other comprehensive income				
	Capital	Share premium	Legal reserve	Accumulated gains	Treasury shares	Currency translation differences	Other	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	112,629	92,831	13,854	104,004	(6,319)	9,706	(1,563)	325,142	11,177	336,319
Total comprehensive income for the year	-	-	-	31,053	-	(9,831)	621	21,843	1,214	23,057
Inclusion of entities	-	-	-	-	-	-	-	-	(64)	(64)
Change in ownership interest	-	-	-	(19)	-	-	-	(19)	(141)	(160)
Treasury shares	-	-	-	989	(569)	-	-	420	-	420
Equity-based payments	-	-	-	1,264	-	-	-	1,264	-	1,264
Other	-	-	1,788	(1,788)	-	-	-	-	26	26
Dividends	-	-	-	(15,000)	-	-	-	(15,000)	(2,178)	(17,178)
Balance at 31 December 2017	112,629	92,831	15,642	120,503	(6,888)	(125)	(942)	333,650	10,034	343,684

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements of Fluidra, S.A. and subsidiaries for the twelve-month period ended 31 December 2018 prepared in accordance with IFRS as adopted by the European Union.

Fluidra, S.A. and Subsidiaries
Interim Condensed Consolidated Statements of Cash Flows
for the twelve-month periods ended 31 December 2018 and 2017
(Expressed in thousands of Euros)

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

	Note	2018	2017
Cash flows from operating activities			
Profit for the year before tax		(27.977)	45.777
Adjustments for:			
Amortization and depreciation		61.002	33.821
Provision for debts		3.336	1.626
Provision for/(reversal of) impairment losses on assets		9.198	6.558
Provision for/(reversal of) impairment losses on financial assets		(66)	544
Provision for/(reversal of) impairment losses on risks and expenses		2.880	5.857
Provision for/(reversal of) losses on inventories		28	551
Income from financial assets		(330)	(865)
Finance costs		25.700	8.633
(Income)/expenses from currency translation differences		691	2.503
Share in profit/(loss)for the year from associates accounted for using equity method		- (64)	32
(Profit)/loss from the sale of property, plant and equipment and other intangible assets		56	(750)
(Profit)/loss from the sale of subsidiaries		-	(1.447)
Government grants recognized in profit and loss		(149)	(206)
Adjustments to consideration givevn against gains/lossess on business combinations		1.315	1.641
Share-based payment expenses		4.576	1.264
(Gains)/losses from derivative financial instruments at fair value through profit and loss		(466)	523
Operating profit before changes in working capital		79.730	106.062
Changes in working capital, excluding effects of acquisitions and curreny translation differences			
Increase/(decrease) in trade and other receivables		(28.992)	(11.625)
Increase/(decrease) in inventories	16	22.683	(9.973)
Increase/(decrease) in trade and other payables		(6.954)	6.797
Utilization of provisions	13	(1.192)	(184)
Cash from operating activities		65.275	91.077
Interest paid		(23.372)	(7.004)
Interest received		330	865
Corporate income tax paid		(10.860)	(15.936)
Net cash from operating activities (*)		31.373	69.002
Cash flow from investing activities			
From the sale of property, plant and equipment		2.824	2.371
From the sale of intangible assets		66	23
From the sale of financial assets		1.703	2.035
Dividends received		36	-
From the sale of subsidiaries, net of cash utilized		-	10.182
From the sale of subsidiaries in prior years		124	186
Acquisition of property, plant and equipment		(26.561)	(17.286)
Acquisition of intangible assets		(12.176)	(10.779)
Acquisition of other financial assets		(6.865)	(4.847)
Payments for acquisition of subsidiaries, net of cash and cash equivalents	5	34.558	(3.287)
Payments for acquisition of subsidiaries in prior years		(9.494)	(17.570)
Net cash used in investing activities (*)		(15.785)	(38.972)
Cash flow from financing activities			
Proceeds from capital increase		(138)	-
Payments for repurchase of treasury shares		(7.677)	(2.530)
Proceeds from the sale of treasury shares		2.302	3.606
Proceeds from grants		2	41
Proceeds from banking facilities		879.377	6.368
Payments from bank borrowings and finance leases		(768.663)	(38.816)
Dividends paid		(3.649)	(17.178)
Net cash from financing activities (*)		101.554	(48.509)
Net increase/(decrease) in cash and cash equivalents		117.142	(18.479)
Cash and cash equivalents at 1st of January		64.756	86.099
Effect of currency translation differences on cash flows		(665)	(2.864)
Cash and cash equivalents at 31st December		181.233	64.756

(*) Includes the cash flows arising from continuing and discontinued operations (Note 10)

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements of Fluidra, S.A. and subsidiaries for the twelve-month period ended 31 December 2018 prepared in accordance with IFRS as adopted by the European Union.

1. Nature, principal activities and companies composing the Group

Fluidra, S.A. (hereinafter the Company) was incorporated as a limited liability company for an indefinite period in Girona on 3 October 2002 under the name Aquaria de Inv. Corp., S.L., and changed to its current name on 17 September 2007.

The Company's corporate purpose and activity consists in the holding and use of equity shares, securities and other stock, and advising, managing and administering the companies in which the Company holds an ownership interest.

The Company is domiciled at Avenida Francesc Macià, nº 60, planta 20, in Sabadell (Barcelona).

The Group's activity consists in the manufacture and marketing of accessories and machinery for swimming-pools, irrigation and water treatment and purification.

Fluidra, S.A. is the parent company of the Group comprising the subsidiaries detailed in the accompanying Appendix I (hereinafter Fluidra Group or the Group). Additionally, the Group holds ownership interest in other entities as detailed also in that Appendix. Group companies have been consolidated using their interim financial statements prepared/approved for issue by the corresponding managing bodies or Board of Directors.

Share capital was represented by 112,629,070 ordinary shares with a par value of Euros 1 each, fully subscribed and paid up. On 31 October 2007, Fluidra, S.A. (the Company) completed its initial public offering process through the public offering of 44,082,943 ordinary shares with a par value of Euros 1 each. These shares representing share capital are quoted on the Barcelona and Madrid stock exchanges, and also on the continuous market.

On 2 July 2018 Fluidra, S.A. increased its share capital for a nominal amount of Euros 83,000,000 by issuing and circulating 83,000,000 ordinary shares of Euros 1 par value each, which were fully subscribed by Piscine Luxembourg Holdings 2 S.à.r.l. (penultimate shareholder of the Luxembourg company Zodiac Pool Solutions S.à.r.l., which is the parent of the Zodiac Group) without entitlement, as per article 304.2 of the Spanish Corporations Act, to any preferential subscription rights. The difference between the fair value of the equity received by Fluidra, S.A. by virtue of the merger and the par value was allocated to the share premium.

Following this increase, share capital is represented by 195,629,070 ordinary shares with a par value of Euros 1 each, fully subscribed and paid up.

2. Basis of presentation

These interim condensed consolidated financial statements have been prepared from the accounting records of Fluidra, S.A. and the companies included in the Group. This interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, and especially IAS 34 "Interim Financial Reporting" as adopted by the European Union (IFRS-EU) pursuant to article 12 of RD 1362/2007. These financial statements do not include all disclosures required for annual financial statements, and shall be read together with the consolidated financial statements for the years ended 31 December 2017 and 2016 prepared in accordance with IFRS-EU.

a) Basis of presentation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial instruments at fair value through profit or loss.

b) Comparative information

For comparative purposes, the interim condensed consolidated financial statements include the consolidated figures for the twelve-month period ended 31 December 2018 in addition to those for the same period of the prior year for each item of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the notes thereto, which have been obtained by consistently applying the IFRS-EU as required by the standards.

Since the Group has a binding agreement to sell the electronic pool cleaner development, manufacture and sale businesses developed by the company Aquatron Robotic Technology, Ltd., described in note 10, Non-current assets held for sale and liabilities relating to non-current assets held for sale, the income statement for the year 2017 has been restated for the purpose of comparison with the twelve-month period ended 31 December 2018, in accordance with IFRS 5.

Details of the impacts resulting from restating the income statement for the twelve-month period ended 31 December 2017 are as follows:

Fluidra, S.A. and Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

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

	31/12/2017	Application of IFRS 5 (note 10)	31/12/2017
Operating income			
Sales of goods and finished products	781,425	(4,911)	776,514
Income from the rendering of services	15,934	(200)	15,734
Work performed by the Group and capitalized as non-current assets	5,902	(564)	5,338
Total operating income	803,261	(5,675)	797,586
Operating expenses			
Change in inventories of finished products and work in progress and raw materials consumables	(383,111)	(6,488)	(389,599)
Employee benefits expense	(169,356)	4,786	(164,570)
Amortization and depreciation expenses and impairment losses	(40,379)	4,237	(36,142)
Other operating expenses	(153,963)	3,568	(150,395)
Total operating expenses	(746,809)	6,103	(740,706)
Other gains and losses			
Profit from sales of fixed assets	2,197	(5)	2,192
Total other gains and losses	2,197	(5)	2,192
Operating profit	58,649	423	59,072
Finance income / cost			
Finance income	2,365	(188)	2,177
Finance cost	(12,702)	129	(12,573)
Exchange gains/(losses)	(2,503)	(176)	(2,679)
Net financial profit / (loss)	(12,840)	(235)	(13,075)
Share of profit / (loss) for the year of entities accounted for using the equity method .	(32)	-	(32)
Profit/ (loss) before tax from continuing operations	45,777	188	45,965
Income tax expense	(12,963)	(20)	(12,983)
Profit/ (loss) after tax from continuing operations	32,814	168	32,982
Profit/ (loss) after tax from discontinued operations	-	(168)	(168)
Consolidated profit/ (loss) after tax	32,814	-	32,814
Profit / (loss) attributable to non-controlling interests	1,761	-	1,761
Profit / (loss) attributable to equity holders of the parent	31,053	-	31,053
From continuing operations	31,053	168	31,221
From discontinued operations	-	(168)	(168)
EBITDA	98,996	(3,814)	95,182
Basic and diluted earnings per share from continuing operations (Euros)	0.27997	0.00151	0.28148
Basic and diluted earnings per share (Euros)	0.27997	-	0.27997

All significant mandatory accounting principles have been applied.

The 2017 consolidated financial statements were approved for issue by the shareholders in general meeting on 27 June 2018.

c) Significant accounting estimates and key assumptions and judgments when applying accounting policies

In the preparation of these interim condensed consolidated financial statements in accordance with IFRS-EU IAS 34 Interim Financial Reporting, Group Management is required to make judgments, estimates and assumptions affecting the adoption of the standards and the amounts of assets, liabilities, income and expenses. The estimates and assumptions adopted are based on historical experience and various other factors understood to be reasonable under the existing circumstances.

In the Group's interim condensed consolidated financial statements for the twelve-month periods ended 31 December 2018 and 2017, estimates were occasionally made by management of the Group and of the consolidated companies in order to quantify certain assets, liabilities, income, expenses and commitments reported herein. These estimates basically refer to:

- The useful life and fair value of the customer portfolio and intangible assets.
- The assumptions used in determining the fair value of the Cash Generating Units (CGUs) or group of CGUs for the purposes of evaluating potential impairment of goodwill and other assets (see note 7).
- Assessment of technical and commercial feasibility of development projects in progress.
- Estimate of the expected credit losses from receivables and obsolete inventory.
- The fair value of financial instruments and of certain unquoted financial assets.
- Assumptions used in determining the fair values of assets, liabilities and contingent liabilities related to the business combination of Grupo Zodiac, I.D. Electroquímica, S.L, Fluidra Waterlinx Pty, Ltd, SIBO Fluidra Netherlands B.V., Agrisilos, S.R.L. and Riiot Labs NV/SA. Liabilities for contingent considerations correspond to level 3 fair value hierarchy in accordance with IFRS 13.
- The fair value of the commitment of the Company’s management team related to the acquisition of an ownership interest in the Company’s share capital.
- Estimates and judgments related to the provisions for litigation.
- Assessment of the recoverability of tax credits, included tax losses from prior years and rights to deduction. Deferred tax assets are recognized to the extent that future tax profit is available against which temporary differences can be charged, based on the management’s assumptions about the amount of and payment schedules for future tax profit. Additionally, in the case of deferred tax assets related to investments in Group companies, their capitalization takes into account whether they will be reversed in the foreseeable future.
- Determination of the accounting acquirer in the merge operation with Zodiac.

Although these estimates are made on the basis of the best information available on the events analysed at 31 December 2018 and 2017, events may occur in the future which require adjusting these estimates (upwards or downwards) in the coming years or periods. Any effect of the adjustments made in future years shall be recognized prospectively.

Additionally, the main judgments made by the Company's management in identifying and selecting the criteria applied in the measurement and classification of the main items presented in the interim condensed consolidated financial statements are as follows:

- Reasons supporting the transfer of risks and rewards in leases and in the recognition of disposals of financial assets and liabilities,
- Reasons supporting the classification of assets as investment property,
- Assessment criteria for impairment of financial assets, and
- Reasons supporting the capitalization of development projects.

d) Changes in IFRS-EU standards in 2018

The accounting standards used to prepare the accompanying interim consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2017, except for the new standards and any amendments that are applicable as of 1 January 2018, the main ones being as follows:

- IFRS 9 Financial instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The Group has had to change its accounting policies to adopt these standards, not restating the comparative information.

These standards did not have a significant impact in their initial application.

The Group intends to apply the standards, interpretations and amendments issued by the IASB whose application is not mandatory in the European Union as at the date of authorizing the accompanying interim condensed consolidated financial statements for issue when they are effective, to the extent applicable to the Group.

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases -- Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 applies to periods commencing 1 January 2019. The Group has made a preliminary estimate of what the adoption of IFRS 16 would entail. Based on a prospective calculation it has decided to measure the right-of-use asset at the same value as the liability according to data at 30 June 2017. Based on this data its assets and liabilities would increase by Euros 70 to 90 million.

In 2018, the Group has continued to assess the potential affect of IFRS 16 on its consolidated financial statements, with the aim of assessing the impacts again after the merger with the Zodiac Group in order to comply with the standard by the end of the first quarter of 2019.

3. Relevant accounting principles applied

The accounting standards used to prepare the accompanying interim consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2017, except for the new standards and any amendments as stated in note 2(d).

The impact on the Group's financial statements of adopting IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers is set forth below, in addition to the new accounting policies applied since 1 January 2018, where these differ from those applied in previous years.

IFRS 9 Financial instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 regarding the recognition, classification and measurement of financial assets and liabilities, financial asset impairment and hedge accounting.

(i) Classification and Measurement

From 1 January 2018 (date of initial application of IFRS 9), Group management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into IFRS 9 compliant categories. The main effects of this reclassification are as follows:

Financial assets	Note	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortised cost
Opening balance at 31 December 2017 - IAS 39				
Non-current financial assets	8	502	-	3,700
Non-current derivative financial instruments	9	-	-	-
Other non-current receivables		-	-	3,053
Trade and other receivables		-	-	159,975
Other current financial assets	8	-	-	4,138
Current derivative financial instruments	9	78	-	-
Cash and cash equivalents		-	-	64,756
Opening balance at 1 January 2018 - IFRS 9		580	-	235,622

(ii) Derivatives and hedge accounting

Interest rate and exchange rate swaps held at 31 December 2017 were classified as cash flow hedges under IFRS 9. The Group's risk management strategies and the documentation of hedges is in line with IFRS 9 requirements and therefore these relationships are treated as ongoing hedges.

(iii) Impairment of financial assets

The Group has the following types of financial assets which are subject to the new model of expected credit losses:

- Accounts receivable on sales of goods and finished products and on services rendered, and
- Other financial assets at amortized cost
- Cash and cash equivalents

The Group had to review its asset impairment methodology to bring it into line with IFRS 9 for each of these asset categories. The change in this methodology did not have a significant impact in its initial application.

IFRS 9 Financial instruments -Accounting policies applied since 1 January 2018

Investments and other financial assets

Since 1 January 2018, the Group has been classifying its financial assets in the following measurement categories:

- Those measured subsequently at fair value (through other comprehensive income or recognised in income), and
- Those measured at amortised cost.

The classification depends on the business model of the entity to manage the financial assets and contractual terms of the cash flows.

For assets measured at fair value, profit and loss is recognised in income or other comprehensive income. For investments in equity instruments held for trading, it will depend on whether the Group has made an irrevocable choice upon initial recognition to recognise investments in equity at fair value through other comprehensive income.

The Group only reclassifies investments in debt when its business model for managing these assets changes.

Upon initial recognition, the Group measures a financial asset at fair value plus, in the case of a financial asset not recognised at fair value through income, the transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through income are taken to income.

Financial assets with embedded derivatives are recognised in full since their cash flows are deemed to comprise solely the payment of the principal and interest.

a) Debt instruments

The subsequent measurement of the debt instruments depends on the Group's asset management business model and the nature of the cash flow on the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets held for collection of contractual cash flows when these cash flows only represent payments of principal and interest are measured at amortised cost. Income on these financial assets is included in financial income according to the effective interest rate method. Losses arising as a result of disposals are expensed directly. Impairment losses and the value are recorded in separate income statement captions.

- Fair value through other comprehensive income (FVOCI): Assets held for collection of contractual cash flows and for the sale of financial assets, when these cash flows only represent payments of principal and interest, are measured at fair value through other comprehensive income. Changes in the carrying value are taken to other comprehensive income, except for recognition of impairment gains and losses, ordinary interest income and exchange gains or losses, which are recognised in the income statement. When financial assets are written off, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to income and recognised in other gains/(losses). Income on these financial assets is included in financial income according to the effective interest rate method. Exchange gains and losses are taken to other gains/(losses) and impairment expenses are recorded in a separate income statement caption.

- Fair value through other income (FVOI): Assets that do not meet the criteria for recognition at amortised cost or fair value through other comprehensive income are recognised at fair value through income. A gain or loss in a debt investment subsequently recognised at fair value through income is recognised as net within other gains/(losses) in the years in which it arises.

b) Equity instruments

The Group subsequently measures all equity investments at fair value. When Group management has opted to record gains and losses in the fair value of equity investments in other comprehensive income, there is no subsequent reclassification of the gains and losses in fair value through income following the disposal in investment accounts. Dividends on these investments continue to be recognised in income for the year with other income when the Group's distribution entitlement is established.

Changes in the fair value of financial assets at fair value through income are recognised in other gains/(losses) in the income statement where applicable. Impairment losses (and reversals of impairment losses) in equity investments measured at fair value through other comprehensive income are not recognised separately to other changes in fair value.

c) Derivatives and hedging activities

Cash flow hedges that qualify for hedge accounting.

The effective part of the gain or loss on the hedging instrument classed as a cash flow hedge is recognised in the cash flow hedge reserve in equity. Gains or losses relating to the effective part are take straight to income, under other income/(expenses).

The amounts accumulated in net equity are reclassified in the years in which the hedged item affects income for the year, as follows:

- When the hedged item subsequently leads to the recognition of a non-financial asset (such as inventories), the deferred hedging gains and losses are included in the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss for the year when the hedged item affects net income (e.g. through the cost of sales).

- Gains or losses corresponding to the effective part of interest rate swaps hedging variable rate loans is recognised in the income statement under "financial expenses" at the same time as the interest expense on the hedged loans.

When a hedging instrument expires, is sold or ends, or when a hedge no longer meets the hedge accounting criteria, any accumulated deferred gain or loss and the deferred costs of the hedge in equity at that time remain in equity until the planned transaction occurs, resulting in the recognition of a non-financial asset, such as inventories. When the planned transaction is no longer expected to happen, the accumulated gain or loss and the deferred hedging costs that were recognised in equity are reclassified straight away to profit and loss.

d) Impairment

The Group evaluates the expected credit losses associated with the debt instruments recognised at amortised cost on a prospective basis and at fair cost through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in the credit risk.

For trade receivables, the Group applies the simplified approach under IFRS 9, which requires that losses expected over the life of the item are recognised from the initial recognition of the account receivable.

To measure the expected credit losses the insolvency risk matrix has been calculated in order to obtain the historical impairment rate of the trade debtor portfolio. This historical impairment rate has been corrected based on the budgeted future collection periods in order to obtain the expected credit losses.

IFRS 15 Revenue from contracts with customers – Impact of adoption

The Group has adopted IFRS 15 *Revenue from contracts with customers* since 1 January 2018, which has entailed adapting certain accounting policies. The application of IFRS 15 did not have a significant impact on the Group's accounting policies and no adjustments have been required. The Zodiac Group recognised the impact of IRFS 15 on the initial balance sheet of the business combination, as it was not applicable until 1 October 2018.

IFRS 15 Revenue from Contracts with Customers – Accounting policies applied since 1 January 2018

i) Sale of goods

Revenue from sale of goods is recognised when control of the goods is transferred to the customer. Delivery is complete when the products have been dispatched to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products as per the sales contract, the acceptance conditions have expired or the Group has objective evidence that all the acceptance criteria have been met.

A receivable is recognised when the goods are delivered since this is the point in time in which the consideration is unconditional, only requiring the passage of time in order for the right of payment to fall due.

When the customer is entitled to return the product within a specific period, the company is obliged to refund the acquisition cost. Ordinary income is adjusted by the expected value of the refunds and the cost of sales is adjusted by the value of the corresponding expected goods returns. Under IFRS15, a refund liability is recognised for expected customer returns as an adjustment in ordinary income in trade and other payables. At the same time, the Group is entitled to recover the product from the customer when the customer exercised their right to return and recognise an asset and a corresponding adjustment in the cost of sales. The asset is measured by reference to the former carrying amount of the product.

ii) Rendering of services

Income from services is recognised in the year in which they are rendered. In the case of fixed-price contracts, revenue is recognised on the basis of the actual service rendered until the end of the reporting period, as a percentage of the total services to be rendered. This is determined on the basis of the total actual costs incurred in relation to the total expected costs.

Some contracts include multiple deliverables, such as installation services. However, installation is simple, does not entail an integration service and could be carried out by a third party. Therefore, it is recognised as a separate execution obligation. In this case, the transaction price will be allocated to each execution obligation based on the separate sale prices. When these are not directly discernible, they are estimated based on the expected cost plus margin.

If the circumstances change, the estimated revenue, costs and degree of completion is reviewed. Any resulting increase or decrease in revenue or estimated costs is reflected in profit and loss for the year in which management becomes aware of the circumstances calling for the review.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If payments exceed the services rendered, a contract liability is recorded.

iii) Financial components

The Group does not expect to have any contracts in which the period between the transfer of goods and services promised to the customer and the payment received exceeds one year. Therefore, the Group does not adjust any of the transaction prices on account of the time value of money.

iv) Dividend income

Income from dividends on investments in financial instruments is recognized in profit or loss when the Group's right to receive payment is established

4. Segment information

As a result of the merger with the Zodiac Group, the Group's structure and segments have altered in 2018.

The Fluidra Group's new organisational structure following the merger is organized into three divisions, two of them covering a geographical approach, which manage the Group's sales and distribution activity, and the third one, which comprises the manufacture and logistics chain for the whole Group. A manager is assigned to each division and they must report directly to the Management Advisory Committee, maintaining regular contact to deal with operations, operating results and financial profit/(loss), forecasts and plans for each segment. The Management Advisory Committee monitors financial information based on the following division structure.

The Sales Divisions are ESA and North America.

The ESA segment (Europe, Southern Hemisphere & Asia) relates to Europe, Africa, Asia, Australia and South America, including mature markets showing more modest growth and a larger market share where the strategy is to improve profitability through operating leverage driven by the merger with the Zodiac Group and also other emerging markets with higher growth expectations and a greater focus on public pools and the construction of new pools.

The North America segment relates to markets in the USA and Canada and the focus is on increasing market share in the largest global pool market, taking advantage of growth in the smart pool market, customer loyalty and a wider range of products.

Lastly, the Operations Division, which is mainly located in Spain, France, China and Mexico, focuses on increasing cost efficiency through the rationalization of production plant structure, improving quality, demand planning and the optimization of industrial assets.

This organizational structure affects the identification of the cash generating units (CGUs) of the Group (see note 7) and the segment information.

In addition to the three segments mentioned above, the holding, real estate and/or services companies (where there are no operational or sales activities and which do not generate significant revenue to third parties) are included under the Shared Services caption. This breakdown is provided for the purposes of reconciling the segment information in the total consolidated figures in the financial statements, as it does not constitute an operating segment under IFRS 8.

The inter-segment selling prices are established based on standard terms and conditions available to unrelated third parties.

The difference between the sum of the items of the different business segments and the total thereof in the consolidated income statement corresponds to the Shared services caption and to the intra-segment consolidation adjustments, basically the sales between the Operations division and the Sales divisions, and their corresponding margin adjustment in inventories, as well as other adjustments derived from the business combinations and consolidation.

The Management Advisory Committee uses EBITDA (see note 25) to measure segment results. Amortization and depreciation and impairment losses are linked to the assets directly allocated to the segment activity, excluding the impact of allocating the acquisition price of business combinations and investment portfolio provisions. Net financial profit/(loss) and income tax expense are not allocated by segment, as these activities are dealt with by the Group's central departments.

Furthermore, in 2017 and 2018 discontinued operations have not been allocated to any segment, since the operations have not been managed by the Management of the respective segment.

Intangible assets, deferred taxes, goodwill and financial assets and liabilities are not allocated by segment, as they are dealt with at Group level. Each segment manages non-current property, plant and equipment and working capital (NWC), as defined in Appendix II.

A breakdown of the Group's segment information for 2018 and 2017 is shown in Appendix II to these interim condensed consolidated financial statements, in which the 2017 comparative information has been restated in accordance with the new segment structure described in this note.

5. Business combinations and sales of Group companies

The breakdown of the transactions resulting in the most significant additions during the twelve-month period ended 31 December 2018 and 2017 is as follows:

2018

On 2 July 2018, the Fluidra Group and the Zodiac Group combined their businesses by means of a cross-border takeover merger by Fluidra, S.A. (absorbing company) of Piscine Luxembourg Holdings 2 S.à.r.l. (absorbed company) with the termination by dissolution without liquidation of the absorbed company and transfer en bloc of all its equity to the absorbing company, which acquires, by universal succession, the entire equity and rights and obligations of the absorbed company, in the terms and conditions set forth in the joint merger project (see note 11).

For accounting purposes, this merger has been treated like a direct acquisition, wherein Fluidra, S.A. is considered the acquiring entity and the assets and liabilities of Piscine Luxembourg Holdings 2 S.à r.l. have been measured at fair value, as the acquired entity (in accordance with IFRS 3 (amended) Business Combinations).

Due to the reinforced majorities in the shareholders agreements, and the balance in the Board of Directors, none of the two major shareholders, neither Rhône Capital LLC nor the majority shareholders of Fluidra before the merge (Boyser S.R.L., Dispur S.L., Piumoc Inversions S.A.U., and Edrem S.L.) have an effective control over the merged entity.

Due to this and since IFRS 3 requires that an accounting acquirer has to be determined, and that the merge does not constitute a joint agreement, Fluidra S.A. has been identified as accounting acquirer. This conclusion is based on the distribution of the voting rights (the shareholders of Fluidra before the merge receive 57,6% of the voting rights) and also based on that the relative size of Fluidra pre-merge is greater than Zodiac Group, based on the exchange rate of the shares and other financial magnitudes. Additionally, no other reason that would indicate the contrary has been found.

During the period comprised between the date of acquisition and 31 December 2018, the acquired business has generated total sales of goods and finished products amounting to Euros 238,367 thousand.

If the acquisition had occurred on 1 January 2018, the Group's sales of goods and finished products would have increased by Euros 286,014 thousand and consolidated profit after tax would have increased by Euros 54,841 thousand.

Due to commercial and management synergies, this acquisition has been distributed among the different CGUs determined following the merger (see note 7).

The breakdown of the consideration paid, of the fair value of the net assets acquired and goodwill for the business combinations created during the twelve-month period ended 31 December 2018 is as follows:

	Thousands of Euros
Consideration paid	
Shares transferred	1,138,760
Contingent consideration	-
Total consideration paid	1,138,760
Fair value of net assets acquired	222,303
Goodwill	916,457

The value of the shares transferred is determined by the quoted price of Fluidra, S.A. on 29 June 2018 (Euros 13.72 per share). On 3 November 2017 the quoted price was Euros 8.87 per share.

The intangible assets that have not been recorded separately from goodwill and have therefore been included in it since they do not meet the separability criterion required by IFRS-EU mainly relate to distribution networks, work force and synergies of the acquired business. It is not expected that the Goodwill arising from this acquisition will be tax deductible.

The accounting of this business combination is final.

The most relevant items identified between the accounting values of the acquired business during the year and the fair values of those assets are fundamentally: customer relationships, trademarks, patents, inventory step-up, tax loss carryforward and expenses related to the prior financing of the Zodiac Group.

The fair values of the customer relationships, trademarks and patents are based on valuations executed by an independent expert using MEEM (Multi-period Excess Earning Method) and the royalty relief method. The key hypothesis that have been used are based on the strategic plans approved by the management.

The amounts recorded in the consolidated statement of financial position at the date of acquisition of the assets, liabilities and contingent liabilities of the businesses acquired (Zodiac Group) during the twelve-month period ended 31 December 2018, by significant categories, are as follows:

	Thousands of Euros
	Fair value
Property, plant, and equipment	22,323
Goodwill	2,898
Other intangible assets	772,079
Other non-current financial assets	760
Non-current derivative financial instruments	485
Deferred tax assets	69,429
Inventories	110,384
Trade and other receivables	131,913
Other current financial assets	33
Cash and cash equivalents	34,558
Total assets	1,144,862
Bank borrowings and other marketable securities - non-current	563,627
Deferred tax liabilities	193,049
Non-current provisions	7,804
Other non-current liabilities	835
Bank borrowings and other marketable securities - current	12,621
Trade and other payables	128,757
Current provisions	15,866
Total liabilities and contingent liabilities	922,559
Total net assets	222,303
Total net assets acquired	222,303
Shares transferred	1,138,760
Cash and cash equivalents acquired	34,558
Cash paid for the acquisitions	(34,558)

In the twelve-month period ended 31 December 2018, cash has been disbursed in connection with the acquisitions of subsidiaries and non-controlling interests for an amount of Euros 9.494 thousand (Euros 17,570 thousand during the same period ended 31 December 2017).

During 2018, Euros 124 thousand have been received corresponding to deferred collections on the sale of the company Accent Graphic, S.L.U. (Euros 186 thousand in 2017).

2017

On 5 April 2017, the Group acquired the French company Poolweb, SAS, which distributes spare parts for swimming pools and spas for sale online. A total amount of Euros 46 million was paid for that acquisition.

During the period comprised between the date of acquisition and 31 December 2017, the acquired business generated consolidated total sales of goods and finished products amounting to Euros 4,261 thousand and consolidated total profit after tax amounting to Euros 313 thousand.

If the acquisition had occurred on 1 January 2017, the Group's sales of goods and finished products would have increased by Euros 1,397 thousand and consolidated profit after tax would have increased by Euros 2 thousand.

Due to commercial and management synergies, this acquisition was integrated into the Europe CGU.

On 6 July 2017, the Group acquired a 90% interest in Italian company Agrisilos, S.R.L.

Agrisilos, S.R.L. manufactures and markets high-end designer above-ground pools under the Laghetto brand. This acquisition completed the Group’s above-ground pool range.

The acquisition of this business meant the acquisition of its trademark, property, plant and equipment, distribution licenses, inventories, employees and the other assets and liabilities related to this activity.

An initial amount of Euros 1,800 thousand was paid for this acquisition and contingent amounts were established mainly subject to the results that the acquired business obtains during 2017 and 2018. The Group recognised an amount of Euros 995 thousand related to this contingent consideration at the date of acquisition. The Group estimated the fair value of this consideration weighing the potential outcomes based on the probabilities estimated for each one. The agreement does not stipulate a maximum amount payable.

As a result of this acquisition, the Group has a purchase commitment for the remaining 10% which must be executed in June 2020 and the price of which is largely subject to 2017, 2018 and 2019 sales and profits recorded by the business acquired. At acquisition date, the Group recorded a non-current liability for the present amount of the price of said put option amounting to Euros 414 thousand, and no non-controlling interest has been recognized.

During 2018, the terms of the contingent liability and the 10% purchase commitment were renegotiated, extending the calculations in both cases by one year.

During the period comprised between the date of acquisition and 31 December 2017, the acquired business generated consolidated total sales of goods and finished products amounting to Euros 2,605 thousand and consolidated total profit after tax amounting to Euros 229 thousand.

If the acquisition had occurred on 1 January 2017, the Group's sales of goods and finished products would have increased by Euros 5,616 thousand and consolidated profit after tax would have decreased by Euros 402 thousand.

Due to commercial and management synergies, this acquisition was integrated into the Europe CGU.

On 27 July 2017, the Group acquired an 80% interest in Belgian company Riiot Labs NV/SA.

Riiot Labs NV/SA is a start-up which created the “Blue by Riiot” smart device, an innovative remote-control technology for pool maintenance.

The acquisition of this business meant the acquisition of its patents, property, plant and equipment, distribution licenses, inventories, employees and the other assets and liabilities related to this activity.

An initial amount of Euros 3,341 thousand was paid for this acquisition and contingent amounts were established mainly subject to the sales of the businesses acquired up to 31 December 2020. The Group recognised an updated amount of Euros 993 thousand related to this contingent consideration at the date of acquisition. The Group estimated the fair value of this consideration weighing the potential outcomes based on the probabilities estimated for each one. The agreement establishes a maximum and minimum limit for this contingent consideration of Euros 2,400 thousand and Euros 1,200 thousand, respectively.

As a result of this acquisition, the Group granted a call option to the minority shareholder for the remaining 20%, which can be executed by third parties from 1 January 2021 to 1 January 2023. In turn, the minority shareholder granted a call option to the Group that can be exercised at any time. The price of this option is largely subject to the sales and profits recorded by the business acquired in the years ended before the option is executed. At acquisition date, the Group recorded a non-current liability for the present amount of the price of said put option amounting to Euros 1,014 thousand, and no non-controlling interest has been recognized.

During the period comprised between the date of acquisition and 31 December 2017, the acquired business did not generate consolidated total sales of goods and finished products and generated total loss after tax of Euros 314 thousand.

If the acquisition had occurred on 1 January 2017, the Group's sales of goods and finished products would have increased by Euros 589 thousand and consolidated profit after tax would have been reduced by Euros 44 thousand.

Due to commercial and management synergies, this acquisition was integrated into the Operations CGU.

The breakdown of the consideration paid, of the fair value of the net assets acquired and goodwill for the business combinations carried out during the twelve-month period ended 31 December 2017 is as follows:

	Thousands of Euros
Consideration paid	
Cash paid	5,187
Contingent consideration	3,416
Total consideration paid	8,603
Fair value of net assets acquired	2,481
Goodwill	6,122

The intangible assets that were not recorded separately from goodwill and were therefore included in it since they do not meet the separability criterion required by IFRS-EU mainly relate to distribution networks, work force and synergies of the acquired business.

The amounts that were recorded in the consolidated statement of financial position at the date of acquisition of the assets, liabilities and contingent liabilities of the businesses acquired during the twelve-month period ended 31 December 2017, by significant categories, are as follows:

	Thousands of Euros Fair value
Property, plant, and equipment	597
Other intangible assets	4,997
Other non-current financial assets	41
Other non-current receivables	281
Deferred tax assets	437
Inventories	4,581
Trade and other receivables	3,273
Other current financial assets	9
Cash and cash equivalents	1,900
Total assets	16,116
Bank borrowings	2,830
Deferred tax liabilities	1,189
Non-current provisions	1,054
Government grants	25
Other non-current liabilities	2,168
Trade and other payables	6,277
Current provisions	92
Total liabilities and contingent liabilities	13,635
Total net assets	2,481
Total net assets acquired	2,481
Paid in cash	5,187
Cash and cash equivalents acquired	1,900
Cash paid for the acquisitions	3,287

Following Fluidra’s strategy to divest in non-essential activities in order to focus on the Group's core business, on 28 March 2017 the company Aplicaciones Técnicas Hidráulicas, S.L.U. was sold for an amount of Euros 10,476 thousand.

The breakdown of the sale of the abovementioned company during the twelve-month period ended 31 December 2017 was as follows:

	Thousands of Euros
Amount received in cash	7,609
Deferred collections	2,867
Total	10,476
Total net assets sold	9,029
Profit from the Sale	1,447

The amounts that were derecognized in the consolidated statement of financial position at the date of disposal of the assets, liabilities and contingent liabilities of the businesses sold during the twelve-month period ended 31 December 2017, by significant categories, are as follows:

	Thousands of Euros
Property, plant, and equipment	66
Other intangible assets	12
Goodwill	3,113
Other non-current financial assets	50
Deferred tax assets	12
Inventories	3,604
Trade and other receivables	10,940
Cash and cash equivalents	294
Total assets	18,091
Bank borrowings	5,792
Trade and other payables	3,270
Total liabilities and contingent liabilities	9,062
Total net assets	9,029
Total net assets sold	9,029
Amount received in cash	7,609
Cash and cash equivalents sold	294
Net cash from the sale	7,315

As a result of deferred collections on the sale of Aplicaciones Técnicas Hidráulicas, S.L.U., Euros 2,867 thousand was also collected.

6. Property, plant and equipment and Other intangible assets

Additions of intangible assets during the twelve-month period ended 31 December 2018 are mainly attributable to the business combinations entered into in 2018 (see note 5) and to new organisational investments that have amounted to Euros 12,176 thousand (Euros 10,779 thousand in the same period ended 31 December 2017).

These investments notably include additions due to expenses incurred in the several development projects that the Group is currently carrying out for an amount of Euros 8,052 thousand (Euros 4,158 thousand during the same period ended 31 December 2017), which relate to product developments for responsible use of water.

Movements in the items included in Property, plant and equipment during the twelve-month period ended 31 December 2018 are as follows:

	Balances at 31.12.17	Business combinations (note 5)	Additions	Disposals	Impairme nt	Transfers	Transfers discontinued operations (note 10)	Translation differences	Balance at 31.12.18
Cost	370,740	22,323	26,407	(10,994)	(2,003)	(2,248)	(9,737)	(1,742)	392,746
Accumulated depreciation	(272,234)	-	(18,985)	8,151	-	-	5,022	1,522	(276,524)
Carrying amount	98,506	22,323	7,422	(2,843)	(2,003)	(2,248)	(4,715)	(220)	116,222

During the twelve-month period ended 31 December 2018, there have been investments in molds for new products for an approximate amount of Euros 3,059 thousand (Euros 2,404 thousand during the same period ended 31 December 2017). The most notable investments in the twelve-month period ended 31 December 2018 are the adaptation of the new office building in California and the new production plant in Tijuana.

7. Goodwill and sale of Group companies

For the purpose of impairment testing, the Group has allocated goodwill to its cash-generating units (CGUs) in accordance with IFRS 36, where a CGU is defined as a smaller identifiable group of assets which generates cash inflows that are largely independent of those from other assets or groups of assets.

The CGUs identified by the Fluidra Group following the merger are described below:

1) Operations: this CGU has not changed with regards the pre-merger definition of Fluidra CGUs.

2) North America: North America represents both a segment and a separate CGU, based on the territory's high level of independence. Prior to the merger, the CGU for the American market only included Aqua USA operations. In the combined business, American operations from the Zodiac Group were added to create the North America CGU.

3) Europe: this CGU is defined as the joining together of the pre-merger Fluidra Europe CGU and the pre-merger SSA Fluidra Österreich, GmbH CGU, as the sales policies, type of markets and the overlapping of roles following the integration of the Zodiac Group's business in Europe has resulted in integrated management post-merger.

4) Certikin International, LTD and SIBO Fluidra Netherlands B.V.: these companies from prior acquisitions are not included in Europe from an operational and sales perspective, as they are highly independent due to the UK market and the type of product in the case of SIBO. As a result, they continue to be separate CGUs in line with the pre-merger Fluidra definition.

5) Expansion: there have been no changes to this CGU's definition, regardless of the fact that it was considered as a separate segment before based on its relative representation and separate supervision.

6) Sohem – Southern Hemisphere: this was one of the segments (and CGUs) defined by the Zodiac Group in its consolidated financial statements, which included operations in South Africa and Australia. At Fluidra post-merger, the Zodiac organisation model is used whereby key policies and decisions are made jointly and there is a single unit in charge. As a result of this, the following pre-merger Fluidra CGUs have been grouped together: Fluidra Australia Pty Ltd and Fluidra Waterlinx Pty Ltd together with the Zodiac Group's business.

For the purposes of impairment testing, goodwill arising on the acquisition of the Zodiac Group has been allocated to the following levels:

- Operations
- North America
- Europe and the Southern hemisphere

The Certikin, SIBO and Expansion CGUs are not expected to benefit from the synergies of the business combination and they have not therefore been allocated any portion of the goodwill generated.

Operations and North America have been allocated goodwill at CGU level, which in both cases coincides with the segment definition set out in note 4.

In the case of Europe and Sohem, goodwill has been allocated to a "group of CGUs" on the basis that the group is not supervised by management at a lower level than the respective segment. Goodwill has not been allocated to the entire ESA segment (see note 4), as some CGUs within the segment will not benefit from the business combination (as Zodiac did not operate in these territories). Goodwill has therefore been allocated to the remaining CGUs included in the segment.

The breakdown of goodwill allocated by CGU or group of CGUs at 31 December 2017 and 31 December 2018 is as follows:

		Thousands of Euros	
	Segment	31.12.18	31.12.17
Operations	Operations	187,326	59,705
North America	North America	512,323	-
Certikin Internacional, LTD	ESA	3,403	3,427
Expansion	ESA	44,823	45,290
SIBO Fluidra Netherlands B.V.	ESA	5,048	5,048
Aqua Manufacturing	Operations	-	17,051
Europe and the Southern hemisphere	ESA	340,766	65,697
Total		1,093,689	196,218

This table groups together goodwill in Fluidra pre-merger at 31 December 2017 with the new structure described above.

Movement in goodwill is mainly attributable to the business combinations arising in 2018 (see note 5), the reclassification of the entire amount of goodwill corresponding to Aqua Manufacturing under Non-current assets held for sale (see note 2b and note 10) and the part disposal of the goodwill of Fluidra Youli Fluid Systems (Wenzhou) Co., LTD.

The movement in goodwill is also due to the currency translation differences arisen from the goodwill denominated in foreign currency, mainly due to the fluctuations in the exchange rates of the pound sterling, Australian dollar, the US dollar, the Chinese renminbi and the South African rand.

The Operations CGU has recognised a part disposal of goodwill linked to the purchase carried out on 9 October 2012, whereby the Group acquired the production business of the company Fluidra Youli Fluid Systems (Wenzhou) Co., LTD, a company that develops, manufactures and sells fluid handling products and accessories in China.

The recoverable amount of each CGU is based on the fair value calculations minus transaction costs, calculated on the basis of a Level 3 methodology following IFRS13 hierarchies. These calculations are based on cash flow projections from the financial budgets and/or strategic plans approved by Management relating to the different cash generating units to which goodwill is allocated. They are determined on a four-year basis and can be extended to a ten-year period to progressively standardise flows using a long-term growth rate, depending on the different markets. The process for preparing the strategic plans of the CGUs considers the current situation of each CGU's market, analyzing the macroeconomic and competitive environments, as well as the CGU's position in those environments and the opportunities for growth. Key factors for business development are chiefly evolution in the existing pools in each market in terms of the maintenance business and evolution in the construction of new pools. In addition, potential operating efficiencies due to growth are taken into consideration. These projections are corrected on the basis of the level of compliance with strategic plans and/or financial budgets achieved in prior years.Also, these projections and estimations are consistent with what a market participant would do.

The key assumptions used in the strategic plans relate to sustained business growth in pools (aftermarket), moderate growth in the construction of new pools in mature markets and sustained growth in emerging markets, combined with an increase in our penetration in commercial pools in some geographical areas where our presence is still small and increased market share in the American market. These projections also include the operational expense and purchase synergies resulting from the merger with the Zodiac Group.

In terms of the Operations division, revenues are linked to the increase in sales divisions resulting from the partial integration of manufacturing within Fluidra. The assumptions used in the strategic plans relate to a recovery in profitability due to greater efficiency obtained through the lean management plans in production plants, the integration of the logistics chain and the operating leverage due to growth and also potential purchase synergies from the merger with the Zodiac Group.

The quantitative assumptions used are shown in the accompanying table:

CGU	Sales CAGR (*) 2018-2022	EBITDA CAGR (*) 2018-2022	g	WACC (**) 2018	WACC (***) 2018
Operations	5.40%	7.34%	1.91%	7.87%	9.70%
North America	5.02%	10.04%	2.29%	7.54%	9.65%
Certikin Internacional, LTD	4.08%	4.34%	1.94%	6.56%	8.21%
Expansion	8.04%	12.13%	2.00%	11.09%	13.47%
SIBO Fluidra Netherlands B.V.	8.59%	10.22%	1.55%	6.43%	8.32%
Europe and the Southern hemisphere	5.88%	11.74%	2.11%	7.80%	10.16%

(*) CAGR stands for Compound Annual Growth Rate over 4 years.

(**) After-tax discount rate.

(***) Before-tax discount rate.

From the eleventh year, cash flow projections are calculated using a growth rate in perpetuity in accordance with each market. The rates applied are detailed in the table above.

The discount rates applied to cash flow projections used for the CGUs have been calculated based on risk-free rates (interest rates for sovereign debt of each country, always the one applicable to each market at 31 December), tax rate, market risk premiums, and debt spreads for the markets in which the CGUs operate. The before and after-tax rates applied are detailed in the table above.

The Group performed a sensitivity analysis on the impairment calculation using reasonable variations in the key assumptions used. The following decreases have been assumed for CGUs and groups of CGUs with significant goodwill (Europe, Expansion, Operations, North America, Southern hemisphere and Europe and Southern hemisphere):

- Decrease of 100 basis points in the EBITDA margin in perpetuity (EBITDA)
- Growth rate in perpetuity - Decrease of 0.5% (g)
- Discount rate - Increase of 0.5% (WACC)

The quantitative result of these reasonable variations, shown as a percentage surplus/shortfall over the book value of goodwill at 31 December 2018, is as follows:

CGU	EBITDA	g	WACC
Operations	>100%	>100%	>100%
North America	>100%	>100%	>100%
Certikin Internacional, LTD	>100%	>100%	>100%
Expansion	>100%	>100%	>100%
SIBO Fluidra Netherlands B.V.	>100%	>100%	>100%
Europe and the Southern hemisphere	>100%	>100%	>100%

Changes in the assumptions used to determine fair value could alter the impairment estimate.

The Group's market capitalization at 31 December 2018 amounts to Euros 1,915.2 million (Euros 1,330.2 million at 29 December 2017).

8. Current and non-current financial assets

The breakdown of Other current and non-current financial assets is as follows:

		Thousands of Euros	
	Note	31/12/2018	31/12/2017
Financial assets at fair value through profit or loss		487	-
Available-for-sale financial assets		-	502
Deposits and guarantees		6,222	3,700
Total non-current assets		6,709	4,202
Available-for-sale financial assets		-	-
Deposits and guarantees		4,922	4,138
Derivative financial instruments	9	356	78
Total current		5,278	4,216

The Deposits and guarantees caption mainly includes time deposits that earn market interest rates and are classified in the Loans and receivables caption, as well as deposits and guarantees given as a result of rental contracts. These are measured following the criteria established for financial assets. The difference between the amount given and fair value is recognized in the income statement as a prepayment over the lease term.

9. Derivative financial instruments

The breakdown of the derivative financial instruments is as follows:

	31/12/2018				
		Thousands of Euros			
	Notional	Fair values			
	amount	Assets		Liabilities	
		Non-current	Current	Non-current	Current
1) Derivatives held for trading					
a) Exchange rate derivatives					
Foreign currency contracts	16,232	-	356	-	28
Total derivatives traded on over-the-counter markets		-	356	-	28
Total derivatives held for trading		-	356	-	28
2) Hedging derivatives					
a) Cash flow hedges					
Interest rate swaps	609,752	-	-	7,870	-
Total hedging derivatives		-	-	7,870	-
Total recognized derivatives		-	356	7,870	28
			(note 8)		

	31/12/2017				
		Thousands of Euros			
	Notional	Fair values			
	amount	Assets		Liabilities	
		Non-current	Current	Non-current	Current
1) Derivatives held for trading					
a) Exchange rate derivatives					
Foreign currency contracts	19,902	-	78	-	472
Total derivatives traded on over-the-counter markets		-	78	-	472
Total derivatives held for trading		-	78	-	472
2) Hedging derivatives					
a) Cash flow hedges					
Interest rate swaps	99,563	-	-	1,349	-
Total hedging derivatives		-	-	1,349	-
Total recognized derivatives		-	78	1,349	472
			(note 8)		

The fair value of swaps, since they are derivatives not traded on organized markets, is calculated using the discounted value of expected cash flows due to the spread in rates, based on observable market conditions at the date of measurement (corresponding to the level 2 measurement method in accordance with IFRS 13).

The fair value of swaps and exchange rate derivatives has been estimated using the discounted cash flow method based on forward exchange rates available in public databases at the reporting date (corresponding to the level 2 measurement method in accordance with IFRS 13).

10. Non-current assets held for sale and liabilities relating to non-current assets held for sale

On 31 December 2018 non-current assets held for sale and liabilities relating to non-current assets held for sale correspond to the electronic pool cleaner development, manufacture and sale businesses run by the company Aquatron Robotic Technology, Ltd. in Afula (Israel).

On 27 June 2018, in relation to the merger between the Fluidra Group and the Zodiac Group, the European Commission deemed the merger compatible with the domestic market subject to compliance with certain obligations, including the sale of Aquatron Robotic Technology, Ltd., a wholly-owned subsidiary of Fluidra, to a suitable buyer.

Since, on the 31 December 2018, the Group has a binding agreement to sell these clearly identified assets and liabilities, and the sale was completed on 31 January 2019 (see note 26), the accounting balances of these assets and liabilities have been transferred to the caption Non-current assets held for sale and Liabilities relating to non-current assets held for sale, in accordance with IFRS 5 Non-current assets held for sale and discontinued operations. Furthermore, these have been deemed discontinued operations since they comprise items held for sale which represent a significant business line separate to the rest; therefore, all income and expenses corresponding to these businesses in the twelve-month periods ended 31 December 2018 and 31 December 2017 are presented in the caption Profit/(loss) after tax on discontinued operations.

The property located in Castiglione delle Stiviere at Via Mazzini 28/Z owned by Zodiac Pool Systems Italia, S.R.L., is also included under this caption. The Group has a firm offer to purchase.

Assets held for sale, less their related liabilities, have been measured at their carrying value or the expected sale amount less cost of sale, whichever is lower. This has led to the recognition of impairment on this account at 31 December 2018 amounting to Euros 2,614 thousand.

Details of the nature of the assets classified as held for sale and the related liabilities, at 31 December 2018, are as follows:

Assets	31/12/2018
Property, plant, and equipment	4,715
Goodwill	15,194
Other intangible assets	1,394
Non-current financial assets	25
Deferred tax assets	311
Total non-current assets	21,639
Inventories	7,106
Trade and other receivables	949
Other current financial assets	3,000
Derivative financial instruments	3
Cash and cash equivalents	11,172
Total current assets	22,230
TOTAL ASSETS	43,869
Liabilities	
Deferred tax liabilities	212
Provisions	79
Government grants	147
Total non-current liabilities	438
Trade and other payables	3,140
Provisions	2,202
Derivative financial instruments	38
Total current liabilities	5,380
TOTAL EQUITY AND LIABILITIES	5,818

Details of the nature of the consolidated income statement caption Gains/(losses) after tax on discontinued operations for the twelve-month periods ended 31 December 2018 and 31 December 2017, are as follows:

	31/12/2018	31/12/2017
Operating income		
Sales of goods and finished products	5,837	4,911
Income from the rendering of services	104	200
Work performed by the Group and capitalized as non-current assets	723	564
Total operating income	6,664	5,675
Operating expenses		
Change in inventories of finished products and work in progress and raw materials consumables	4,835	6,488
Employee benefits expense	(4,494)	(4,786)
Amortization and depreciation expenses and impairment losses	(3,473)	(4,237)
Other operating expenses	(3,240)	(3,568)
Total operating expenses	(6,372)	(6,103)
Other gains and losses		
Profit from sales of fixed assets	-	5
Total other gains and losses	-	5
Operating profit	292	(423)
Finance income / costs		
Finance income	616	188
Finance costs	(669)	(129)
Exchange gains/(losses)	745	176
Net financial profit / (loss)	692	235
Share of profit / (loss) for the year of entities accounted for using the equity method	-	-
Profit/ (loss) before tax from continuing operations	984	(188)
Income tax expense	(89)	20
Profit/ (loss) after tax from discontinued operations	895	(168)
Profit / (loss) from discontinued operations attributable to non-controlling interests	-	-
Profit / (loss) from discontinued operations attributable to equity holders of the parent	895	(168)
EBITDA	3,765	3,814

The breakdown of the statement of comprehensive income for this activity for the twelve-month periods ended 31 December 2018 and 31 December 2017 is as follows:

	31/12/2018	31/12/2017
Profit / (loss) for the period	895	(168)
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss		
Recalculation of the measurement of defined benefit plans	-	-
Tax effect	-	-
Items that will be subsequently reclassified to profit or loss		
Cash flow hedges	-	-
Exchange differences on translation of foreign operations	(972)	(875)
Tax effect	-	-
Other comprehensive income for the year, net of tax	(972)	(875)
Total comprehensive income for the year	(77)	(1,043)
Total comprehensive income attributable to:		
Equity holders of the parent	(77)	(1,043)
Non-controlling interests	-	-
	(77)	(1,043)

The cash flows arising from discontinued operations in the consolidated statement of cash flows are:

	31/12/2018	31/12/2017
Cash flows from:		
Operating activities	2,523	(2,112)
Investing activities	(4,756)	5,492
Financing activities	103	(261)

11. **Equity**

The breakdown of and movements in equity are shown in the consolidated statement of changes in equity.

a) Share capital

At 31 December 2018 Fluidra, S.A.'s share capital consists of 195,629,070 ordinary shares with a par value of Euros 1 each, fully subscribed. The shares are represented by book entries and are established as such by being recorded in the corresponding accounting record. All shares bear the same political and financial rights.

On 31 October 2007 Fluidra, S.A. (the Company) completed its initial public offering process through the public offering of 44,082,943 ordinary shares with a par value of Euros 1 each.

These shares representing share capital are quoted on the Barcelona and Madrid stock exchanges, and also on the continuous market.

The Company only knows the identity of its shareholders through the information that they voluntarily provide or in compliance with applicable regulations. In accordance with the Company's information, the structure of significant equity shares at 31 December 2018 is as follows:

	Ownership percentage
Rhône Capital L.L.C.	42.43%
Boyser, S.R.L.	8.13%
Dispur, S.L.	7.07%
Piumoc Inversions, S.A.U.	5.07%
Edrem, S.L.	5.06%
Other shareholders	32.24%
	100.00%

On 3 November 2017, Fluidra, S.A., the syndicated shareholders of the Company, and in Luxembourg, Piscine Luxembourg Holdings 1 S.à.r.l. and Piscine Luxembourg Holdings 2 S.à.r.l., as ultimate and penultimate holders, respectively, of the Luxembourgian company Zodiac Pool Solutions S.à.r.l., signed an investment agreement whereby they agreed to combine the businesses of the Fluidra Group and the Zodiac Group by means of a cross-border merger.

Specifically, the transaction described consists of the cross-border takeover merger by Fluidra, S.A. (absorbing company) of Piscine Luxembourg Holdings 2 S.à.r.l. (absorbed company) in the terms set forth in articles 22 and thereafter of Act 3/2009 of 3 April, on structural modifications to corporations and articles 257 and thereafter of the Luxembourgian Corporations Law of 10 August 1915 (loi du 10 août 1915 sur les sociétés commerciales), with the termination by dissolution without liquidation, of the absorbed company and transfer en bloc of all of its equity to the absorbing company, which shall acquire, by universal succession, the entire equity and rights and obligations of the absorbed company, in the terms and conditions set forth in the join merger project.

The General Meeting of Shareholders of Fluidra, S.A. approved the merger on 20 February 2018 and it finally took effect on 2 July 2018.

The rate of exchange at which the shares of Piscine Luxembourg Holdings 2 S.à r.l. were swapped for Fluidra, S.A. shares is as follows: 69,1666667 ordinary shares in Fluidra, S.A. at Euros 1 par value for each ordinary share in Piscine Luxembourg Holdings 2 S.à.r.l. of Euros 0,01 par value, with no additional monetary compensation. This rate of exchange was verified by an independent expert appointed by the Mercantile Registry.

By virtue of the merger and in accordance with the rate of exchange stated, Fluidra, S.A. issued 83,000,000 new ordinary shares at Euros 1 par value each, representing 42.43% of the share capital of Fluidra, S.A. after the merger, which were submitted to and subscribed by Piscine Luxembourg Holdings 1, S.à.r.l., sole shareholder of the absorbed company, controlled by Rhône Capital. Fluidra, S.A.'s other shareholders (including the Company itself by virtue of its own shares held) are joint owners of 57.7% of the share capital after the merger.

For accounting purposes, this merger has been treated like a direct acquisition, wherein Fluidra, S.A. has been considered the acquiring entity and the assets and liabilities of Piscine Luxembourg Holdings 2 S.à.r.l. have been measured at fair value, as the acquired entity (in accordance with IFRS 3 (amended) Business Combinations). The fair value received by Fluidra, S.A. as a result of the merger is Euros 1,138,760 thousand (see note 5).

b) Share premium

This reserve can be freely distributed, except for the terms established in section f) of this note.

c) Legal reserve

According to the revised text of the Spanish Corporation Law, companies must transfer 10% of profits for the year to a legal reserve until this reserve is equivalent to at least 20% of capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

d) Parent company shares

The movements in treasury shares during the twelve-month period ended 31 December 2018 are as follows:

		Euros	
	Number	Face value	Average acquisition/disposal price
Balances at 01.01.18	1,639,238	1,639,238	4.2024
Acquisitions	682,758	682,758	11.2446
Disposals	(185,308)	(185,308)	(12.4435)
Balances at 31.12.18	2,136,688	2,136,688	6.4072

The time and maximum percentage limits of treasury shares meet the statutory limits.

e) Recognized income and expense

This caption includes the currency translation differences and changes in fair value of available-for-sale financial assets, as well as gains and losses on the measurement at fair value of the hedging instrument that corresponds to the portion identified as an efficient hedge, net of tax effect, if any.

f) Dividends and limitations on the distribution of dividends

However, the Parent Company's voluntary reserves at 31 December 2018 amounting to Euros 50,379 thousand, as well as the share premium and profit/(loss) for the year, are subject to the legal limitations on their distribution.

g) Capital management

The Group's capital management policy applied is in line with the policy described in the Group's consolidated financial statements for the year ended 31 December 2017.

12. Earnings per share

a) Basic earnings

Basic earnings per share amounts are calculated by dividing profit / (loss) for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the twelve-month period ended 31 December 2018 and 2017, excluding own shares.

The breakdown of the basic earnings per share calculation is as follows:

	31.12.2018	31.12.2017
Profit for the period attributable to equity holders of the Parent (thousands of Euros)	(33,922)	31,053
Weighted average number of ordinary shares outstanding	152,309,624	110,915,538
Basic earnings per share from continuing operations (Euros)	(0.22859)	0.28148
Basic earnings per share from discontinued operations (Euros)	0.00588	(0.00151)

Profit for the year corresponds to the profit for the year attributable to equity holders of the Parent.

The weighted average number of ordinary shares was calculated as follows:

	31.12.2018	31.12.2017
Ordinary shares outstanding at 1 January	112,629,070	112,629,070
Effect of changes in treasury shares	(1,705,747)	(1,713,532)
Effect of capital increase	41,386,301	-
Weighted average number of ordinary shares outstanding at 31 December	152,309,624	110,915,538

b) Diluted earnings

Diluted earnings per share are calculated by adjusting profit for the year attributable to equity holders of the Parent and the weighted average number of ordinary shares outstanding for all dilutive effects inherent to potential ordinary shares. Given that there are no potential ordinary shares with dilutive effects, this calculation is not necessary.

13. Provisions

The breakdown of Other provisions is as follows:

	Thousands of Euros			
	31.12.2018		31.12.2017	
	Non-current	Current	Non-current	Current
Guarantees	-	24,111	-	7,249
Provisions for taxes	5,092	-	3,876	-
Provisions for obligations with employees	8,809	-	5,687	-
Provisions for long-term incentives	-	-	4,211	-
Litigation and other liabilities	4,885	-	1,033	-
Total	18,786	24,111	14,807	7,249

The Provisions caption includes, on the one hand, current provisions for warranties provided to cover potential incidents related to the products sold by the Group and, on the other hand, non-current provisions that are described in the following four captions: Provisions for taxes recorded to cover potential risks related to tax obligations in the countries in which the Group operates; Provisions for commitments to employees recorded in accordance with labour legislation in some countries in which the Group operates in order to cover potential future employee compensation and benefits; Provisions for long-term incentives which include the cash compensation for share plan beneficiaries as stated under note 24; and Provisions for litigation and other liabilities, which include provisions recorded by group companies in connection with contingencies arisen as a result of their activities.

At 31 December 2018 the Provisions for long-term incentives have been classified under Salaries payable in Trade and other payables

14. Bank borrowings and other marketable securities

The breakdown of this caption in the consolidated statement of financial position is as follows:

	Thousands of Euros	
	31.12.18	31.12.17
Non-current borrowings	854,078	-
Bank borrowings	2,217	133,757
Obligations under finance leases	159	4,017
Total non-current assets	856,454	137,774
Bank loans	21,063	28,493
ABL credit facility	19,224	-
Non-current borrowings	7,363	-
Bank borrowings	2,572	38,790
Obligations under finance leases	1,371	2,049
Other marketable securities	-	9,978
Total current	51,593	79,310
Total bank borrowings and other marketable securities	908,047	217,084

All the balances shown in the table above correspond to the financial liabilities at amortized cost category.

As a result of the agreements signed between the Fluidra Group and the Zodiac Group on 3 November 2017, both parties undertook to make their best efforts to finance the resulting group. As a result of this process, on 8 March 2018 it was agreed to distribute the different loans included in the syndication process, with the debt refinancing taking effect when the merger took place.

The characteristics and conditions of these loans are as follows:

- Long-Term Euro Loan Tranche amounting to Euros 400 million.

- Long-Term USD Loan Tranche amounting to USD 500 million.

- Long-Term AUD Loan amounting to AUD 75 million.

- Multi-currency revolving credit facility amounting to Euros 130 million.

- ABL credit facility (asset-based loan, mainly clients and inventories) amounting to USD 230 million.

The term agreed is 7 years for the loan in its three tranches with quarterly repayments of 0.25%, and repayment in full at the end of the term; 6 years in the case of the revolving credit facility, and 5 years for the ABL.

The interest rates are index-linked to the Euribor or Libor at 1 month, with spreads ranging between 2.25% and 3.75% depending on the tranche and currency; the revolving credit facility is between 2% and 2.5% based on the leverage ratio; and for the ABL there is a margin of between 1.50% and 2% based on the drawdown.

The Group is obliged to report to the lenders quarterly and there are certain standard limitations on increasing borrowings in loans and credit facilities of this kind. Furthermore the revolving credit facility is subject to compliance with certain financial ratios based on the requirement to keep the Financial Debt/EBITDA ratio below 5.65 when the facility is drawn down more than 40%. With regard to the ABL credit facility, there is a trigger for entering the settlement period based on whether over 90% of the loan or the total facility is drawn down over five consecutive days or in any event over thirty consecutive days.

These loans and credit facilities are subject to arrangement and issuance fees, and an availability commission in the case of credit facilities. In addition, after 45 days from the date of allocation, insurance costs will apply to all tranches of long-term loans held.

As a result of the debt refinancing, the following loans have been cancelled: i) the loan signed by the Zodiac Group on 20 December 2016, ii) the ABL credit facility of the Zodiac Group, also signed on 20 December 2016, iii) the loan and revolving credit facility signed by Fluidra, S.A. with a syndicate of credit institutions on 25 February 2015, and iv) other bilateral loans and credit facilities held by the Fluidra Group. The cancelled bilateral loans amounted to Euros 31,980.

On 11 July 2017, in order to reduce financial costs and diversify sources of financing, Fluidra, S.A. set into action a promissory notes scheme on the Alternative Fixed Income Market (MARF) with a maximum maturity of one year and with a limit of Euros 50 million. On 29 June 2018 the scheme was extended for a further year and for the same amount. There is no debt amount at the close of the twelve-month period ended 31 December 2018.

15. Risk management policy

The Group's risk management policies applied are in line with the policies described in the Group's consolidated financial statements for the year ended 31 December 2017 prepared in accordance with IFRS-EU.

16. Changes in inventories of finished goods and work in progress and raw materials consumables

The breakdown of this income statement caption is as follows:

	Thousands of Euros	
	31.12.2018	31.12.2017 (*)
Purchase of raw and related materials	513,229	396,902
Change in inventories of raw materials, finished products and work in progress and goods for resale	25,086	(7,776)
Charge to the provision for obsolescence	(65)	473
Total	538,250	389,599

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

17. Sales of goods and finished products

The breakdown of sales of goods and finished products by business unit in the twelve months ended 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31.12.2018	31.12.2017 (*)
Residential	665,979	443,093
Commercial	92,557	95,733
Water treatment	152,382	123,361
Fluid handling	72,800	63,268
Pool & Wellness	983,718	725,455
Domestic Irrigation &Water Treatment	24,888	28,620
Industrial & Others	21,035	22,439
Total	1,029,641	776,514

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

In the twelve-month period ended 31 December 2018, the Commercial Pool caption included Euros 7,784 thousand (Euros 11,562 thousand in the corresponding prior year period) relating to the execution of projects where the rendering of services is recognised based on the degree of completion at the closing date, as long as the result of the transaction can be reliably estimated.

There are no customer accounts for sales to third parties greater than 10% of total sales.

18. Income from the rendering of services

This caption includes the revenue from sales transportation services and other logistic services rendered by the Group.

19. Employee benefit expenses

The breakdown of employee benefit expenses in the twelve month periods ended 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31.12.2018	31.12.2017 (*)
Wages and salaries	175,514	126,378
Termination benefits	3,650	1,742
Social security expense	36,236	26,260
Other employee welfare expenses	7,552	10,190
	222,952	164,570

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

The average headcount during the twelve-month periods ended 31 December 2018 and 2017, by professional category, is as follows:

	31.12.2018	31.12.2017 (*)
Management	97	80
Sales, logistics and production staff	3,794	3,362
Administration and purchases staff	1,074	850
	4,965	4,292

(*) Restated following application of IFRS 5 (see note 2b and note 10).

The breakdown of the Group's headcount by gender at the end of the twelve-month periods ended 31 December 2018 and 2017 is as follows:

	31.12.2018	31.12.2017 (*)
Men	3,587	2,864
Women	1,744	1,414
	5,331	4,278

(*) Restated following application of IFRS 5 (see note 2b and note 10).

20. Other operating expenses

The breakdown of other expenses is as follows:

	Thousands of Euros	
	31.12.2018	31.12.2017 (*)
Leases and fees	29,111	23,633
Repairs and maintenance	12,829	10,497
Independent professional services	43,972	16,590
Temporary employment agency expenses	10,368	7,961
Commissions	4,770	4,040
Sales transportation and logistics services	48,449	36,575
Insurance premiums	3,242	2,470
Bank services	1,413	1,473
Advertising and publicity	17,004	10,040
Utilities	9,664	9,494
Communications	3,001	2,998
Travel expenses	15,028	9,855
Taxes	4,477	3,195
Adjustments due to impairment of trade receivables	3,332	1,532
Guarantees	3,868	4,407
Other (**)	19,057	5,635
	229,585	150,395

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

(**) It includes remuneration earned by the members of the Board of Directors, research and development expenses and other expenses.

In the twelve-month period ended 31 December 2018, the Independent Professional Services caption includes the expenses corresponding to the merger and integration of Piscine Luxembourg Holdings 2 S.à.r.l..

21. Finance income and costs

The breakdown of finance income and costs is as follows:

	Thousands of Euros	
	31.12.2018	31.12.2017 (*)
Finance income		
Other finance income	330	677
Reversals due to impairment losses on available-for-sale financial assets	-	13
Reversals due to impairment losses on financial assets at amortised cost:	406	287
Gains on the fair value of financial instruments	1,215	1,200
Total finance income	1,951	2,177
Finance costs		
Interest on debt (leasing, loans, policies and bills discounted)	(5,551)	(7,259)
Other finance costs	(2,352)	(1,354)
Losses on the fair value of financial instruments	(2,071)	(3,116)
Impairment losses on available-for-sale financial assets	-	(440)
Impairment losses on financial assets at amortized cost other than trade and other receivables	(340)	(404)
Non-current interest on loans	(17,797)	-
Total finance costs	(28,111)	(12,573)
Exchange gains/(losses)		
Exchange gains	26,700	18,484
Exchange losses	(28,136)	(21,163)
Total exchange gains / (losses)	(1,436)	(2,679)
Net profit / (loss)	(27,596)	(13,075)

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

The Gains on the fair value of financial instruments caption includes Euros 362 thousand corresponding to the estimate at fair value of the contingent liabilities derived from acquisitions in prior years.

At 31 December 2017 the Gains on the fair value of financial instruments caption included Euros 767 thousand corresponding to the estimate at fair value of the contingent liability derived from the acquisition of Price Chemicals Pty, Ltd.

The Gains on the fair value of financial instruments caption includes Euros 1,677 thousand corresponding to the estimate at fair value of the contingent liabilities derived from acquisitions in prior years.

At 31 December 2018, Interest on debt (leasing, loans, policies and bills discounting) includes the negative effect of the cancellation of the derivatives associated with the syndicated financing, amounting to Euros 1,134 thousand.

22. <u>Deferred taxes and Income tax</u>

During 2018 the Group has availed itself of the consolidated tax return scheme through six tax subgroups: Fluidra, S.A., Zodiac Pool Solutions LLC, Zodiac Pool Solutions PTY LTD, ZPES Holdings, S.A.S., U.S. Pool Holdings Inc. and Fluidra Services Italia, S.R.L. The parent of each subgroup is the tax consolidation parent company which is responsible for the corresponding settlements to the tax authorities. The companies comprising each tax subgroup and the applicable tax rates are as follows:

<u>Fluidra, S.A</u>. (25%)

Fluidra Export, S.A.
Cepex, S.A.U.
Fluidra Commercial, S.A.U.
Fluidra Comercial España, S.A.U.
Fluidra Industry, S.A.U.
Fluidra J.V. Youli, S.L.
Fluidra Services España, S.L.U.
Industrias Mecánicas Lago, S.A.U.
Fluidra Industry España, S.L.U
Inquide, S.A.U.
Metalast, S.A.U.
Poltank, S.A.U.
Fluidra Global Distribution, S.L.U.
Sacopa, S.A.U.
Talleres del Agua, S.L.U.
Togama, S.A.U.
Trace Logistics, S.A.U.
Unistral Recambios, S.A.U.
Fluidra Engineering Services, S.L.
Innodrip, S.L.U.
I.D. Electroquímica, S.L
Puralia Systems, S.L.U.
Fluidra Finco, S.L. (*)

<u>Zodiac Pool Solutions, LLC</u> (23.61%) (**)
Zodiac Pool Systems, LLC (**)
Cover Pools Incorporated (**)

<u>Zodiac Pool Solutions PTY LTD</u> (30%) (**)
Zodiac Group Australia PTY LTD (**)
Fluidra Australia PTY LTD (*)
Price Chemicals PTY LTD (*)

<u>ZPES Holdings, S.A.S.</u> (33.33%) (**)

Zodiac Pool Solutions, S.A.S. (**)
Zodiac International, S.A.S. (**)
Zodiac Pool Care Europe, S.A.S. (**)

<u>U.S. Pool Holdings, Inc.</u> (26.23%)

Fluidra USA, Inc.
Aquaproducts, Inc.
Fluidra Projects USA, Inc.

<u>Fluidra Services Italia, S.R.L.</u> (24%)

Fluidra Commerciale Italia, S.p.a.
Agrisilos, S.R.L. (*)

(*) Companies included in the tax subgroup in 2018.
(**) Newly-acquired companies.

In 2017 the Group availed itself of the consolidated tax return scheme through four tax subgroups: Fluidra, S.A., Fluidra Services France, S.A.S., U.S. Pool Holdings Inc.and Fluidra Services Italia, S.R.L.

The Company and the remaining subsidiaries (except for Fluidra Middle East FZE, Certikin Middle East FZE and La Tienda Swimming Pool Maintenance LLC) are required to file an annual corporate income tax return.

On 30 March 2006 the Company made a capital increase through the non-monetary contribution of shares under the special tax regime set forth in Chapter VIII, Title VII of Royal Legislative Decree 4/2004, of 5 March, which enacts the Revised Text of the Spanish Corporate Income Tax Law.

Initially, the shareholders who contributed shares in the above-mentioned transaction availed themselves of said tax exemption, therefore transferring to the parent company their commitment to the tax authorities regarding the corresponding deferred tax, which amounted to Euros 7,790 thousand. However, on 31 March 2006 these shareholders signed a commitment to the Parent Company to return the entire amount subject to the exemption, which will be callable in the event that the equity shares linked to it are sold by the parent company or the corresponding tax is directly paid by the contributing shareholders in the event that they fully or partially sell the shares received as consideration for said contribution. Consequently, at 31 December 2006 the Company recognized a non-current deferred tax and a non-current account receivable for the above-mentioned amount. In the event that the Company generated a collection right to the contributing shareholders, the amount to be paid by the contributing shareholders will be offset with future dividends to be distributed by the Company. After the sale of shares carried out by the shareholders on 31 October 2007 due to the Company's initial public offering, the non-current deferred tax and the non-current account receivable were reduced to Euros 1,138 thousand, which are included in the Other non-current accounts receivable caption. At 31 December 2018 and 2017 neither non-current deferred tax nor non-current account receivable have shown any variation.

The breakdown of the corporate income tax expense is as follows:

	Thousands of Euros	
	31.12.2018	31.12.2017 (*)
Current tax		
For the year	14,215	13,183
Tax deductions	(1,304)	(2,589)
Adjustment in respect of prior years	90	153
Provision for taxes	683	1,477
Other	396	-
Deferred taxes		
Origination and reversal of temporary differences	(13,416)	(3,826)
Tax credit for unused tax loss carryforwards and deductions	3,974	4,585
Effect of the change in the tax rate	(782)	-
Total income tax expense	3,856	12,983

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

The reconciliation of current income tax with current net income tax liabilities is as follows:

	Thousands of Euros	
	31.12.2018	31.12.2017 (*)
Current tax	12,911	10,594
Withholdings and payments made on account during the year	(12,291)	(16,112)
Other	(2,300)	434
Translation differences	(53)	-
Additions from business combinations (note 5)	(12,064)	-
Liabilities derecognized due to the sale of group companies (note 5)	-	-
Tax payable in 2017	(7,896)	-
Tax payable in 2018	-	(6,579)
	(21,693)	(11,663)

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

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

	Thousands of Euros	
	31.12.2018	31.12.2017 (*)
Profit for the year before tax from continuing operations	(28,961)	45,965
Profit at 25%	(7,240)	11,491
Effect of applying different tax rates in other countries	5,834	6,906
Permanent differences	7,125	(4,025)
Utilization of unrecognized loss carryforwards from prior years	(2,749)	(548)
Differences in the income tax expense from prior years	90	153
Withholding at source on income earned abroad	583	
Provision for taxes	683	
Tax deductions generated in the year	(1,304)	(2,589)
Effect of the change in the tax rate	(830)	-
Other	1,664	1,595
Income tax expense	3,856	12,983

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

Deferred tax assets related to unused tax loss carryforwards and unused tax credits recorded in the consolidated financial statements of the Group at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31.12.2018	31.12.2017
Deductions	3,246	3,611
Tax loss carryforwards	49,382	3,422
	52,628	7,033

The Group has recognized these assets since it expects to utilize them against future tax profit.

Group companies are open to inspection for all applicable taxes to which they are liable for the legal tax periods open to inspection in each country. The Group does not expect that any significant additional liabilities will arise for the companies in the event of a potential tax inspection.

The Spanish companies are open to inspection for the following tax periods:

Tax	Open tax periods
Corporate income tax	From 2013 to 2018
Value added tax	From 2015 to 2018
Personal income tax	From 2015 to 2018
Tax on Economic Activities	From 2015 to 2018

During 2018 the Spanish tax authorities notified that verification and investigation proceedings had started for the income tax of the Parent of the tax group Fluidra, S.A.. The years being inspected for the income tax are 2013-2016. The inspections are partial, limited only to checking the distribution among the Group companies of management support service costs. The Company's Directors consider that no additional significant contingent liabilities will arise other than those already recorded, and the additional tax payable, if any, would not have a significant impact on the consolidated financial statements of the company.

Fluidra Maroc, S.A.R.L., Fluidra Brasil Indústria e Comércio LTDA, Fluidra Industry France, S.A.S., Talleres del Agua, S.L.U., Fluidra Commerciale Italia, S.P.A., Agrisilos, S.R.L., and Zodiac Pool Deutschland GMBH are currently being inspected, although no significant liabilities are expected to arise for the Fluidra Group.

The Company's Directors consider that, if there were additional inspections to the ones already mentioned, the possibility of additional contingent liabilities arising is remote and, the additional tax payable, if any, would not have a significant impact on the interim consolidated financial statements of the Group taken as a whole.

23. Related party balances and transactions

The breakdown of balances receivable from and payable to related parties and associates and their main characteristics is as follows:

	Thousands of Euros			
	31.12.2018		31.12.2017	
	Receivable balances	Payable balances	Receivable balances	Payable balances
Customers	315	-	278	-
Debtors	44	-	232	-
Suppliers	-	746	-	651
Creditors	-	-	-	25
Total current	359	746	510	676

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

Current related-party transactions correspond to the Company's normal trading activity, have been carried out on reasonnable arm’s length basis and mainly include the following transactions:

a. Purchases of finished products, purchases of spas and accessories from Iberspa, S.L. (with ownership interest by Boyser, S.R.L., Edrem, S.L., Dispur, S.L. And Aniol, S.L.).

b. Lease agreements on buildings between the Group and Inmobiliaria Tralsa, S.A., Constralsa, S.L. And Stick Inmobiliere (with ownership interest by Boyser, S.R.L., Edrem, S.L., Dispur, S.L. and Aniol, S.L.) included in expenses from services.

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

d. Rendering of services by the Group to Iberspa, S.L.

The nature of the relationship with the above-mentioned related parties is the existence of significant shareholders in common.

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

	Thousands of Euros			
	31.12.2018		31.12.2017	
	Associates	Related parties	Associates	Related parties
Sales	484	897	478	1,020
Income from services	32	230	37	203
Purchases	(185)	(5,525)	(162)	(5,660)
Expenses from services and other	-	(2,929)	-	(3,015)

Leases related to buildings between the Group and related parties amount to Euros 2.853 thousands, having the analysis to market comparability pending for the year 2018.

b) **Information on the Parent Company's Directors and the Group's key management personnel**

No advances or loans have been given to key management personnel or Directors.

The remuneration earned by key management personnel and Directors of the Company is as follows:

	Thousands of Euros	
	31.12.2018	31.12.2017
Total key management personnel	8,404	2,222
Total Directors of the Parent Company	5,182	1,645

The members of the Parent Company's Board of Directors have earned a total of Euros 1,009 thousand in the twelve-month period ended 31 December 2018 (Euros 861 thousand in the same period of 2017) from the consolidated companies in which they act as board members. Additionally, for their executive duties, they have received Euros 4,084 thousand in the twelve-month period ended 31 December 2018 (Euros 697 thousand in the same period of 2017). The executive function includes remuneration in kind corresponding to the share plan, vehicle and life insurance. Similarly, the members of the Board of Directors have received Euros 89 thousand compensation for travel expenses (Euros 87 thousand in 2017).

In January 2019, the 2015-2018 plan consolidated on 31 December 2018 was settled. Mr Eloy Planes is a beneficiary of this plan.

The Company has life insurance policies whereby the Company has recognized an expense of Euros 67 thousand during the twelve-month period ended 31 December 2018 (Euros 25 thousand in 2017). These life insurance policies consist in an income supplement in the event of total permanent invalidity.

Furthermore, the Company has made contributions to benefit plans and pension plans amounting to Euros 112 thousand in the twelve-month period ended 31 December 2018 (Euros 24 thousand in 2017).

During the twelve-month period ended 31 December 2018, civil liability insurance premiums for all the Group's directors to cover damages arising in the performance of duties during the year have been paid amounting to Euros 75 thousand (Euros 35 thousand in 2017). In addition, the Company has arranged run-off insurance to cover potential contingencies arising from the former shareholder amounting to Euros 128 thousand.

The Group's key management includes the executives that answer directly to the Board of Directors or senior management, as well as the internal auditor.

At the general meeting held on 5 May 2015 the shareholders approved a new long-term variable remuneration plan for executive directors and the executive team of Fluidra, S.A. and the subsidiaries comprising the consolidated group.

The new plan is implemented through the granting of a certain number of performance share units (PSUs), which will be settled in Company shares once a certain period of time has elapsed. 25% of these PSUs may be directly converted into shares once certain length-of-services requirements are met. The remaining 75% may be converted subject to the following financial objectives: 50% are subject to the evolution of the quotation of Fluidra shares, and 50% to the evolution of the EBITDA of Fluidra or the EBIT of the Fluidra subsidiary for which the beneficiary is responsible.

The maximum number of PSUs to be granted under the new plan amounts to 1,672,615, without prejudice to the inclusion of new executives to this plan, with a maximum limit of 2,161,920 shares.

At 31 December 2017, this number of shares was insufficient to cover the total shares resulting from applying the degree of attainment of the metrics (3,076,819 shares).

Therefore, based on the proposal of the Appointment and Remuneration Committee, the Board of Directors has decided to make cash payments for each share exceeding the maximum number of shares authorised by the General Shareholders' Meeting, at a value of Euros 8 per share. The beneficiaries of this cash compensation are members of management who are on the Group's payroll at the date of settlement of the plan, with the exception of the executive chairman, who will receive a distribution proportional to the shares authorised by the General Shareholders' Meeting. The total number of shares expected to be settled via equity instruments or in cash is 2,951,489 shares.

At 31 December 2018 the best estimate of the fair value of the plan's total amount comes to approximately Euros 10,755 thousand, which will be settled as Euros 3,579 in equity instruments and Euros 7,176 thousand in cash. At 31 December 2018 an equity increase was recorded for the amount of Euros 1,266 thousand (Euros 1,277 thousand at 31 December 2017), which corresponds to the portion to be settled via equity instruments. The portion of the plan to be settled in cash has been recorded in Salaries payable under the heading Trade and other payables for Euros 2,965 thousand (Euros 4,211 thousand at 31 December 2017).

The plan started on 1 January 2015 and will end on 31 December 2018, although effective settlement will occur during January 2019.

Certain members of Zodiac Group management held payment agreements based on shares in the company Piscine Luxembourg Holdings 1 S.à r.l. (LuxCo) signed between both parties during the first half of 2017 (the Original Plan), The merger agreements between Fluidra and LuxCo stipulated the replacement of this Original Plan with an alternative plan (the Replacement Plan) in the terms signed between Rhône Capital L.L.C. and beneficiary management staff, in order for the plan to be aligned with, and not to preclude, the objectives and schedule of the 2018-2022 Incentive Plan to be implemented by Fluidra.

The Replacement Plan grants management staff three different instruments:

- Shares in LuxCo convertible to shares in Fluidra, S.A. or cash at the date of their liquidation by the management staff who are currently shareholders of LuxCo and subject to the Original Plan ("Common Equity roll-over").

- Shares in LuxCo convertible to shares in Fluidra, S.A. or cash at the date of their liquidation by the management staff who hold the MIV in an equivalent number of shares to the value of the MIV under the Original Plan ("MIV Interest roll-over").

- Restricted additional shares in LuxCo, convertible to shares in Fluidra, S.A. or cash at the liquidation date ("Restricted shares").

Generally speaking, the stated instruments are subject to conditions of permanency as employees of the Company, complying with Rhône Capital L.L.C.'s financial objectives, share lock-up periods and repurchase options in the event the member of management staff leaves the company. The periods of consolidation of rights and/or lock-in periods, whichever the case, depend on the total or partial departure of Rhône Capital L.L.C. from Fluidra, S.A. in line with the different tranches contained in the three aforementioned instruments of the plan. In all cases the commitments are payable entirely in Fluidra, S.A. shares or cash.

In accordance with IFRS 3, the change of plan in these circumstances should be analysed in order to determine to what extent the impact should be counted as services performed before the transaction, after it, or a combination of both. The services counted as before the transaction have been included in the price paid, whilst services counted as after the transaction date are taken to the Income Statement as salaries throughout the remaining period until the right accrues. In this case, although it impacts on the income statement by way of services rendered by management staff who are beneficiaries of the plan, Fluidra, S.A. is not required to settle the Replacement Plan since Rhône Capital L.L.C. is obliged to pay for the plan.

The best estimate of services counted after the transaction amounts to Euros 10,958 thousand. At 31 December 2018, an equity increase was recorded in this respect for the amount of Euros 1,218 thousand.

Furthermore, on 27 June 2018 the General Meeting of Shareholders approved a new long-term variable remuneration plan for executive directors and the executive team of Fluidra, S.A. and the subsidiaries comprising the consolidated group. This plan includes the delivery of Fluidra, S.A., shares, becoming effective following the merger.

The 2018-2022 plan entails the concession of a certain number of PSUs which will be taken as a reference to determine the final number of shares to be delivered to the beneficiaries after a certain period of time, provided that certain strategic objectives of the Fluidra Group are met and the requirements set forth in the Regulations are fulfilled.

The specific number of shares in Fluidra, S.A. in terms of the PSUs on concession and attached to the compliance of the financial targets, will be established based on the following metrics:

a) The evolution of Fluidra, S.A.'s Total Shareholder Return (TSR) in absolute terms.
b) The evolution of the Fluidra Group's EBITDA.

For the purposes of measuring the evolution of the TSR, the initial value taken shall be the price per share in Fluidra, S.A. that was used to calculate the exchange equation resulting from the merger between the Fluidra and Zodiac Groups, i.e. Euros 8. The target EBITDA is the amount resulting from the approved Fluidra, S.A. strategic plan.

The 2018-2022 plan covers the years from 1 January 2018 to 31 December 2021 and there is, therefore, an additional period of one year up to 31 December 2022 during which the beneficiaries will remain on the plan.

The maximum number of shares to be distributed under the 2018-2022 plan is 5,737,979 shares.

At 31 December 2018 the best estimate of the fair value of the plan's total amount comes to approximately Euros 31,444 thousand, which will be settled in full in equity instruments. At 31 December 2018, an equity increase was recorded in this respect for the amount of Euros 2,092 thousand.

c) Transactions performed by the Directors of the Parent Company outside of its ordinary course of business or other than on an arm's length basis

During the twelve-month period ended 31 December 2018 and 2017 the Directors of the Parent Company have not carried out any transactions with the Company or with group companies other than those conducted on an arm's length basis in the normal course of business.

d) Situations representing a conflict of interest for the Directors of the Parent Company.

Neither the Company's directors nor any persons related to them were party to any conflicts of interest requiring disclosure in these notes pursuant to the provisions of article 229 of the consolidated text of the Corporate Enterprises Act.

24. Other commitments and contingencies

At 31 December 2018 and 2017 the Group has not presented any mortgage guarantees.

At 31 December 2018, the Group has guarantees from financial institutions and other companies amounting to Euros 6,105 thousand (Euros 5,133 thousand in 2017).

25. EBITDA

The consolidated income statement shows the amount corresponding to EBITDA, whose definition for the purpose of these financial statements is as follows:

Sales of goods and finished products + Income from services rendered + Work performed by the Group and capitalized as non-current assets + Profit from sales of fixed assets – Change in inventories of finished products and work in progress and consumables of raw materials – Employee benefits expense – Other operating expenses + Share in profit/(loss) for the year from associates accounted for using the equity method.

Calculation of EBITDA for 2018 and 2017	Thousands of Euros	
	31.12.2018	31.12.2017 (*)
Sales of goods and finished products	1,029,641	776,514
Income from services rendered	18,184	15,734
Work performed by the Group and capitalized as non-current assets	7,854	5,338
Profit/(loss) from sales of fixed assets	406	2,192
Change in inventories of finished products and work in progress and raw materials consumables	(538,250)	(389,599)
Employee benefits expense	(222,952)	(164,570)
Other operating expenses	(229,585)	(150,395)
Share in profit/(loss) for the year from associates accounted for using the equity method	64	(32)
EBITDA	65,362	95,182

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

26. Subsequent events

In compliance with the commitments undertaken by the Fluidra Group with the European Commission relating to the statement of merger with the Zodiac Group deemed compatible with the domestic market, on 31 January 2019 the sale of 100% of the share capital of Aquatron Robotic Technology Ltd. to BWT Aktiengesellschaft was completed with the ultimate approval of the European Commission.

Aquatron Robotic Technology Ltd. mainly engages in the development, manufacture and sale of electronic pool cleaners. Its key asset is a fully equipped manufacturing plant for the production of electronic pool cleaners located in Israel.

According to the terms of the sale and purchase agreement, BWT Aktiengesellschaft has paid Fluidra an initial amount of Euros 24 million. A deferred payment of Euros 4.3 million shall be made in the first quarter of 2022. In addition, the Fluidra Group will receive the non-operating cash surplus at the date of sale.

This sale will not have a significant impact on the shareholders' funds or the profit of the Fluidra Group.

Fluidra, S.A. and Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

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

In accordance with art. 12 of R.D. 1362/2007 on 27 February 2019 the Board of Directors of Fluidra, S.A. approved for issue the interim condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (which comprise the interim condensed consolidated statements of financial position, the interim condensed consolidated income statements, the interim condensed consolidated statements of comprehensive income, the interim condensed consolidated statements of changes in equity, the interim condensed consolidated cash flow statements and the notes to the interim condensed consolidated financial statements) for the twelve-month periods ended 31 December 2018 and 2017. In witness whereof, they are hereby signed on this sheet, by all the members of the Board of Directors, as well as by the secretary of the Board, Mr. Albert Collado Armengol, on each of the sheets comprising the aforementioned documents for identification purposes.

Mr. Eloy Planes Corts

Mr. Bruce Walker Brooks

Mr. Juan Ignacio Acha-Orbea Echeverría

Mr. Richard Cathcart

Mr. Jorge Valentín Constans Fernández

Mr. Bernardo Corbera Serra

Piumoc Inversions, S.A.U.
Mr. Bernat Garrigós Castro

Mr. Michael Steven Langman

Mr. Gabriel López Escobar

Mr. Sebastien Simon Mazella Di Bosco

Mr. Oscar Serra Duffo

Mr. José Manuel Vargas Gómez

FLUIDRA, S.A.
AND SUBSIDIARIES

Detail of the corporate name and purpose
of the subsidiaries, associates
and joint ventures directly or indirectly owned

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

Subsidiaries accounted for using the full consolidation method

- Agrisilos, S.R.L., domiciled in Vescovato (Italy), is mainly engaged in the production, processing, assembly and marketing of plastic products and other materials for use in agricultural and industrial settings, swimming pools, swimming pool equipment and supplies, water treatment products, robotic cleaning devices and membranes for projects in the gas industry and, in general, products and accessories, spare parts, expandable structures and products relating to the wellness market, including maintenance, repair, management and other services relating to the abovementioned activities.

- AO Astral SNG, domiciled in Moscow (Russia), is mainly engaged in the purchase of pool materials for subsequent sale in the Russian market.

- Aqua Products Inc. domiciled in New Jersey (USA), is mainly engaged in the manufacture and distribution of electronic pool cleaners for public and private pools.

- Aquatron Robotic Technology, Ltd, domiciled in Afula (Israel), is mainly engaged in the manufacture and distribution of electronic pool cleaners for public and private pools.

- Astral Bazénové Prislusentsvi, S.R.O., domiciled in Praha-Vychod (Czech Republic), is mainly engaged in the marketing of pool accessories.

- Astral India Private, Limited, domiciled Mumbai (India), is mainly engaged in the marketing of pool material.

- Astralpool Cyprus, LTD, domiciled in Limassol (Cyprus), is mainly engaged in the distribution of pool-related products.

- Astralpool Hongkong, CO., Limited, domiciled in Hong Kong (HongKong), is mainly engaged in the marketing of pool-related accessories.

- Astral Pool México, S.A. de C.V., domiciled in Tlaquepaque (Mexico), is mainly engaged in the marketing of pool material.

- Fluidra Switzerland, S.A. (formerly Astral Pool Switzerland, S.A.), domiciled in Bedano (Switzerland) is mainly engaged in the marketing of pool material.

- Astralpool (Thailand) Co., Ltd, domiciled in Samuthprakarn (Thailand), is mainly engaged in the marketing of pool-related accessories.

- Astralpool UK Limited., domiciled in Hants (England), is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.

- Cepex Mexico, S.A. de CV., domiciled in Mexico City (Mexico), is mainly engaged in the marketing of fluid handling products.

- Cepex S.A.U., domiciled in Granollers (Barcelona, Spain), is mainly engaged in the manufacture, production and distribution of plastic material by injection system and, in particular, plastic parts for armature.

- Certikin International, Limited, domiciled in Witney Oxon (England), is engaged in the marketing of swimming-pool products.

Fluidra, S.A. and subsidiaries

Detail of the corporate name and purpose
of the subsidiaries, associates
and joint ventures directly or indirectly owned

- Certikin Swimming Pool Products India Private Limited, domiciled in Bangalore (India), is mainly engaged in the marketing of swimming-pool products.

- Certikin International (Ireland) Limited, domiciled in Dublin (Ireland), is mainly engaged in providing financial advisory services in the acquisition of new shares.

- Cover Pools Incorporated, domiciled in West Valley City (USA), is mainly engaged in the manufacture and distribution of automatic pool covers.

- Fluidra Adriatic D.O.O., domiciled in Zagreb (Croatia) is mainly engaged in the purchase, sale and distribution of machinery, equipment, materials, products and special equipment for pool and water system maintenance.

- Fluidra Al Urdoun Fz, domiciled in Zarqa Free Zone (Jordan) is mainly engaged in the marketing of pool material.

- Fluidra Assistance, S.A.S, domiciled in Perpignan (France), is engaged in the installation, assembly and operation of all products and materials related to pools and water treatment, as well as after-sale services, maintenance and installation of these products and materials.

- Fluidra Australia PTY LTD, domiciled in Melbourne (Australia), is mainly engaged in the purchase, sale and distribution of machinery, equipment, products and special equipment for pool and water system maintenance. This company is the parent of the Australia Group, and fully owns Hurlcon Staffing Pty Ltd, Hurlcon Investments Pty Ltd, Hurlcon Research Pty Ltd. (dormant), and Rolachem Pty Ltd. (dormant), in addition to Astral Pool Australia Pty Ltd.

- Fluidra Balkans JSC, domiciled in Plovdiv (Bulgaria) is mainly engaged in the purchase, sale and distribution of machinery, equipment, materials, products and special equipment for pool and water system maintenance.

- Fluidra Belgique, S.R.L., domiciled in Carcelles (Belgium), is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.

- Fluidra Brasil Indústria e Comércio LTDA, domiciled in Itajaí (Brazil), is mainly engaged in the marketing, import, export and distribution of equipment, products and services for fluid handling, irrigation, swimming-pools and water treatment, as either partner or shareholder in other companies. Rendering of technical assistance services for machines, filters and industrial and electrical and electronic equipment. Rental of machines and industrial and/or electrical and electronic equipment.

- Fluidra Chile, S.A., domiciled in Santiago de Chile (Chile), is mainly engaged in the distribution and marketing of swimming-pool, irrigation and water treatment and purification products.

- Fluidra Colombia, S.A.S., domiciled in Funza (Colombia), is engaged in the purchase and sale, distribution, marketing, import, export of all types of machinery, equipment, components and machinery parts, tools, accessories and products for swimming-pools, irrigation and water treatment and purification in general, built with both metal materials and any type of plastic materials and plastic derivatives.

Fluidra, S.A. and subsidiaries

Detail of the corporate name and purpose
of the subsidiaries, associates
and joint ventures directly or indirectly owned

- Fluidra Comercial España, S.A.U., domiciled in Polinyà (Barcelona, Spain), is engaged in the manufacture, purchase and sale and distribution of all types of machinery, equipment, components and machinery spare parts, tools, accessories and products for swimming-pools, irrigation and water treatment and purification. This company is the parent of the F.C.España group, and holds a 67.5% interest in the company Tecnical Pool Service, S.L.

Fluidra Commerciale Italia, S.P.A. (merged with Inquide Italia, S.R.L.), domiciled in Brescia (Italy), is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.

- Fluidra Commerciale France, S.A.S., domiciled in Perpignan (France) is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.

- Fluidra Commercial, S.A.U., domiciled in Sabadell (Barcelona, Spain) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

- Fluidra Danmark A/S, domiciled in Roedekro (Denmark), is engaged in the import of technical components and equipment for all types of water treatment processes.

- Fluidra Deutschland, GmbH, domiciled in Hirschberg (Germany) is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.

- Fluidra Egypt, Egyptian Limited Liability Company, domiciled in Cairo (Egypt), is mainly engaged in the marketing of swimming-pool accessories.

- Fluidra Engineering Services, S.L.U., domiciled in Sabadell (Barcelona, Spain) is engaged in the rendering of advisory services for group companies.

- Fluidra Export, S.A.U., domiciled in Polinyà (Barcelona, Spain), is engaged in both domestic and foreign marketing of all types of products and goods, mainly in the marketing of pool-related products, basically acquired from related parties.

- Fluidra Finco, S.L.U., domiciled in Sabadell (Barcelona, Spain), is engaged in the manufacture, purchase and sale and distribution of all types of products for swimming-pools, irrigation and water treatment and purification, as well as the marketing of such products both in the domestic market and abroad, and the representation of brands and commercial and industrial enterprises engaged in the manufacture of the aforementioned products.. The company is also engaged in investing in all types of business and enterprises, and advising, managing and administering the companies in which it holds an ownership interest

- Fluidra Global Distribution, S.L.U., domiciled in Polinyà (Barcelona, Spain), is engaged in the purchase and sale of all types of swimming-pool products and their distribution to group companies.

- Fluidra Hellas, domiciled in Aspropyrgos (Greece), is mainly engaged in the distribution of pool-related products.

- Fluidra Holdings South Africa Pty Ltd, domiciled in Johannesburg (South Africa) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

Fluidra, S.A. and subsidiaries

Detail of the corporate name and purpose
of the subsidiaries, associates
and joint ventures directly or indirectly owned

- Fluidra Indonesia PT, domiciled in Jakarta (Indonesia) is engaged in the purchase and sale, import, export, storage, manufacture and, in general, marketing of all types of goods, equipment, components, machinery, accessories and chemical specialties for swimming-pools, irrigation and water treatment.

- Fluidra Industry España, S.A.U., domiciled in Sabadell (Barcelona, Spain) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest- Fluidra Industry France, S.A.S., domiciled in Perpignan (France), is engaged in the manufacture of automatic pool covers.

- Fluidra Industry, S.A.U., domiciled in Sabadell (Barcelona, Spain) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

- Fluidra JV Youli, S.L.U. domiciled in Sabadell (Barcelona, Spain), is engaged in the administration, management and operation of its interest in the share capital of the Chinese company Fluidra Youli Fluid Systems (Wenzhou) Co., LTD.

- Fluidra Kazakhstan Limited Liability Company, domiciled in Almaty City (Kazakhstan), is engaged in the purchase of swimming-pool material for subsequent sale in the domestic market.

- Fluidra Magyarország, Kft, domiciled in Budapest (Hungary), is mainly engaged in the marketing and assembly of machinery and accessories for swimming-pools, irrigation and water treatment and purification.

- Fluidra Malaysia SDN.BHD, domiciled in Johor (Malaysia) is mainly engaged in the marketing of swimming-pool material.

- Fluidra Maroc, S.A.R.L., domiciled in Casablanca (Morocco), is engaged in the import, export, manufacture, marketing, sale and distribution of spare parts for swimming-pools, irrigation and water treatment.

- Fluidra México, S.A. DE CV, domiciled in Mexico City (Mexico) is engaged in the purchase and sale, import, export, storage, manufacture and, in general, marketing of all types of goods, equipment, components, machinery, accessories and chemical specialties for swimming-pools, irrigation and water treatment.

- Fluidra Middle East Fze, domiciled in Jebel Ali (Dubai), is engaged in the marketing of equipment for swimming-pools and water treatment, as well as related accessories.

- Fluidra Montenegro DOO domiciled in Podgorica (Montenegro) is mainly engaged in the purchase, sale and distribution of machinery, equipment, materials, accessories, products and special equipment for pool and water system and irrigation maintenance.

- Fluidra Österreich GmbH “SSA”, domiciled in Salzburg (Austria) is mainly engaged in the marketing of swimming-pool products.

- Fluidra Polska, SP. Z.O.O., domiciled in Wroclaw (Poland) is mainly engaged in the marketing of pool accessories.

- Fluidra Comercial Portugal Unipessoal, Lda., domiciled in São Domingo da Rana (Portugal), is engaged in the manufacture, purchase and sale, distribution, marketing, export and import of all types of swimming-pool products.

Fluidra, S.A. and subsidiaries

Detail of the corporate name and purpose
of the subsidiaries, associates
and joint ventures directly or indirectly owned

- Fluidra Projects USA Inc. domiciled in Wilmington (USA), is engaged in the management, advice and performance of sports, leisure and health centres projects and works, through its own technical, personnel and organizational means or through third-party subcontracting.

- Fluidra Romania S.A., domiciled in Bucharest (Romania) is mainly engaged in the purchase, sale and distribution of machinery, equipment, materials, accessories, products and special equipment for pool and water system and irrigation maintenance.

- Fluidra Serbica, D.O.O. Beograd, domiciled in Belgrade (Serbia) is mainly engaged in the marketing of swimming-pool material.

- Fluidra Services España, S.L.U., domiciled in Granollers (Barcelona, Spain), is mainly engaged in the rendering of administrative services, legal, tax and financial advisory services, staff management and training and computer services.

- Fluidra Services France, S.A.S., domiciled in Perpignan (France), is mainly engaged in the rendering of administrative services, legal, tax and financial advisory services, staff management and training and computer services.

- Fluidra Services Italia, S.R.L., domiciled in Brescia (Italy), is engaged in the rendering of services and real estate activity.

- Fluidra Singapore, PTE LTD, domiciled in Singapore (Singapore), is mainly engaged in the marketing of pool-related accessories.

- Fluidra South Africa (Pty), Ltd, domiciled in Johannesburg (South Africa), is engaged in the manufacture, purchase and sale and distribution of all types of machinery, equipment, components and machinery spare parts, tools, accessories and products for swimming-pools, water treatment and fluid handling.

- Fluidra Nordic AB, domiciled in Mölndal (Sweden) is mainly engaged in the purchase, sale, import, export of product categories and products directly or indirectly required for the marketing of materials for swimming-pools, water treatment equipment and related activities.

- Fluidra (Thailand) Co., Ltd, domiciled in Samuthprakarn (Thailand), is engaged in the holding and use of equity shares and securities.

- Fluidra Tunisie, S.A.R.L., domiciled in El Manar (Tunisia), is mainly engaged in the performance of surveys and providing marketing advisory services.

- Fluidra Tr Su Ve Havuz Ekipmanlari AS, domiciled in Kartal (Turkey), is engaged in the import of equipment, chemical products and other secondary materials necessary for swimming-pools, and their subsequent distribution.

- Fluidra USA, INC, domiciled in Jacksonville (USA), is engaged in the marketing of pool-related products and accessories.

- Fluidra Vietnam LTD, domiciled in Ho Chi Minh City (Vietnam) is engaged in advising, allocating and installing pool filtering systems and water applications, as well as the import, export and distribution of wholesale and retail products.

Fluidra, S.A. and subsidiaries

Detail of the corporate name and purpose
of the subsidiaries, associates
and joint ventures directly or indirectly owned

- Fluidra Waterlinx Pty, Ltd (formerly Waterlinx Pty, Ltd), domiciled in Johannesburg (South Africa), is mainly engaged in the manufacture and distribution of swimming-pools, equipment and spa and garden accessories. This company is the parent of the Waterlinx Group, and fully owns the companies Waterlinx International Pty Ltd, and Waterlinx Industrial and Irrigation Pty Ltd.

- Fluidra Youli Fluid Systems (Wenzhou) Co., LTD, domiciled in Luishi Town, Yueqing City (China), is mainly engaged in the development, production and sale of fluid handling products.

- I.D. Electroquímica, S.L., domiciled in Alicante (Alicante, Spain), is engaged in the sale of all types of process development machines and eletrochemical reactors.

- Industrias Mecánicas Lago, S.A.U., domiciled in Sant Julià de Ramis (Girona, Spain), is engaged in the manufacture and marketing of liquid and fluid transfer pumps, swimming-pools and their accessories.

- Innodrip, S.L.U., domiciled in Sabadell (Barcelona, Spain) is engaged in the rendering of services aimed at the sustainable use of water.

- Inquide, S.A.U., domiciled in Polinyà (Barcelona, Spain), is mainly engaged in t manufacture of chemical products and specialties in general, excluding pharmaceutical products.

- La Tienda Swimming Pool Maintenance LLC, domiciled in Dubai (Dubai), is mainly engaged in the maintenance, installation and sale of pools.

- Laghetto France, S.A.R.L., domiciled in Saint-Cannat (France), is mainly engaged in the purchase and sale of sports, leisure and pool materials and equipment and related accessories.

- Loitech (Ningbo) Heating Equipment Co, Ltd, domiciled in Zhenhai (China), is engaged in the production and installation of heat pumps for swimming-pools, as well as other accessories necessary for the assembly.

- Manufacturas Gre, S.A.U. (merged with Swimco Corp, S.L.U.), domiciled in Munguia (Vizcaya, Spain), is engaged in the manufacture and marketing of products, accessories and pool-related products.

- Me 2000, S.R.L., domiciled in Brescia (Italy), is engaged in property development and lease.

- Metalast, S.A.U., domiciled in Polinyà (Barcelona, Spain), is engaged in the manufacture of metal articles, boiler works, street furniture and wholesale sale of accessories.

- Ningbo Dongchuan Swimming Pool Equipements Co., LTD, domiciled in Ningbo (China), is engaged in the production and installation of swimming-pool equipment, brushes, plastic and aluminium products, industrial thermometer, water disinfection equipment and water testing equipment. Import and export of technology for own use or as an agent.

- Ningbo Linya Swimming Pool & Water Treatment Co., Ltd., domiciled in Ningbo (China), is engaged in the design, research, development and production of swimming-pool and water disinfection equipment, pumps, dehumidifiers, metal products, plastic products and vitreous coatings.

- Piscine Luxembourg Holdings 3, S.A.R.L., domiciled in Luxembourg (Luxembourg) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

Fluidra, S.A. and subsidiaries

Detail of the corporate name and purpose
of the subsidiaries, associates
and joint ventures directly or indirectly owned

- Piscines Techniques 2000, S.A.S., domiciled in Perpignan (France), is engaged in the sale of spare parts for swimming-pools; the purchase and sale of swimming-pool equipment and used water systems; the sale, distribution, marketing, repair and maintenance of swimming-pool equipment, gardening, irrigation and water treatment; and technical advice to swimming-pool and water professionals.

- Poltank, S.A.U., domiciled in Sant Jaume de Llierca (Girona, Spain), is engaged in the manufacture and marketing of swimming-pools filters by injection, projection and lamination.

- Poolweb, SAS, domiciled in Lyon (France), is engaged in the purchase and sale of equipment used in pools and other businesses related to water and relax, technical assistance to professionals in the field and creation and sale of computer programs related to the above activities.

- Price Chemicals PTY LTD, domiciled in Melbourne (Australia) is engaged in the production and distribution of chemical products for swimming-pools and spas. It imports and locally produces its own brands of renowned chemical products in both the residential and commercial markets.

Productes Elastomers, S.A., domiciled in Sant Joan Les Fonts (Girona, Spain), is engaged in the manufacture of rubber molded parts, as well as all types of natural and synthetic rubber; the execution and development of techniques for the maintenance of pressure rollers; their repair and trueing; and in general, the production, manufacture and processing of all types of rubber and plastic products.

- Puralia Systems, S.L.U., domiciled in Cervelló (Barcelona, Spain), is engaged in the marketing of machinery, materials, tools and accessories for water installations and treatment.

- Riiot Labs NV/SA, domiciled in Seraing (Belgium), is mainly engaged in the design, development, manufacture, marketing and operation, by any means, including via the granting of patents and licences to third parties, of objects linked to the analysis and treatment of swimming-pool water quality and IT software relating to these objects and any similar, comparable or supplementary product.

- Sacopa, S.A.U., domiciled in Sant Jaume de Llierca (Girona, Spain), is mainly engaged in the processing, marketing and sale of plastic materials, as well as the manufacture, assembly, processing, purchase and sale and distribution of all types of lighting and decoration devices and tools. Foreign and domestic trading activities of all types of goods and products directly and indirectly related to the above products, their purchase and sale and distribution. Representation of domestic and foreign brands and commercial and industrial enterprises engaged in the manufacture of the aforementioned products.

- SET Energietechnick GMBH, domiciled in Hemmingen (Germany), is mainly engaged in the distribution and sale of dehumidifiers and fans.

- SIBO Fluidra Netherlands B.V., domiciled in Veghel (the Netherlands), is engaged in the manufacture and distribution of natural pools and water installations.

- Fluidra India Private Limited (formerly Splash Water Traders Pvt. Ltd.), domiciled in Chennai (India), is mainly engaged in the marketing of swimming-pool material.

- Togama, S.A.U., domiciled in Villareal (Castellón, Spain), is engaged in the manufacture of ceramic for electric installations.

Fluidra, S.A. and subsidiaries

Detail of the corporate name and purpose
of the subsidiaries, associates
and joint ventures directly or indirectly owned

- Talleres del Agua, S.L.U., domiciled in Polígono Industrial de Barros, Ayuntamiento de los Corrales de Buelna (Cantabria, Spain), is engaged in the building, sale, installation, air-conditioning and maintenance of swimming-pools, as well as the manufacture, purchase and sale, import and export of all types of swimming-pool tools.

- Trace Logistics, S.A.U., domiciled in Maçanet de la Selva (Girona, Spain), is engaged in receiving third-party goods in consignment in its warehouses or premises for their storage, control and distribution to third parties at the request of its depositors; performing storage, loading and unloading duties and other supplementary activities that are necessary for managing the distribution of these goods in accordance with the instructions of the depositors and arranging and managing transport.

- Turcat Polyester Sanayi Ve Ticaret A.S., domiciled in Istanbul (Turkey), is engaged in the production, import, export and marketing of products and accessories, purification filters and chemical products.

- Unistral Recambios, S.A.U., domiciled in Maçanet de la Selva (Girona, Spain), is engaged in the manufacture, purchase and sale and distribution of machinery, accessories, spare parts, parts and products for water treatment and purification in general.

- U.S. Pool Holdings, Inc, domiciled in Delaware (USA), is engaged in the holding and use of equity shares and securities.

- Veico. Com. Br Indústria e Comércio LTDA, domiciled in Ciudad de Brusque (Brazil), is engaged in the manufacture and marketing of all types of swimming-pool articles and accessories.

- W.I.T. Egypt, Egyptian Limited Liability Company, domiciled in Cairo (Egypt), is mainly engaged in the marketing of swimming-pool accessories.

- Ya Shi Tu Swimming Pool Equipment (Shanghai) Co, Ltd,. domiciled in Tower E, Building 18, nº 238, Nandandong Road, Xu Hui District (Shanghai), is mainly engaged in the marketing of swimming-pool products.

- Zodiac Group (N.Z.) Limited, domiciled in North Shore City (New Zealand), is engaged in the distribution and sale of pool material.

- Zodiac Group Australia PTY LTD, domiciled in Smithfield (Australia), is mainly engaged in the manufacture, distribution and sale of pool materials by several Group brands.

- Zodiac International, S.A.S., domiciled in Bron (France) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

- Zodiac Pool Care Europe, S.A.S., domiciled in Bron (France), is engaged in the distribution and sale of pool-related products and accessories.

- Zodiac Pool Care Portugal,Unipessoal, LDA., domiciled in Lisbon (Portugal), is engaged in the distribution and sale of pool-related products and accessories.

- Zodiac Pool Care South Africa (Propietary) Limited, domiciled in Centurion (South Africa), is engaged in the manufacture, distribution and sale of pool equipment and products and chemical specialties.

- Zodiac Pool Deutschland GMBH., domiciled in Brobostheim (Germany), is engaged in the distribution and sale of pool-related products and accessories.

Fluidra, S.A. and subsidiaries

Detail of the corporate name and purpose
of the subsidiaries, associates
and joint ventures directly or indirectly owned

- Zodiac Pool Iberica, S.L., domiciled in Polinyà (Barcelona, Spain), is mainly engaged in the assembly, manufacture and sale of pool and garden-related maintenance and cleaning products; the manufacture and distribution of all kinds of sport and leisure articles and the import and export of all kinds of pool, garden, leisure and sports-related products and articles, either directly or indirectly.

- Zodiac Pool Solutions, LLC, domiciled in Vista (USA) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

- Zodiac Pool Solutions PTY LTD, domiciled in Smithfield (Australia) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

- Zodiac Pool Solutions, S.A.R.L., domiciled in Luxembourg (ÑLuxembourg) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

- Zodiac Pool Solutions, S.A.S., domiciled in Bron (France) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

- Zodiac Pool Systems Canada, INC, domiciled in Vancouver (Canada), is engaged in the distribution and sale of pool-related products and accessories.

- Zodiac Pool Systems Italia, S.R.L., domiciled in Castiglione delle Stiviere (Italy), is engaged in the distribution and sale of pool-related products.

- Zodiac Pool Systems, LLC, domiciled in Vista (USA), is mainly engaged in the manufacture and distribution of several Group brands relating to pool equipment.

- Zodiac Swimming Pool Equipment (Shenzen), Co, Ltd, domiciled in Shenzen (China), is mainly engaged in the rendering of technical services for pool and spa equipment; the distribution, sale, import and export of pool and spa products and elements and post-sales services.

- ZPES Holdings, S.A.S., domiciled in Bron (France) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

- ZPNA Holdings, S.A.S., domiciled in Bron (France) is engaged in the holding and use of equity shares and securities, and advising, managing and administering the companies in which it holds an ownership interest.

<u>Associates consolidated using the equity method</u>

- Astral Nigeria, Ltd., domiciled in Surulere-Lagos (Nigeria), is engaged in the marketing of swimming-pool products.

- OCM Products Limited, domiciled in Wigan (England), is mainly engaged in the production and marketing of swimming-pool filtering products in both the residential and commerc

Fluidra, S.A. and subsidiaries

Subsidiaries at 31 December 2018

List of subsidiaries, accounted for using the full consolidation method

	% Ownership interest		
	Direct	Indirect	
FLUIRA FINCO, S.L.	**100%**		(5)
FLUIDRA COMMERCIAL, S.A.U.		**100%**	
AO ASTRAL SNG		90%	
ASTRAL BAZENOVE PRISLUSENTSVI, S.R.O.		100%	
ASTRAL INDIA PRIVATE, LIMITED		100%	
FLUIDRA INDIA PRIVATE LIMITED		100%	Formerly Splash Water Traders Pvt. Ltd.
ASTRALPOOL CYPRUS, LTD		90%	
ASTRALPOOL HONGKONG, CO., LIMITED		100%	
ASTRAL POOL MEXICO, S.A. DE C.V.		100%	
FLUIDRA SWITZERLAND, S.A.		100%	Formerly Astral Pool Switzerland, S.A.
ASTRALPOOL UK LIMITED		100%	
CEPEX MEXICO, S.A. DE C.V.		100%	
CERTIKIN INTERNATIONAL, LIMITED		100%	
CERTIKIN INTERNATIONAL (IRELAND) LIMITED		100%	(5)
CERTIKIN SWIMMING POOL PRODUCTS INDIA PRIVATE LIMITED		100%	
FLUIDRA ADRIATIC D.O.O.		70%	
FLUIDRA BALKANS JSC		55.66%	
FLUIDRA BRASIL INDÚSTRIA E COMÉRCIO LTDA		80%	
VEICO . COM. BR INDÚSTRIA E COMÉRCIO LTDA		80%	
FLUIDRA CHILE, S.A.		100%	
FLUIDRA COLOMBIA, S.A.S		100%	
FLUIDRA COMERCIAL ESPAÑA, S.A.U.		100%	(2)
FLUIDRA DANMARK A/S		100%	
FLUIDRA DEUTSCHLAND GmbH		100%	
FLUIDRA EGYPT, Egyptian Limited Liability Company		99.96%	
W.I.T. EGYPT, Egyptian Limited Liability Company		99.95%	
FLUIDRA ENGINEERING SERVICES, S.L.U.		100%	
FLUIDRA EXPORT, S.A.U.		100%	
FLUIDRA GLOBAL DISTRIBUTION, S.L.U.		100%	
FLUIDRA HELLAS, S.A.		96.96%	
FLUIDRA HOLDINGS SOUTH AFRICA PTY LTD		90%	(3) - 100%
FLUIDRA WATERLINX PTY, LTD		90%	(3) - 100% - (2)
FLUIDRA INDONESIA PT.		100%	
FLUIDRA JV YOULI, S.L.U.		100%	
FLUIDRA YOULI FLUID SYSTEMS (WENZHOU) CO, LTD		70%	
FLUIDRA KAZAKHSTAN Limited Liability Company		51%	
FLUIDRA MAGYARORSZÁG Kft.		95%	
FLUIDRA MALAYSIA SDN.BHD.		100%	
FLUIDRA MAROC, S.A.R.L.		100%	
FLUIDRA MEXICO, S.A. DE C.V.		100%	
FLUIDRA MIDDLE EAST FZE		100%	
FLUIDRA AL URDOUN FZ		70%	
LA TIENDA SWIMMING POOL MAINTENANCE LLC		80%	(5)
FLUIDRA MONTENEGRO DOO		60%	
FLUIDRA ÖSTERREICH Gmbh "SSA"		97%	
FLUIDRA POLSKA, SP. Z.O.O.		100%	

Fluidra, S.A. and subsidiaries

Subsidiaries at 31 December 2018

FLUIDRA COMERCIAL PORTUGAL UNIPESSOAL, LDA.	100%	
FLUIDRA ROMANIA S.A.	66.66%	
FLUIDRA SERBICA, D.O.O. BEOGRAD	60%	
FLUIDRA SERVICES ITALIA, S.R.L.	91%	
FLUIDRA COMMERCIALE ITALIA, S.P.A.	91%	Merged with Inquide Italia, S.R.L.
AGRISILOS, S.R.L.	81.90%	(3) - 91%
LAGHETTO FRANCE, S.R.L.	81.90%	(3) - 91%
ZODIAC POOL SYSTEMS ITALIA, S.R.L.	91%	(4)
FLUIDRA SINGAPORE, PTE LTD	100%	
FLUIDRA SOUTH AFRICA (PTY) LTD	100%	
FLUIDRA NORDIC AB	100%	
FLUIDRA (THAILAND) CO, LTD	100%	
ASTRALPOOL (THAILAND) CO., LTD	99%	
FLUIDRA TR SU VE HAVUZ EKIPMANLARI AS	51%	
TURCAT POLYESTER SANAYI VE TICARET A.S.	25.50%	
FLUIDRA VIETNAM LTD	100%	
RIIOT LABS NV/SA	80%	(3) - 100%
SIBO FLUIDRA NETHERLANDS B.V.	70%	(3) - 100%
YA SHI TU SWIMMING POOL EQUIPMENT (SHANGHAI) Co, Ltd	100%	
ZODIAC POOL CARE PORTUGAL, UNIPESSOAL, LDA	100%	(4)
ZODIAC POOL IBERICA, S.L.	100%	(4)
ZODIAC POOL DEUTSCHLAND GMBH	100%	(4)
SET ENERCIETECHNICK GMBH	100%	(4)
ZODIAC POOL SOLUTIONS PTY LTD	100%	(4)
FLUIDRA AUSTRALIA PTY LTD	100%	(2)
PRICE CHEMICALS PTY LTD	100%	
ZODIAC GROUP (N.Z.) LIMITED	100%	(4)
ZODIAC GROUP AUSTRALIA PTY LTD	100%	(4)
FLUIDRA TUNISIE, SARL	100%	(5)
FLUIDRA INDUSTRY S.A.U.	**100%**	
AQUATRON ROBOTIC TECHNOLOGY LTD	100%	
FLUIDRA INDUSTRY ESPAÑA, S.A.U.	100%	
CEPEX S.A.U.	100%	
METALAST, S.A.U.	100%	
NINGBO LINYA SWIMMING POOL & WATER TREATMENT CO., LTD	100%	
POLTANK, S.A.U.	100%	
TURCAT POLYESTER SANAYI VE TICARET A.S.	50%	
SACOPA, S.A.U.	100%	
I.D. ELECTROQUÍMICA, S.L.	78.82%	(3) - 100%
INDUSTRIAS MECANICAS LAGO, S.A.U.	100%	
INQUIDE, S.A.U.	100%	
LOITECH (NINGBO) HEATING EQUIPMENT CO., Ltd	100%	
NINGBO DONGCHUAN SWIMMING POOL EQUIPEMENTS CO., LTD	70%	
PRODUCTES ELASTOMERS, S.A.	70%	
PURALIA SYSTEMS, S.L.U.	100%	
TALLERES DEL AGUA, S.L.U.	100%	
TOGAMA, S.A.U.	100%	
UNISTRAL RECAMBIOS, S.A.U.	100%	

Fluidra, S.A. and subsidiaries

Subsidiaries at 31 December 2018

U.S. POOL HOLDINGS, INC	100%	
AQUA PRODUCTS INC	100%	
FLUIDRA USA, INC	100%	
FLUIDRA PROJECTS USA INC	100%	
MANUFACTURAS GRE, S.A.U.	**100%**	
ME 2000, S.R.L.	100%	
TRACE LOGISTICS, S.A.U.	**100%**	
FLUIDRA SERVICES ESPAÑA, S.L.U.	**100%**	
INNODRIP, S.L.U	**100%**	
PISCINE LUXEMBOURG HOLDINGS 3, S.A.R.L.	**100%**	(4)
ZODIAC POOL SOLUTIONS SARL	100%	(4)
ZPNA HOLDINGS SAS	100%	(4)
COVER POOLS INCORPORATED	100%	(4)
ZODIAC POOL SYSTEMS CANADA INC	100%	(4)
ZODIAC POOL SYSTEMS LLC	100%	(4)
ZODIAC POOL SOLUTIONS LLC	100%	(4)
ZPES HOLDINGS SAS	84.85%	(4)
ZODIAC POOL SOLUTIONS SAS	100%	(4)
ZODIAC POOL CARE EUROPE SAS	100%	(4)
ZODIAC POOL CARE SOUTH AFRICA (PROPIETARY) LIMITED	100%	(4)
ZODIAC SWIMMING POOL EQUIPMENT (SHENZEN) CO, LTD	100%	(4)
ZODIAC INTERNATIONAL SAS	100%	(4)
FLUIDRA SERVICES FRANCE, S.A.S.	**100%**	
ZPES HOLDINGS SAS	15.15%	(4)
FLUIDRA COMMERCIAL FRANCE, S.A	100%	
FLUIDRA ASSISTANCE, S.A.S.	100%	
FLUIDRA BELGIQUE, S.R.L.	100%	
POOLWEB S.A.S.	100%	
FLUIDRA INDUSTRY FRANCE, S.A.R.L.	100%	
PISCINES TECHNIQUES 2000, S.A.S.	100%	

Fluidra, S.A. and subsidiaries

Subsidiaries at 31 December 2018

List of associates, consolidated using the equity method

ASTRAL NIGERIA, LTD.	25%	(1)
OCM PRODUCTS LIMITED	50%	(1)

List of companies consolidated at cost

DISCOVERPOOLS COM, INC.	11%	(1)

(1) Companies belonging to the Fluidra Commercial, S.A. and subsidiaries subgroup.

(2) Fluidra Australia Pty Ltd is a group of companies in which the parent fully owns the companies Astral Pool Holdings Pty Ltd, Hurlcon Staffing Pty Ltd, Hurlcon Investments Pty Ltd, Hurlcon Research Pty Ltd, Rolachem Australia Pty Ltd and Hendy Manufacturing Pty Ltd. Fluidra Comercial España, S.A.U. is a group of companies in which the parent fully owns the company Ideal Pool Innovations, S.L.U. and holds an ownership interest of 67.5% in the company Tecnical Pool Service, S.L. Fluidra Waterlinx Pty Ltd is a group of companies in which the parent fully owns the companies Waterlinx International Pty Ltd, and Waterlinx Industrial And Irrigation Pty Ltd.

(3) Companies that have been fully integrated in the interim consolidated financial statements and the book value of their non-controlling interest has no longer been recognized.

(4) Companies acquired during the twelve-month period ended 31 December 2018.

(5) Newly-incorporated companies during the twelve-month period ended 31 December 2018.

(6) In the twelve-month period ended 31 December 2018, Trace Logistics France, S.A.S. was sold.

Fluidra, S.A. and subsidiaries

Detail of segment results for the twelve-month period ended 31 December 2018
(Expressed in thousands of Euros)

	ESA	NORTH AMERICA	OPERATIONS	Shared services	Adjustments & eliminations	Total consolidated figures
	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Sales to third parties	763,833	190,620	75,004	184	-	1,029,641
Sales to third parties in USA	5,931	184,026	13,158	-	-	203,115
Sales to third parties in Spain	131,321	-	27,599	-	-	158,920
Sales to third parties in France	125,071	-	4,637	-	-	129,708
Inter-segment sales	40,266	5,597	326,759	-	(372,622)	-
Segment sales of goods and finished products	804,099	196,217	401,763	184	(372,622)	1,029,641
COGS	(528,540)	(94,192)	(257,017)	-	341,499	(538,250)
Gross profit	275,559	102,025	144,746	184	(31,123)	491,391
OPEX	(209,236)	(67,652)	(93,509)	(77,606)	21,910	(426,093)
Amortization and depreciation expenses and impairment losses	(10,270)	(5,921)	(11,698)	(7,480)	(31,358)	(66,727)
Operating profit/(loss) from reporting segments	56,053	28,452	39,539	(84,902)	(40,571)	(1,429)
Share in profit/(loss) of associates	-	-	-	-	64	64
EBITDA	92,682	36,498	58,547	(59,828)	(62,537)	65,362

OPEX = Employee benefit expense + Other operating costs – Income from the rendering of services – Work performed by the Group and capitalized as non-current assets – Profit/(loss) from sales of fixed assets
COGS = Changes in inventories of finished goods and work in progress and raw materials consumables

This appendix forms an integral part of the interim condensed consolidated financial statements of Fluidra, S.A. and subsidiaries for the twelve-month periods ended 31 December 2018 and 2017 prepared in accordance with IFRS as adopted by the European Union.

Fluidra, S.A. and subsidiaries

Detail of segment results for the twelve-month period ended 31 December 2017
(Expressed in thousands of Euros)

	ESA	NORTH AMERICA	OPERATIONS	Shared services	Adjustments & eliminations	Total consolidated figures
	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017
Sales to third parties	678,274	25,188	72,855	197	-	776,514
Sales to third parties in USA	8,996	21,293	4,098	(8)	-	34,379
Sales to third parties in Spain	126,284	-	26,087	-	-	152,371
Sales to third parties in France	97,399	-	12,366	-	-	109,765
Inter-segment sales	28,446	1,576	326,257	-	(356,279)	-
Segment sales of goods and finished products	706,720	26,764	399,112	197	(356,279)	776,514
COGS	(472,281)	(14,327)	(256,864)	(1)	353,874	(389,599)
Gross profit	234,439	12,437	142,248	196	(2,405)	386,915
OPEX	(168,211)	(12,724)	(88,750)	(17,589)	(4,427)	(291,701)
Amortization and depreciation expenses and impairment losses	(6,356)	(2,453)	(11,048)	(6,466)	(9,819)	(36,142)
Operating profit/(loss) from reporting segments	59,872	(2,740)	42,450	(23,859)	(16,651)	59,072
Share in profit/(loss) of associates	-	-	-	-	(32)	(32)
EBITDA	79,811	(288)	58,789	(36,421)	(6,709)	95,182

OPEX = Employee benefit expense + Other operating costs – Income from the rendering of services – Work performed by the Group and capitalized as non-current assets – Profit/(loss) from sales of fixed assets

COGS= Changes in inventories of finished goods and work in progress and raw materials consumables.

(*) The consolidated income statement at 31 December 2017 has been restated following application of IFRS 5 (see note 2b and note 10).

Fluidra, S.A. and subsidiaries

Detail of segment assets and liabilities
for the twelve-month period ended 31 December 2018
(Expressed in thousands of Euros)

	ESA	NORTH AMERICA	OPERATIONS	Shared services	Adjustments and Eliminations	Total consolidated figures
	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018
NON-CURRENT ASSETS						
Property, plant, and equipment	34,328	15,672	54,030	11,431	761	116,222
Property, plant and equipment in Spain	5,455	-	51,444	10,779	-	67,678
NWC	187,037	79,354	62,464	13,258	(24,449)	317,664
Inventories	131,282	55,094	86,554	-	(19,600)	253,330
Trade and other receivables	148,043	116,941	16,848	33,112	(2,874)	312,070
Trade and other payables	92,288	92,681	40,938	19,854	1,975	247,736

NWC = Inventories + Trade and other receivables – Trade and other payables

This appendix forms an integral part of the interim condensed consolidated financial statements of Fluidra, S.A. and subsidiaries for the twelve-month periods ended 31 December 2018 and 2017 prepared in accordance with IFRS as adopted by the European Union.

Fluidra, S.A. and subsidiaries

Detail of segment assets and liabilities
for the twelve-month period ended 31 December 2017
(Expressed in thousands of Euros)

	ESA	NORTH AMERICA	OPERATIONS	Shared services	Adjustments and Eliminations	Total consolidated figures
	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017
NON-CURRENT ASSETS						
Property, plant, and equipment	27,752	1,213	57,158	10,686	1,697	98,506
Property, plant and equipment in Spain	5,176	-	50,040	10,267	-	65,483
NWC	146,288	16,301	58,318	(1,612)	(21,989)	197,306
Inventories	95,016	6,932	89,957	-	(19,141)	172,764
Trade and other receivables	113,477	10,416	19,142	19,247	(2,307)	159,975
Trade and other payables	62,205	1,047	50,781	20,859	541	135,433

NWC = Inventories + Trade and other receivables – Trade and other payables

This appendix forms an integral part of the interim condensed consolidated financial statements of Fluidra, S.A. and subsidiaries for the twelve-month periods ended 31 December 2018 and 2017 prepared in accordance with IFRS as adopted by the European Union.

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

General business evolution

The Fluidra Group's turnover at 2018 year end amounts to Euros 1,029.6 thousand, which means a 32.6% increase in comparison with the prior year (+35.2% at a constant exchange rate).

All figures have been affected this year by the merger with the Zodiac Group (see note 5) and all headings in the income statement include the impact of this acquisition from 2 July 2018, as well as the extraordinary impact of costs arising from this transaction.

As for the impact on turnover, Euros 238.4 million have been included relating to the business acquired from Zodiac. Without this impact, revenues would have increased by 1.9% (4.0% at a constant exchange rate).

The effect of discontinued operations on turnover should also be taken into account, which is the result of the divestment of Aquatron (see note 10) affecting both 2018 figures and the comparative figures for 2017.

In terms of sales by geographical area, growth in the American market is noteworthy with turnover increasing from Euros 44.4 million to Euros 203.1 million in 2018 due to the effect of the Zodiac Group's integration.

The evolution of turnover per business unit highlights the strong performance of the Pool&Wellness segment (+35.6%) driven by a positive performance on almost all markets and the acquisition of Zodiac. Within the Pool&Wellness segment, there is solid growth in both Residential Pools (+50.3%) and Pool Water Treatment (+23.5%), where the presence of the Zodiac Group was smaller. The commercial pools segment shows flat growth despite increased projects in Asia during the prior year.

The Gross Margin has decreased from 49.8% last year to 47.7% this year. This evolution is driven by the impact of the inventory revaluation resulting from the allocation of Zodiac's purchase price. Without this effect, the Gross Margin would have increased to 50.8%.

Net operating expenses (sum of employee benefits expense, other operating expenses net of income from services rendered, work performed by the Group and capitalized as non-current assets, profit from the sale of fixed assets and before adjustments due to impairment of trade receivables) have increased by 45.7%.

The main effects of this increase are the rise in net operating expenses driven by the six-month integration of the Zodiac Group and the costs linked to the merger with Zodiac itself (see note 20).

The evolution in adjustments due to impairment of trade receivables, with an increase of Euros 1.7 million, is driven by the integration of the Zodiac Group and certain incidents with some customers in the Middle East.

EBITDA was down Euros 29.8 million, decreasing from Euros 95.2 million in 2017 to Euros 65.4 in 2018 due to the many costs linked to the merger with the Zodiac Group,

In the Depreciation and amortization expenses and impairment losses line, the increase of Euros 30.6 million as a result mainly of the amortization of intangible assets with finite useful lives identified in the allocation of the purchase price of the business combination with Zodiac, which total Euros 24 million, shall be noted.

Finance costs have increased from Euros -13.1 million in 2017 to -27.6 million in 2018 due to the increase in debt driven by the acquisition of the Zodiac Group.

The net result attributed to the parent decreased from profit of Euros 31.1 million to a loss of Euros 33.9 million, driven chiefly by three elements of the effect of the merger: the costs linked to the merger transaction, the negative impact of the inventory revaluation and the amortization of intangible assets, explained above.

With regard to the Group's consolidated balance sheet, there has been a notable increase in net working capital due to the integration of the Zodiac Group in accordance with note 5. This increase stands at Euros 116.5 million at the date of the business combination. At year end, net working capital has increased by Euros 120.4 million.

Investment is property, plant and equipment and other intangible assets has increased by Euros 9.9 million to Euros 38.6 million in 2018. The most notable investments during the year are the adaptation of the new office building in California and the new production plant in Tijuana.

Net financial debt (taking into account the cash surplus from Aquatron - see note 10) has increased from Euros 145.7 million to Euros 719.7 million due to the increase in debt driven by the acquisition of the Zodiac Group, which added net financial debt to the Group of Euros 540.4 million at the date of the business combination.