FLUIDRA, S.A.
AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Management Report

December 31, 2016

(Together with the Audit Report thereon)

Translation of consolidated financial statements and consolidated management report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

Independent Audit Report

Fluidra, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended December 31, 2016

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Fluidra, S.A.:

Report on the consolidated financial statements

We have audited the consolidated financial statements of Fluidra, S.A. (the Parent Company) and Subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended.

Directors' responsibility for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity, the consolidated financial position and the consolidated results of Fluidra, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit requires performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment and include assessing the risk of material misstatement in the consolidated financial statements due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements by the directors of the Parent Company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We consider that the audit evidence we obtained provides a sufficient and adequate basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Fluidra, S.A. and its subsidiaries at December 31, 2016, and its consolidated results and consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions in the regulatory framework for financial information applicable in Spain.

Other matters

On March 31, 2016 other auditors issued their audit report on the 2015 financial statements, in which they expressed an unqualified opinion.

Report on other legal and regulatory requirements

The accompanying 2016 consolidated management report contains such explanations as the directors of the Parent Company consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2016 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of Fluidra, S.A. and its subsidiaries.

Fluidra, S.A. and Subsidiaries

Consolidated financial statements

December 31, 2016 and 2015

(Thousands of euros)

Fluidra, S.A. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2016 and 2015

(Thousands of euros)

Assets	Notes	31/12/2016	31/12/2015
Property, plant and equipment	6	101,289	101,612
Investment property	8	1,708	1,551
Goodwill	7	199,557	190,655
Other intangible assets	7	40,793	41,766
Investments accounted for using the equity method	9	120	93
Non-current financial assets	10	5,613	5,319
Derivative financial instruments	11	-	-
Other accounts receivable	13	2,285	2,851
Deferred tax assets	28	24,660	33,317
Total non-current assets		376,025	377,164
Inventories	12	164,611	148,214
Trade and other receivables	13	154,127	146,208
Other current financial liabilities	10	4,147	7,267
Derivative financial instruments	11	274	714
Cash and cash equivalents	14	86,099	67,353
Total current assets		409,258	369,756
TOTAL ASSETS		785,283	746,920
Equity			
Share capital		112,629	112,629
Share premium		92,831	92,831
Retained earnings and other reserves		117,858	104,318
Treasury shares		(6,319)	(1,561)
Other comprehensive income		8,143	8,944
Equity attributed to equity holders of the parent	15	325,142	317,161
Non-controlling interest		11,177	14,884
Total equity		336,319	332,045
Liabilities			
Bank borrowings	18	174,989	175,776
Derivative financial instruments	11	1,958	1,507
Deferred tax liabilities	28	22,611	24,525
Provisions	17	8,419	8,673
Government grants		806	915
Other non-current liabilities	20	23,590	8,494
Total non-current liabilities		232,373	219,890
Bank borrowings	18	74,985	65,595
Trade and other payables	19	134,709	124,438
Provisions	17	6,050	4,872
Derivative financial instruments	11	847	80
Total current liabilities		216,591	194,985
TOTAL EQUITY AND LIABILITIES		785.283	746.920

The accompanying consolidated notes are an integral part of the consolidated financial statements of Fluidra, S.A. and subsidiaries for the year ended December 31, 2016.

Fluidra, S.A. and Subsidiaries

Consolidated Income Statements

December 31, 2016 and 2015

(Thousands of euros)

	Notes	31/12/2016	31/12/2015
Operating income			
Sales of goods and finished products		713,252	647,296
Income from the rendering of services	23	14,928	14,485
Work performed by the Group and capitalized as non-current assets		5,477	5,195
Total operating income		733,657	666,976
Operating expenses			
Change in inventories of finished products and work in progress and raw materials consumables	22	(346,374)	(319,430)
Employee benefits expense	24	(158,260)	(144,697)
Depreciation and amortization expenses and impairment losses	6, 7, 8 & 10	(39,846)	(46,045)
Other operating expenses	25	(144,735)	(131,304)
Total operating expenses		(689,215)	(641,476)
Other gains / (losses)			
Profit on the sale of assets	5 & 6	1,647	570
Total other gains / (losses)		1,647	570
Operating profit		46,089	26,070
Finance income / (costs)			
Finance income		2,791	9,998
Finance costs		(11,192)	(14,257)
Exchange gains (losses)		1,952	(1,374)
Net finance income (costs)	27	(6,449)	(5,633)
Share in profit / (loss) for the year from investments accounted for using the equity method	9	27	36
Profit / (loss) before tax from continuing activities		39,667	20,473
Income tax expense	28	(13.135)	(6,258)
Profit / (loss) after tax from continuing activities		26,532	14,215
Profit attributed to non-controlling interest		2,464	1,218
Profit attributed to equity holders of the parent		24,068	12,997
EBITDA	34	85,962	72,151
Basic and diluted earnings per share (in euros)	16	0.21539	0.11563

The accompanying consolidated notes are an integral part of the consolidated financial statements of Fluidra, S.A. and subsidiaries for the year ended December 31, 2016.

Fluidra, S.A. and Subsidiaries

Consolidated statement of comprehensive income for the years ended December 31, 2016 and 2015

(Thousands of euros)

		31/12/2016	31/12/2015
Profit / (loss) for the year		26,532	14,215
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Recalculation of the measurement of defined benefit plans		-	-
Tax effect		-	-
Items that will be reclassified to profit or loss			
Cash flow hedges	Note 11	(406)	(294)
Exchange gains (losses) on financial statements of foreign businesses		(1,062)	5,900
Tax effect		102	76
Other comprehensive income for the year, net of tax		(1,366)	5.682
Total comprehensive income for the year		25,166	19,897
Total comprehensive income attributable to:			
Equity holder of the parent		23.267	18,866
Non-controlling interest		1.899	1,031
		25,166	19,897

The accompanying consolidated notes are an integral part of the consolidated financial statements of Fluidra, S.A. and subsidiaries for the year ended December 31, 2016.

Fluidra, S.A. and Subsidiaries

Consolidated statement of changes in equity
for the years ended December 31, 2016 and 2015

(Thousands of euros)

	Equity attributable to equity holders of the parent									
						Other comprehensive income				
	Share capital	Share premium	Legal reserve	Retained earnings	Treasury shares	Exchange gains (losses)	Other	Total	Non-controlling interests	Total equity
Balance at January 1, 2015	112,629	92,831	11,108	86,479	(665)	4,255	(1,041)	305,596	15,457	321,053
Profit (loss) for the year	-	-	-	12,997	-	-	-	12,997	1,218	14,215
Other comprehensive income	-	-	-	-	-	6,087	(218)	5,869	(187)	5,682
Total comprehensive income for the year	-	-	-	12,997	-	6,087	(218)	18,866	1,031	19,897
Additions of entities	-	-	-	-	-	-	-	-	4	4
Disposals of entities	-	-	-	139	-	(139)	-	-	(4)	(4)
Change in ownership interest	-	-	-	(202)	-	-	-	(202)	492	290
Treasury shares	-	-	-	(11)	(896)	-	-	(907)	-	(907)
Equity-based payments	-	-	-	508	-	-	-	508	-	508
Other	-	-	-	-	-	-	-	-	10	10
Dividends	-	-	-	(6,700)	-	-	-	(6,700)	(2,106)	(8,806)
Balance at December 31, 2015	112,629	92,831	11,108	93,210	(1,561)	10,203	(1,259)	317,161	14,884	332,045
Profit (loss) for the year	-	-	-	24,068	-	-	-	24,068	2,464	26,532
Other comprehensive income	-	-	-	-	-	(497)	(304)	(801)	(565)	(1,366)
Total comprehensive income for the year	-	-	-	24,068	-	(497)	(304)	23,267	1,899	25,166
Additions of entities	-	-	-	-	-	-	-	-	-	-
Disposals of entities	-	-	-	-	-	-	-	-	113	113
Change in ownership interest	-	-	-	(1,179)	-	-	-	(1,179)	(3,143)	(4,322)
Treasury shares	-	-	-	(220)	(4,758)	-	-	(4,978)	-	(4,978)
Equity-based payments	-	-	-	920	-	-	-	920	-	920
Other	-	-	2,746	(2,795)	-	-	-	(49)	(3)	(52)
Dividends	-	-	-	(10,000)	-	-	-	(10,000)	(2,573)	(12,573)
Balance at December 31, 2016	112,629	92,831	13,854	104,004	(6,319)	9,706	(1,563)	325,142	11,177	336,319

The accompanying consolidated notes are an integral part of the consolidated financial statements of Fluidra, S.A. and subsidiaries for the year ended December 31, 2016.

Fluidra, S.A. and Subsidiaries

Consolidated statement of cash flows
for the years ended December 31, 2016 and 2015

(Thousands of euros)

	Note	2016	2015
Cash flows from operating activities			
Profit for the year before tax		39,667	20,473
Adjustments due to:			
Depreciation and amortization	6, 7 & 8	33,425	35,418
Charge of losses on bad debts	13	4,184	5,055
Charge/(Reversal) of impairment losses on assets	6 & 7	6,421	10,632
Charge/(Reversal) of impairment losses on financial assets	27	(350)	551
Charge/(Reversal) of losses on risks and expenses	17	1,486	1,167
Charge/(Reversal) of losses on inventories	22	350	917
Income from financial assets	27	(779)	(121)
Finance costs	27	9,160	12,005
(Profit)/loss on the sale of associates	27	-	-
Exchange (gains)/losses		1,011	3,908
Share in (profit)/loss for the year from associates accounted for using the equity method	9	(27)	(36)
(Profit)/loss on the sale of property, plant and equipment and other intangible assets		(169)	(233)
(Profit)/loss on the sale of subsidiaries		(1,478)	(337)
Grants released to income		(150)	(178)
Expenses for share-based payments		920	508
Adjustments to the consideration paid against results for business combination	27	(1,249)	(9,128)
(Profit)/loss on derivative financial instruments at fair value through profit or loss	11	659	(280)
Operating profit before changes in working capital		93,081	80,321
Changes in working capital, excluding the effect of acquisitions and currency translation differences			
Increase(Decrease) in trade and other receivables		(10,669)	(8,517)
Increase(Decrease) in inventories	22	(13,766)	(4,700)
Increase(Decrease) in trade and other payables		16,996	5,319
Provisions paid	17	(378)	(1,382)
Cash from operations		85,264	71,041
Interest paid			
Interest received		(7,102)	(8,321)
Income tax payments		745	121
		(13,615)	(10,009)
Net cash from operations			
Cash flows from investing activities		65,292	52,832
From the sale of property, plant and equipment		551	477
From the sale of other intangible assets		-	05
From the sale of financial assets		5,001	766
Dividends received		-	39
Proceeds from the sale of subsidiaries in prior years		250	-
Proceeds from the sale of subsidiaries, net of drawndown cash		3,120	(231)
Acquisition of property, plant and equipment		(12,960)	(14,552)
Acquisitoin of intangible assets		(12,581)	(11,686)
Acquisition of other financial assets		(1,751)	(5,922)
Payments for acquisitions of subsidiaries, net of cash and cash equivalents	5	(6,416)	(12,937)
Payments for acquisitions of subsidiaries in prior years	5	(5,567)	(2,462)
Net cash from investing activities		(30,353)	(46,503)
Cash flows from financing activities			
Payments from repurchase of treasury shares		(5,288)	(1,735)
Proceeds from the sale of treasury shares		636	894
Proceeds from grants		(02)	-
Proceeds from bank financing		39,535	164,462
Payments from bank borrowings and finance leases		(38,357)	(150,467)
Dividends paid		(12,573)	(8,806)
Net cash from / (used in) financing activities		(16,049)	4,348
Net increase (Decrease) in cash and cash equivalents		18,890	10,677
Cash and cash equivalents at January 1		67,353	54,665
Effect of foreign exchange difference in cash		(144)	2,011
Cash and cash equivalents at December 31		86,099	67,353

The accompanying consolidated notes are an integral part of the consolidated financial statements of Fluidra, S.A. and subsidiaries for the year ended December 31, 2016.

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 October 3, 2002 under the name Aquaria de Inv. Corp., S.L., and changed to its current name on September 17, 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 20, 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 interests in other entities, which are detailed also in Appendix I. Group companies have been consolidated using the financial statements prepared/approved for issue by the corresponding managing bodies or Board of Directors.

On October 31, 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 1 euro each.

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

2. Basis of presentation

The consolidated financial statements have been prepared from the accounting records of Fluidra, S.A. and the companies included in the Group. The 2016 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS-EU) and other financial reporting framework provisions in order to present fairly the consolidated equity and consolidated financial position of Fluidra, S.A. and its subsidiaries at December 31, 2016 and its consolidated financial results, consolidated cash flows and changes in consolidated equity for the year then ended.

a) Basis of presentation of the Consolidated Financial Statements

These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial instruments at fair value through profit or loss and some available-for-sale financial assets, which have been measured at fair value.

b) Comparison of information

For comparative purposes, the consolidated financial statements include the 2016 consolidated figures in addition to those 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 were part of the 2015 consolidated financial statements approved by the shareholders in general meeting on May 3, 2016.

The Group’s accounting policies that are described in Note 3 have been consistently applied to the year ended December 31, 2016 and the accompanying comparative information at December 31, 2015.

All significant mandatory accounting principles have been applied.

The Parent's Directors expect these 2016 consolidated financial statements, which were authorized for issue on March 30, 2017, to be approved by the shareholders in general meeting without modification.

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

In the preparation of the consolidated financial statements in accordance with IFRS-EU 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 2016 consolidated financial statements, estimates were occasionally used in order to quantify certain assets, liabilities, income, expenses and commitments reported herein. These significant accounting estimates and assumptions mainly relate to:

- The useful life and fair value of the customer portfolio and other intangible assets (Note 7).
- The assumptions used in determining the value in use of the Cash Generating Units (CGUs) or group of CGUs for the purposes of evaluating potential impairment of goodwill and other asses (Note 7).
- Assessment of technical and commercial feasibility of development projects in progress.
- Estimate of the provisions for bad debts and obsolete inventory (Notes 3 h) j), 12 and 13).
- The fair value of financial instruments and of certain unquoted financial assets (Notes 10 and 11).
- Assumptions used in determining the fair values of assets, liabilities and contingent liabilities related to the business combination of Aqua and Fluidra Waterlinx Pty, Ltd, and SIBO Fluidra Netherlands B.V. (Notes 19 and 20).
- The fair value of the commitment to the Company’s management team to acquire an ownership interest in the Company’s share capital (Notes 3 p) and 29 b)).
- Estimates and judgments related to provisions for litigation (Notes 3 o) and 17).
- 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 (Notes 3 r) and 28).

Although these estimates are made on the basis of the best information available on the events analyzed at December 31, 2016, events may occur in the future which require to adjust these estimates (upwards or downwards) in future reporting periods. Any effect on the consolidated financial statements of adjustments made in future reporting periods is 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 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 (Notes 3 g) and 26).
- Reasons supporting the classification of assets as investment property (Notes 3 e) and 8).
- Assessment criteria for impairment of financial assets (Notes 3 h) vii) and 13), and
- Reasons supporting the capitalization of development projects (Notes 3 d) ii) and 7).

d) Changes in IFRS-EU standards in 2016

- Standards and interpretations approved by the European Union applied for the first time in 2016

  The accounting policies used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2015, as no amendments applicable for the first time this year has had any effect on the Group.

- Standards and interpretations issued by the IASB but not applicable in 2016

  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 consolidated financial statements for issue when they are effective, to the extent applicable to the Group. Although the Group is currently analyzing their impact, based on the analysis conducted to date, the Group believes that their first-time application will not have a material impact on the consolidated financial statements, except for the new standard on leases (IFRS 16).

  IFRS 16 sets out that right-of-use assets and lease liabilities shall be recorded in the consolidated balance sheet (except for short-term leases and leases of low-value assets). Additionally, the recognition criteria for lease expenses will also change, since they will be recorded as a depreciation charge for the lease asset and an interest expense on the lease liability. Fluidra is gathering the necessary data on its operating lease arrangement in order to assess the corresponding impacts. Considering the significant number of lease commitments taken on by the Group (Note 26), Fluidra expects IFRS 16 to have a substantial impact on the consolidated financial statements. The Group plans to publish the main provisional quantitative impacts of the adoption of this standard at June 30, 2017.

3. Significant Accounting Principles applied

The most significant ones are summarized as follows:

a) Consolidation principles

i) Subsidiaries and business combinations

Subsidiaries are companies, including structured entities, over which the Company holds direct or indirect control through subsidiaries.

The Company holds control over a subsidiary when it is exposed to, or has the right to receive, variable yield as a result of its involvement in it, and has the capacity to influence on such yield through the power it exercises over the subsidiary. The Company has such power when it has valid substantive rights that grant it the capacity to manage relevant activities. The Company is exposed to, or has the right to receive, variable yield as a result of its involvement in the subsidiary when the yield it obtains from such involvement may vary based on the economic evolution of the entity (IFRS 10.6, 10 and 15).

The subsidiaries' income, expenses and operating cash flows are consolidated from the acquisition date, i.e., the date on which the Group obtains effective control over them. Subsidiaries are deconsolidated from the date on which such control is relinquished.

The Group availed of the exception contemplated in IFRS 1 *First-time adoption of International Financial Reporting Standards* so that only business combinations undertaken after January 01, 2005, the IFRS-EU transition date, have been accounted for using the acquisition method. Acquisitions completed prior to the transition date were accounted for in accordance with the then-prevailing accounting principles, corrected and adjusted as required as of the transition date.

Business combinations made prior to January 1, 2010

The cost of the business combinations made prior to January 1, 2010 was determined at acquisition date as the sum of the fair values of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the Group in exchange for control of the acquiree, additionally including any cost directly attributable to the acquisition. Additionally, adjustments to the cost of the business combination that depend on future events are part of such cost provided that the amount is probable and can be measured reliably.

The cost of the business combination was allocated between the fair values of the acquired assets, assumed liabilities and contingent liabilities (net identifiable assets) of the acquired company. Non-current assets and disposal groups held for sale measured at fair value less cost to sell were not applied this criterion.

The surplus between the cost of the business combination and the Group's interest in the fair value of the acquired entity's net identifiable assets was recorded as goodwill, whereas the shortfall, if any, is recorded in profit or loss once the cost of the combination and fair values have been duly reconsidered.

The cost of the business combination included the contingent considerations, provided that they were probable and could be estimated reliably at the date of acquisition. Subsequent measurement of contingent considerations or subsequent changes therein are recorded as a prospective adjustment to the cost of the business combination.

Business combinations made after January 1, 2010

The consideration transferred in the business combination is determined at the acquisition date and calculated as the sum of the fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any contingent consideration depending on future events or compliance with certain conditions in exchange for the control of the business acquired.

The consideration transferred excludes any amounts that do not form part of the exchange for the acquiree. Acquisition-related costs are recognized as incurred.

At the acquisition date the Group recognizes any assets acquired and liabilities assumed at their fair value. The liabilities assumed include contingent liabilities to the extent that they represent present obligations that arise as a result of past events and their fair value can be reliably measured.

The assets acquired and liabilities assumed are classified and designated for subsequent measurement purposes on the basis of contractual agreements, financial terms, accounting policies, operating conditions and other pertinent circumstances that exist at the acquisition date, except for lease and insurance agreements.

The excess over the consideration transferred, plus any non-controlling interest in the acquiree and the net amount of assets acquired and liabilities assumed, is recognized as goodwill. Any shortfall after assessing the amount of consideration transferred, the value assigned to non-controlling interests and the identification and measurement of the net assets acquired, is recognized in profit or loss.

Contingent consideration is classified as a financial asset or liability, equity instrument or provision in accordance with the underlying contractual conditions. To the extent that subsequent changes in fair value of a financial asset or liability are not due to an adjustment to the measurement period, they are recorded in consolidated profit or loss. The contingent consideration classified as equity is not subsequently updated, and its settlement is likewise recognized in equity. The contingent consideration classified as a provision is subsequently recognized at fair value through profit or loss.

Inter-company transactions, balances and unrealized gains and losses on transactions between group companies have been eliminated on consolidation. If any, unrealized losses on the transfer of assets between group companies have been deemed an indication of the potential impairment of the assets transferred.

The subsidiaries' accounting policies have been aligned with those used by the Group for like transactions and events in similar circumstances.

The financial statements of the subsidiaries used in the consolidation process refer to the same presentation date and reporting period as those of the Parent.

ii) Non-controlling interests

Non-controlling interest in a subsidiary are recorded at the percentage of the ownership held in the fair value of the net identifiable assets acquired, and are presented in equity separately from the equity attributed to the equity holders of the Parent. Non-controlling interest in consolidated profit/(loss) and consolidated total comprehensive income for the year are likewise presented separately in the consolidated income statement and the consolidated statement of comprehensive income, respectively.

The Group's share and the non-controlling interest in consolidated profit/(loss) for the year (consolidated total comprehensive income for the year) and in changes in equity of the subsidiaries, net of adjustments and eliminations on consolidation, is determined based on the ownership interest held at year end, excluding the possible exercise or conversion of potential voting rights and after discounting the effect of agreed or non-agreed dividends on cumulative preference shares that may have been classified in the equity accounts. However, the existence or absence of control is determined considering the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently grant access to the economic benefits associated with the ownership interest, that is, the right to receive future dividends and changes in the value of subsidiaries.

Surplus losses attributable to non-controlling interests generated prior to January 1, 2010 that are not allocable to such interests as they exceed the amount of the equity interest in the related subsidiary are recognized as a reduction in equity attributable to owners of the parent, unless the non-controlling interests have a binding obligation to assume some or all of such losses and have the capacity to make any additional investments necessary. Any profits obtained subsequently by the Group are then allocated to equity attributable to owners of the parent until the amount of losses absorbed in prior reporting periods in respect of non-controlling interests has been replenished.

From January 1, 2010, the results and each component of other comprehensive income are allocated to equity attributable to owners of the parent and to the non-controlling interests in proportion to their respective ownership interests, even if this implies a negative non-controlling interests balance. Agreements entered into between the Group and non-controlling shareholders are recognized as a separate transaction.

Transactions with non-controlling interests

The increase or decrease in non-controlling interest of a subsidiary with no loss of control is recognized as a transaction with equity instruments. Therefore, no new acquisition cost arises as a result of an increase, nor any gain or loss is recognized from a decrease, but the difference between the consideration paid or received and the carrying amount of non-controlling interest is recognized in the investing company's reserve, without prejudice of reclassifying the consolidation reserves and reallocating the other comprehensive income between the Group and the non-controlling interest. In a decrease in the Group's ownership interest in a subsidiary, non-controlling interest is recorded for its share in consolidated net assets.

Put options granted prior to January 1, 2010

The Group recognizes put options on ownership interest in subsidiaries granted to non-controlling interest at the date of acquisition of a business combination as an advance acquisition of such interest, recording a liability for the present value of the best estimate of the amount payable, which is part of the cost of the business combination.

Subsequently, the change in the liability due to the effect of the financial discount is recorded as a finance cost in profit or loss, and the rest is recognized as an adjustment to the cost of the business combination. Any dividends paid to non-controlling interest until the date of exercise of the options are likewise recognized as an adjustment to the cost of the business combination. If finally the options are not exercised, the transaction is recognized as a sale to non-controlling interest.

Put options granted subsequent to January 1, 2010

The Group recognizes put options on ownership interest in subsidiaries granted to non-controlling interest at the date of acquisition of a business combination as an advance acquisition of such interest, recording a financial liability for the present value of the best estimate of the amount payable, which is part of consideration paid.

Subsequently, the change in the financial liability is recognized as a finance cost or income in profit or loss. Any discretionary dividends paid to non-controlling interest until the date of exercise of the options are recognized as a profit distribution. In the event that dividends are predetermined or incorporated into the measurement of the financial liability, settlement is discounted from the financial liability's carrying amount.

If finally the options are not exercised, the transaction is recognized as a sale of shares to non-controlling interest.

iii) Associates

Associates are defined as the entities over which the Company has significant influence, either directly or through other subsidiaries. Significant influence is the power to participate in the financial and operating policy decisions of an entity but no control or joint control over is held.

Investments in associates are accounted for using the equity method from the date on which significant influence is obtained until the date on which the Company can no longer justify its continuing existence.

The acquisition of associates is recorded applying the acquisition method used for subsidiaries. Goodwill, net of accumulated impairment losses, is included in the carrying amount of the investment accounted for using the equity method.

iv) *Impairment*

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

b) Foreign currency

i) Functional and presentation currency

The consolidated financial statements are presented in thousands of euros rounded to the nearest thousand. The euro is the Parent Company's functional and presentation currency.

ii) Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing between the functional currency and the foreign currency at the transaction dates. Monetary assets and liabilities in foreign currency are translated to the functional currency at the closing exchange rate, while non-monetary items measured at historical cost are translated at the exchange rate prevailing at the transaction date. Exchange gains and losses arising on the settlement of foreign currency transactions and on the translation into euros at the closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

In the presentation of the consolidated cash flow statement, cash flows from transaction in foreign currencies are translated into euros applying the exchange rates approximate to those existing at the date the cash flows occurred. The impact of fluctuations in exchange rates on cash and cash equivalents denominated in foreign currency is presented under a separate caption in the cash flow statement as "Exchange gains/(losses) on cash and cash equivalents".

The Group presents the effect of the conversion of deferred tax assets and liabilities denominated in foreign currency together with the deferred income tax in profit or loss.

iii) Translation of foreign operations

The translation into euros of foreign operations whose functional currency is not the currency of a hyperinflationary country is made using the following criteria:

- Assets and liabilities, including any goodwill and any adjustments to the net assets arising on the acquisition of foreign operations, including comparative balances, are translated at the closing exchange rate at the balance sheet date;
- Income and expenses, including comparative balances, are translated at the exchange rate prevailing at the date of each transaction; and
- All exchange gains or losses derived from applying the above-mentioned criteria are recognized as translation differences in other comprehensive income.

In the presentation of the consolidated cash flow statement, cash flows, including comparative balances, from the foreign subsidiaries are translated into euros applying the exchange rates prevailing at the date the cash flows occurred.

Translation differences related to foreign operations recognized in other comprehensive income are recorded jointly under one line in profit or loss and when recognition in profit or loss related to the disposal of such operations occurs.

c) Property, plant, and equipment

I) Assets for own use

Property, plant and equipment are measured at acquisition cost less any accumulated depreciation and any impairment losses. The cost of property, plant and equipment built by the Group is determined following the same criteria as those used for acquired property, plant and equipment, considering also the principles established for the production cost of inventories. The capitalization of the production cost is recognized under "Work performed by the Group and capitalized as non-current assets" in the consolidated income statement.

The cost of property, plant and equipment includes the acquisition price less any trade discounts or rebates plus any cost directly related to its location on the place and under the conditions necessary for it to operate as expected by the Directors and, where appropriate, the initial estimate of dismantling or disposal costs, as well as the restoration of the land it is located on, provided that these obligations are assumed as a result of its use and for purposes other than the production of inventories

The Group records separately the items of a complex asset whose useful lives are different from the main asset's.

ii) Investment in rented premises

The Group recognizes permanent investments in properties leased from third parties following the same criteria as the ones used for property, plant and equipment items. These investments are depreciated over the shorter of the useful life of the asset or over the lease term. To this effect, the determination of the lease term is consistent with that established for its classification. In the event that the full-term execution of the lease agreement is uncertain, a provision is recorded for the estimated amount of the net carrying amount of irrecoverable investments. Likewise, the cost of these investments includes the estimated costs of dismantling and disposing of the assets and restoring the land they are located on that the Group shall pay at the end of the agreement; thus, a provision is recorded for the present value of the estimated cost that is expected to be incurred.

iii) Costs subsequently incurred

The Group recognizes as an increase in the cost of the assets, the replacement cost of an asset's items when incurred, provided that it is probable that additional future economic benefits will be obtained from the asset and that the cost can be measured reliably. Other costs, including repair and maintenance expenses on property, plant and equipment items are charged to the profit and loss account in the period incurred.

iv) Depreciation

Property, plant and equipment items are depreciated by allocating their depreciable amount, which is the acquisition cost less residual value, on a straight-line basis over their useful lives. Depreciation is determined separately for each portion of a property, plant and equipment item that has a significant cost in relation to the total cost of the item.

Land is not depreciated. The depreciation of property, plant and equipment items is determined as follows:

	Years of estimated useful life
Buildings	33
Plant and machinery	3-10
Other installations, tools and equipment	3-10
Data processing equipment	2-5
Transport equipment	3-8
Other PP&E items	4-10

At each year end, the Group reviews the residual value, useful life and depreciation method of property, plant and equipment items. Any changes in the initial criteria are accounted for as a changes to estimates.

v) Impairment

The Group evaluates and determines impairment losses on property, plant and equipment and any reversals thereof in accordance with the criteria described in Note 3 f).

d) Intangible assets

i) Goodwill

Goodwill is determined following the criteria indicated in note 3 a) i) Subsidiaries and business combinations.

Goodwill is not amortized but it is tested for impairment at least once a year, or more frequently if an event is identified that could give rise to a potential impairment loss on the asset. Goodwill arisen in business combinations is allocated to each cash-generating unit (CGU) or groups of CGUs that are expected to benefit from the synergies of the combination, applying the criteria outlined in section Note 3 f). Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill arisen in business combinations prior to January 1, 2005 is shown at its net carrying amount as indicated in the financial statements for the year ended December 31, 2004, considering such carrying amount as an attributed cost.

Internally generated goodwill is not recognized as an asset.

ii) Internally generated intangible assets

Costs related to research activities are recognized as an expense when incurred. The costs related to development activities of certain products are capitalized as:

- The Group has technical studies available that support the feasibility of the production process;
- There is a commitment by the Group to complete the production of the asset so that it is available for sale;
- The asset will generate enough economic profit through future sales in the markets in which the Group operates;
- The Group has the technical and financial (or other) resources necessary to complete the asset and has developed budget control systems and analytical accounting systems to monitor budgeted costs, modifications made and costs actually incurred in the projects.

The cost of the assets generated internally by the Group is determined following the same criteria as for determining the production cost of inventories. The production cost is capitalized through the payment of the costs attributable to the asset in the "Work performed by the Group and capitalized as non-current assets" caption in the consolidated income statement.

Additionally, the costs incurred in the performance of activities that contribute to developing the value of the businesses in which the Group operates as a whole are recorded as expenses when incurred.

Also, replacements or subsequent costs incurred in intangible assets are generally recorded as expenses, unless they increase the future economic benefits expected from the assets.

iii) Intangible assets acquired in business combinations

Since January 1, 2005 identifiable intangible assets acquired in business combinations have been measured at fair value at acquisition date, provided that fair value can be determined reliably. Subsequent costs related to research and development projects are recorded following the criteria used for internally generated intangible assets.

Customer portfolios acquired mainly include the value of the relation existing between the corresponding company and their customers, which has arisen as a result of a contract and, therefore, are identified as intangible assets in accordance with a contractual and legal criterion. Additionally, the patents acquired include the value of the technologies for manufacturing certain products, and arose as a result of a contract. They have been measured at market value using generally accepted measurement methods based on discounted cash flow. Additionally, finite useful lives have been calculated based on historical evidence of the renewal of the continuing relation with these customers and based on the residual period for the right to use the patents, considering the expected technical obsolescence.

iv) Other intangible assets

Other intangible assets are presented in the consolidated statement of financial position at cost, less any accumulated amortization and any impairment losses.

v) Useful life and amortization

The Group assesses the intangible asset's useful life to be either finite or indefinite. An intangible asset is deemed to have an indefinite useful life when the period over which it will generate net cash inflows has no foreseeable limit.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment at least annually.

Intangible assets with finite useful lives are amortized by allocating the amortizable amount over their useful lives using the following criteria:

	Amortization method	Years of estimated useful life
Development costs	Straight-line basis	3-4
Industrial property and patents	Straight-line basis	5-10
Software	Straight-line basis	3-5
Relations with customers	Declining-balance method / Straight-line basis	3-20
Other intangible assets	Declining-balance method / Straight-line basis	5-10

To this end, amortizable amount is understood as acquisition cost less residual value.

The Group reviews the residual value, useful life and amortization method of intangible assets at the end of each reporting period. Any changes in the initial criteria are accounted for as a changes to estimates.

vi) Impairment of assets

The Group evaluates and determines impairment losses on intangible assets and any reversals thereof in accordance with the criteria described in Note 3 f).

e) Investment property

Investment property is property fully or partially held for obtaining income, gains or both rather than for producing or providing goods or services. Investment property is initially measured at cost, including transaction costs.

Investment property is subsequently measured following the cost criteria established for property, plant and equipment. Depreciation methods and useful lives are presented in that section.

f) Impairment of non-financial assets

The Group assesses whether there are indications that depreciable or amortizable non-financial assets may be impaired, including entities accounted for using the equity method, in order to determine if the carrying amount of said assets exceeds their recoverable amount.

Additionally, and regardless of the existence of any indication of impairment, goodwill, intangible assets with indefinite useful lives and intangible assets not yet ready to be put to use are tested for impairment at least annually.

Recoverable amount is the higher of fair value less costs to sell and value in use. The calculation of an asset's value in use reflects an estimate of the future cash flows expected to derive from the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows expected to derive from the asset.

Negative differences arisen as a result of comparing the carrying amounts of the assets with their recoverable amounts are recorded in profit or loss.

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

Impairment losses on cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit up the highest of its fair value less costs to sell, its value in use and zero.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. Impairments losses of goodwill may not be reversed. Impairment losses for assets other than goodwill are reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount.

Any reversals of impairment losses are charged to income. The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset.

The reversal of an impairment loss on a CGU is allocated between the assets of the unit, except for goodwill, pro rata on the basis of the carrying amount of the assets down to the lowest of their recoverable amount and carrying amount that would have been determined, net of depreciation and amortization had no impairment loss been recognized for the asset.

g) Leases

The Group holds certain assets under lease agreements.

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased asset are classified as finance leases; all other leases are classified as operating leases.

i) Finance leases

At the commencement of the lease term, the Group recognizes an asset and liability at the lower of the fair value of the leased property and the present value of the minimum lease payments. Initial direct costs are considered as an increase in the value of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Finance costs are recognized in the consolidated income statement using the effective interest rate method. Contingent rents are recognized as an expense when it is probable that they will be incurred.

The accounting policies used to account for the assets used by the Group under lease agreements that qualify as finance leases are the same as those outlined in Note 3 c).

Ii) Operating leases

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

Contingent rents are recognized as an expense when it is probable that they will be incurred.

h) Financial instruments

i) Classification of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument developed in IAS 32 "Financial instruments: Presentation".

Additionally, and for measurement purposes, financial instruments are classified in under "Financial assets and liabilities at fair value through profit or loss", "Loans and receivables", "Available-for-sale financial assets" and "Financial liabilities measured at amortized cost". They are classified under the categories above in accordance with the characteristics of the instrument and the Group's intentions upon initial measurement.

Regular purchases and sales of financial assets are recognized on the trade date; i.e. the date on which the Group commits to purchase or sell the asset.

ii) Offsetting principles

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

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

Financial assets and liabilities at fair value through profit or loss are those classified as held for trading or those that at January 1, 2005 or after the Group has recognized as such upon initial measurement.

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

- It is acquired or incurred mainly for the purpose of selling it or repurchasing it in the immediate future.
- Upon initial recognition it is part of a portfolio of identified financial instruments that are jointly managed and for which there is evidence of a recent pattern of obtainment of benefits in the short term, or
- It is a derivative, unless this derivative has been designated as a hedging instrument and meets the requirements to be effective and a derivative that is a financial guarantee contract.

Equity instruments that are not listed on an active market and whose fair value cannot be reliably measured are not classified into this category.

Financial assets and liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs directly attributable to the purchase or issue costs are recognized as incurred.

After initial recognition, they are recorded at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal.

iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market other than those classified in other financial asset categories. Financial assets included in this category are initially measured at fair value, including transaction costs, and are subsequently measured at amortized cost using the effective interest rate method.

v) Available-for-sale financial assets

Under this caption the Group records the acquisition of non-derivative financial instruments that are specifically designated in this category or do not meet the requirements for being classified in the above categories.

Available-for-sale financial assets are initially measured at fair value plus directly attributable transaction costs.

After initial recognition, financial assets classified in this category are measured at fair value, and any related gain or loss is recorded in other comprehensive income, except for impairment losses. Fair value is not reduced by transaction costs incurred on sale or disposal. The amounts recognized in other comprehensive income are recorded in profit or loss when the financial assets are derecognized. However, interest calculated using the effective interest rate method and dividends are recognized in profit or loss using the criteria set out in Note 3 q) (revenue recognition).

Investments in equity instruments, the fair value of which cannot be reliably estimated, are measured at cost. However, if the Group is provided with a reliable measurement of the financial asset at any given time, it is then recorded at fair value, recognizing any related gains or losses based on their classification.

In investments in equity instruments measured at cost, the Group recognizes the income from the investments only to the extent that reserves for retained earnings of the associate, arisen after the acquisition, are distributed. Dividends received exceeding such earnings are considered as a recovery of the investment and are therefore recognized as a reduction in such investment.

vi) Amortized cost

The amortized cost of a financial asset or liability is the amount for which it was initially measured less repayment of the principal, plus or less the gradual accumulated allocation or repayment, using the effective interest rate method, of any difference existing between the initial value and the repayment value at maturity, less any decrease due impairment loss or default.

Additionally, the effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or shorter where appropriate, to the carrying amount of the financial asset or liability. For financial instruments in which the variable to which commissions, basis points, transactions costs, discounts and premiums are related is reviewed at market rates before expected maturity, the amortization period is that until the next review of conditions.

Cash flows are estimated considering all contractual conditions of the financial instrument, excluding future credit losses. The calculation includes the commissions and basis points of interest paid or received by the parties to the contract, as well as the transaction costs and any other premium or discount. In the event that the Group cannot reliably estimate cash flows or the expected life of a financial instrument, contractual cash flows over the whole contractual period are used.

vii) Impairment and irrecoverability of financial assets

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

The Group recognizes impairment losses and default on loans and other receivables by recording an allowance account for financial assets. When impairment and default are considered irreversible, the carrying amount is eliminated against the balance of the allowance account. The reversals of impairment losses are likewise recognized against the balance of the allowance account.

- *Impairment of financial assets measured at amortized cost*

For financial assets carried at amortized cost, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, excluding future credit losses not incurred, discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss, and can be reversed in subsequent years if the decrease can be objectively related to an event subsequent to their recognition. However, the loss can only be reversed up to the limit of the amortized cost of the asset that would have been recorded had the impairment loss not been recognized. The reversal of the impairment loss is recognized against the balance of the allowance account.

- *Impairment of financial assets measured at cost*

For assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the present rate of return for similar financial assets. These losses cannot be reversed, and are therefore recorded against the value of the asset rather than against the allowance account.

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

In the case of available-for-sale financial assets, the decrease in fair value that is recorded directly in other consolidated comprehensive income is recognized in profit or loss when there is objective evidence of impairment, even though the financial asset has not been derecognized from the consolidated statement of financial position. The impairment losses recognized in profit or loss are calculated as the difference between acquisition cost, net of any repayment of the principal amount and present fair value, less any impairment loss previously recognized in the consolidated income statement for the year.

Impairments losses on investments in equity instruments cannot be reversed.

The increase in the fair value of debt instruments, which can be objectively related to an event subsequent to the recognition of the impairment loss, is recorded against profit or loss up to the amount of the previously recognized impairment loss, and the surplus, if any, against other comprehensive income.

viii) Financial liabilities

Financial liabilities, including trade and other payables, that are not classified at fair value through profit or loss are initially recognized at fair value less any transaction costs directly attributable to the issue of the financial liability. These financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

ix) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset have expired or when the financial assets have been transferred, provided that the Group has transferred substantially all the risks and rewards of ownership of the financial asset. Additionally, financial assets for which the Group retains the contractual rights to receive the cash flows are only derecognized when it assumes contractual obligations to pay the cash flows to one or more recipient and the following requirements are met:

- Payment of the cash flows is dependent on prior collection;
- The Group may not sell or pledge the financial asset; and
- The cash flows collected on behalf of the recipients are remitted without material delay. Accordingly, the Group is not capable of reinvesting them. Investments in cash and cash equivalents made by the Group during the settlement period comprised between the collection date and the remission date agreed upon with the recipients are an exception to the above criterion, provided that accrued interest is attributed to the recipients.

When the Group transfers a financial asset in its entirety but retains the administration right to it in exchange for a fee, an asset or liability is recognized for the rendering of such service.

In transactions in which a financial asset is derecognized in its entirety, the financial assets or financial liabilities obtained, including the liabilities corresponding to the administration services incurred, are recognized at fair value.

In the transactions in which a financial asset is partially derecognized, the carrying amount of the entire asset is allocated to the sold portion and the retained portion, including the assets corresponding to the administration services, in proportion to the fair value of each portion.

On derecognition of a financial asset in its entirety, the gain or loss is determined as the difference between the carrying amount of the asset, and the consideration received net of transaction costs, including any new asset obtained less any liability assumed, plus accumulated gain or loss deferred in other comprehensive income.

The criteria for the derecognition of financial assets in transactions in which the Group neither transfers nor retains substantially the risks and rewards incidental to ownership are based on an analysis of the level of control held. Accordingly,

- If the Group has not retained control, the financial asset is derecognized and any rights or obligations created or retained as a result of the transfer are separately recorded as assets or liabilities.
- If control has been retained, the Group continues to recognize the financial asset for its continuing commitment to it and records an associated liability.

In transactions in which the Group retains substantially all the risks and rewards of ownership of the transferred asset, it continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. Transaction costs are recognized in profit or loss using the effective interest rate method.

i) Derivatives and hedge accounting

The Group uses derivative financial instruments to cover the interest rate and foreign currency risks derived from its activity. Under the Group's finance policies derivatives may not be acquired or held for trading. However, the derivative financial instruments that do not qualify as hedging derivatives are recorded as trading instruments and measured as financial assets and liabilities at fair value through profit or loss.

Derivative financial instruments are initially recognized at fair value.

The Group arranges cash flow hedges on interest rate risk. At the inception of the hedge, the Group formally designates and documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent periods in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80% - 125% (retrospective analysis).

For cash flow hedges of a forecast transaction, the Group assesses whether the forecast transaction that is the subject of the hedge is highly probable and presents an exposure to variations in cash flows that could ultimately affect consolidated profit or loss.

The Group recognizes as other consolidated comprehensive income the gain or loss on the measurement at fair value of a hedging instrument that correspond to the portion determined to be an effective hedge. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are charged or credited to the finance income or costs accounts.

The separate component of consolidated equity associated with the hedged item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value (present value) of the expected future cash flows on the hedged item from inception of the hedge. However, if the Group expects that all or part of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it reclassifies the amount that is not expected to be recovered to profit or loss as finance income or cost.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss and under the same caption of the consolidated income statement.

The Group prospectively discontinues hedge accounting when the hedging instrument expires, is sold or the hedge no longer meets the criteria for hedge accounting to be applied. In these cases, the cumulative gain or loss on the hedging instrument recognized in other comprehensive income is not recognized in profit or loss until the forecast transaction occurs. However, as soon as the Group determines that the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified as finance income or cost.

If the Group revokes the hedge accounting designation for forecast transactions the cumulative gain or loss that has been recognized in other comprehensive income is recorded in profit or loss when the transaction is carried out or is no longer expected to be carried out.

j) Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, such as interest incorporated into the nominal amount, and any additional costs incurred to bring the goods to a saleable condition, other costs directly attributable to the acquisition, as well as borrowing costs and indirect taxes not recoverable from the Spanish taxation authorities.

Trade discounts granted by suppliers are recognized as a cost reduction of the acquired inventories as soon as it is probable that the necessary conditions for the discounts to qualify as such will be met, and the excess amount, if any, is recognized as a reduction in consumption in the consolidated income statement.

The production cost of inventories includes the acquisition cost of raw materials and other consumables and the costs directly related to the units produced and a portion systematically calculated of the either variable or fixed indirect costs incurred during the transformation process. Indirect fixed costs are distributed based on whichever is higher: normal working conditions for the means of production, or production output.

The cost of raw materials, other supplies, goods, and conversion are assigned to the different cash-generating units in stock, based on the average weighted price method.

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

When the cost of inventories exceeds net realizable value, it is written down to net realizable value against profit or loss. Net realizable value is understood to be:

- Raw materials and other consumables: replacement cost. However, the Group does not make any adjustments if the finished products in which the raw materials are incorporated are expected to be sold at a price equivalent to their production cost or higher;
- Goods and finished products: estimated selling price less costs to sell;
- Work in progress: the estimated selling price of the related finished goods, less the estimated costs to complete production and the costs necessary to make the sale;

The previously recognized reduction in value is reversed against profit or loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances. The reversal of the reduction in value is limited to the lower of the cost and the revised net realizable value of the inventories.

k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and demand deposits at banks. This caption also includes other short-term highly-liquid investments readily convertible into specific amounts of cash that do not mature beyond three months.

For the purpose of the cash flow statement, demand bank overdrafts that are part of the Group’s cash management and that are recorded in the consolidated statement of financial position as bank borrowings under financial liabilities are included as cash and cash equivalents.

The Group classifies the cash flows from interest received and paid as operating activities, except for the interest received on loans granted for reasons other than the Group’s ordinary activity. Dividends received from associates are classified as investing activities and dividends paid by the Company, as financing activities.

l) Equity instruments

The acquisition by the Group of equity instruments of the Company is presented separately at acquisition cost as a decrease in consolidated shareholders’ equity in the consolidated statement of financial position. In the transactions entered into with own equity instruments no profit or loss is recognized in the consolidated income statement.

Transaction costs related to own equity instruments, including issue costs related to a business combination, are recorded as a decrease in reserves, net of any tax effect.

Subsequent repayment of the parent's equity instruments gives rise to a capital reduction for the amount of those shares, and the positive or negative difference between acquisition cost and the nominal amount of the shares is charged or credited to reserve accounts for retained earnings.

Dividends related to equity instruments are recorded as a reduction in consolidated equity when they are approved by the shareholders in general meeting.

m) Government grants

Grants awarded by public administrations are recorded when there is reasonable assurance that the conditions associated with their awarding will be met and they will be received.

i) Capital grants

Capital grants awarded as monetary assets are recorded with a credit to the "Government grants" caption of the consolidated statement of financial position, and are recorded in the "Other income" caption as the corresponding financed assets are depreciated or amortized.

ii) Operating grants

Operating grants are recorded as a reduction in the expenses they finance.

Grants received as compensation for expenses or losses incurred, or in order to provide immediate financial support not related to future expenses, are recorded with a credit to other income accounts.

iii) Interest rate grants

Financial liabilities comprising implicit assistance in the form of below-market interest rates are initially recognized at fair value. The difference between this value, adjusted where necessary for the issue costs of the financial liability and the amount received, is recognized as a government grant based on the nature of the grant awarded.

n) Employee benefits

i) Termination benefits

Termination benefits are recognized at the earlier of the date from which the Group can no longer withdraw its offer and that on which it recognizes the costs of a restructuring effort that will entail the payment of termination benefits.

In respect of termination benefits as a result of the employees' decision to accept a voluntary redundancy offer, the Group is deemed unable with withdraw its offer at the earlier of the date on which the employees accept the offer and the date of effectiveness of some form of restriction on the Group's ability to withdraw the offer.

In respect of involuntary termination, the Group is deemed unable to withdraw its offer when it has communicated the plan to the affected employees or their union representatives and the actions needed to complete the plan suggest that it is unlikely that there will be significant changes in the plan; the plan identifies the number of employees whose services are to be terminated, their job classification of function, their location and their expected termination date; and the termination benefits to be received by the laid-off employees have been established in sufficient detail to enable them to determine the type and amount of remuneration they will receive upon termination.

If the Group expects to fully settle the termination benefits within twelve months after year end, the liability is discounted using the market returns for issues of high-rated bonds.

ii) Termination benefits linked to restructuring processes

Termination benefits related with restructuring processes are recognized when the Group has a constructive obligation, i.e., when there is a detailed formal plan for such process identifying at a minimum the business (or parts of the business) concerned, the main locations affected, the function and approximate number of employees who will be compensated for termination of their services, the termination benefits to be paid, and the plan's implementation timing, and a valid expectation has been raised among those affected that the restructuring will be carried out either because the plan has started to be implemented or because the main features of the plan have been announced to those affected by it.

iii) Other long-term employee benefits

The Group has assumed payment to its employees of the obligations derived from the collective agreements to which certain Spanish group companies are adhered to, whereby the employees adhered to it with at least 25 years or 40 years of service in the company shall receive 45 or 75 days, respectively, of the last fixed salary. The Group has recorded the estimated liability for this commitment in the “Provisions” caption of the consolidated statement of financial position.

Additionally, in accordance with prevailing regulations in the corresponding country, certain foreign group companies have commitments to their employees for retirement bonuses, recording the estimated liability in the above-mentioned caption, whereby upon retirement employees will receive an amount accrued over their working lives at the company based on an annual amount accrued derived from applying a ratio over the overall annual remuneration of the employee, with the liability recorded at the beginning of the year subject to the increase in the cost of living. Some of these commitments are financed through the payment of insurance premiums.

The liability for long-term employee benefits recorded in the consolidated statement of financial position corresponds to the present value of the obligations assumed at year end.

In the case of externalized commitments the liability for long-term employee benefits recorded in the consolidated statement of financial position corresponds to the present value of the defined benefit obligations existing at year end less the fair value of the plan assets at that date.

The Group recognizes as an expense or income accrued for long-term employee benefits the net amount of the service cost for the year, the net cost of interest and the recalculation of the measurement of the net liability for long-term benefits, as well as the one related to any reimbursement and the effect of any reduction or settlement of the commitments acquired.

The present value of the obligations existing at year end and the service cost is calculated periodically by independent actuaries using the projected unit credit method. The discount interest rate is determined based on the market interest rates for issues of high-rated bonds, denominated in the currency in which the benefits will be paid and with maturity periods similar to those for the corresponding benefits.

The reimbursement rights to some or all payment obligations for defined benefits are only recognized when collection is virtually certain.

The asset or liability for defined employee benefits is recorded as current or non-current based on the realization or maturity period of the corresponding benefits.

iv) Short-term employee benefits

The Group recognizes the expected cost of short-term employee benefits as paid leave, the right to which accumulates from period to period, as employees render the services that vest the right to this remuneration. If paid leave is not cumulative, the cost is recognized as the leave is taken.

The Group recognizes the expected cost of share in profit or employee bonus plans when it has a legal or constructive present obligation as a result of past events and a reliable estimate of the obligation can be made.

o) Provisions

Provisions are recognized when the Group has a present obligation (legal or implicit) as a result of a past event; it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount of the obligation can be reliably estimated.

The amount recognized as a provision in the consolidated statement of financial position is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognized as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The financial effect of the provisions is recorded as a finance cost in profit or loss. The provisions do not include the tax effect, nor the disposals or abandonment of assets.

The provision is reversed if it is less probable than not that an outflow of resources will be required to settle the obligation. The provision is reversed against the profit or loss caption in which the corresponding expense was recorded, and the surplus, if any, is recognized in the “Other income” caption.

p) Share-based payments

The Group recognizes the goods and services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. If the goods or services are received as part of an equity-settled share-based payment, it recognizes an increase in equity; if they are received as part of a cash-settled share-based payment, it recognizes a liability along with a balancing charge in profit or loss or an asset in the consolidated statement of financial position.

The delivery of equity instruments as consideration for the services performed by the employees of the Group or third parties providing similar services are measured by reference to the fair value of the equity instruments granted.

Employee benefits paid in the form of equity instruments are recognized by applying the following criteria:

- If the equity instruments granted vest immediately on the grant date, the services received are recognized with a charge to profit or loss, with a corresponding increase in equity;
- If the equity instruments granted vest when the employees complete a specified service period, those services are accounted for during the vesting period, with a credit to equity accounts.

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

Market-related vesting conditions and other non-determining vesting conditions are taken into account when measuring the fair value of the equity instruments granted. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognized for services received is based on the number of equity instruments that eventually vest. Consequently, the Group recognizes an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest, revising this estimate if the number of equity instruments expected to vest differs from previous estimates.

Once the services received and the corresponding increase in equity have been recognized, no additional adjustments to equity are made after the vesting date, without prejudice to making the corresponding reclassifications in equity.

q) Ordinary revenue recognition

Revenue from the sale of goods and the rendering of services is recognized at the fair value of the consideration received or receivable. Discounts granted for prompt payment, volume purchases or other considerations and any interest income arising from financing a sale are deducted from the amount of revenue recognized. Discounts given to customers are recognized when it is likely that the attaching conditions will be met as a decrease in sales revenue.

i) Sale of goods

The Group recognizes ordinary revenue from the sale of goods when:

- It has transferred to the buyer the significant risks and rewards inherent to ownership of the goods.
- It retains neither continuing involvement in the management of the goods to the degree usually associated with ownership, nor effective control over the goods sold.
- The amount of income and costs incurred can be measured reliably.
- It is probable that the economic benefits associated with the sale will flow to the Group.
- The costs incurred or to be incurred in respect of the transaction can be fairly measured.

The Group sells certain goods for which the customers have the right to receive a refund. In these instances, the revenue from the sale of the goods is recognized when the above conditions are met and it is possible to reliably estimate the amount of the refunds on the basis of prior experience and other relevant factors. Estimated refunds are recorded against ordinary income with a charge to the provision for sales returns, recognizing the estimated cost value of the goods returned as inventories on consignment, net of the effect of any reduction in value.

ii) Rendering of services

Revenue from the rendering of services is recognized considering the stage of completion of the transaction at the reporting date, provided that the outcome of the transaction can be estimated reliably. This circumstance arises when the amount of revenue, the stage of completion, the costs already incurred and those that will be incurred, can be measured reliably and it is likely that the financial benefits deriving from the service will be received.

iii) Dividend income

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

r) Income tax

Tax expense (income) comprises current tax and deferred tax.

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

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

Current and deferred tax is recognized in profit or loss, except to the extent that the tax arises from: (i) a transaction or event which is recognized, in the same or a different period, outside profit or loss, directly in consolidated equity; or (ii) a business combination.

Tax credits on the income tax granted by public administrations as a decrease on the amount payable for this tax are recognized as a decrease in the income tax expense when there is reasonable assurance that the conditions related to the right to deduction will be met.

The Directorate General of Taxation has allowed Fluidra, S.A. and some of the Company's subsidiaries to file consolidated taxes, and consequently, the separate taxable base of the companies indicated in Appendix I (except for non-resident companies in Spain and resident companies that file separate taxes such as Productes Elastomers, S.A, Tecnical Pool Service, S.L. and ID Electroquímica, S.L., as well as Manufacturas Gre, S.A.U., a company resident in the Basque Country)) is integrated into the consolidated taxable base of Fluidra, S.A., which is the parent company of the tax consolidation group. Likewise, outside of Spain, certain Group subsidiaries also file consolidated taxes, their groups being as follows:

- The French Tax Authorities have allowed Fluidra Services France, S.A.S. and subsidiaries to file consolidated taxes (except for non-resident companies in France and resident companies that file separate taxes such as A.P. Immobiliere y Trace Logistic France, S.A.S.).
- The American Tax Authorities have allowed U.S. Pool Holdings, Inc. and subsidiaries (Aqua Products, Inc., Fluidra Projects USA, Inc y Fluidra USA, LLC) to file consolidated taxes.
- The Italian Tax Authorities have allowed Fluidra Services Italia, S.R.L. and subsidiaries (Fluidra Commerciale Italia, S.p.a. and Inquide Italia, S.R.L.) to file consolidated taxes.

i) Recognition of taxable temporary differences

A deferred tax liability is recognized for all taxable temporary differences, except:

- to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss);
- to the extent the deferred tax liability relates to taxable temporary differences associated with investments in subsidiaries or joint ventures where the Group has the capacity to control the date of reversal and it is not probable that reversal will happen in the foreseeable future.

ii) Recognition of deductible temporary differences

Deferred tax assets are recognized provided that:

- it is probable that sufficient future taxable profit will be available against which the they can be utilized, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss);
- they relate to deductible temporary differences associated with investments in subsidiaries or joint ventures to the extent that temporary differences will be reversed in the foreseeable future and future taxable profit will be available to offset the differences;

Tax planning opportunities are only considered for the purpose of assessing the recoverability of deferred tax assets if the Group intends to use them or it is probable that it will use them.

iii) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and factoring in the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

The Group reviews the carrying amounts of its deferred tax assets at the end of each reporting period with a view to reducing these carrying amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow part or all of the assets to be utilized.

Deferred tax assets that do not satisfy the above conditions are not recognized in the consolidated statement of financial position. At the end of each reporting period, the Group reassesses unrecognized deferred tax assets to determine whether the recognition criteria have been met.

iv) Offsetting and classification

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

The Group offsets deferred tax assets and deferred tax liabilities only if it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

s) Offsetting of assets and liabilities, income and expenses

Assets and liabilities and income and expenses are not offset, unless offsetting is required or allowed by a Standard or Interpretation.

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

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. For these purposes, assets and liabilities are classified as current in accordance with the following criteria:

- Assets are classified as current when they are expected to be realized or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for trading, they are expected to be realized within twelve months from the reporting date, or are cash or cash equivalents, unless they are restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle; they are held primarily for the purpose of trading; they are due to be settled within twelve months after the reporting period; or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.
- Financial liabilities are classified as current liabilities when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue.
- Deferred tax assets and deferred tax liabilities are recognized in the consolidated statement of financial position as non-current assets and non-current liabilities, irrespective of the expected date of recovery or settlement.

u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment, assess its performance, and for which discrete financial information is available.

v) Environment

The Group carries out activities whose primary purpose is to prevent, reduce or repair damages caused to the environment from its operations.

Expenses incurred for environmental activities are recognized under "Other operating expenses" during the year in which they are incurred.

Property, plant and equipment acquired by the Group for long-term use to minimize the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognized as assets applying the measurement, presentation and disclosure criteria described in section c) above.

Where appropriate, the Group records provisions for environmental activities when such expenses are known in the same year or previous year, and when the related concepts are clearly specified. These provisions are recorded based on the criteria indicated in section (o) Provisions of this note. Compensation to be received by the Group in connection with environmental obligations is recognized as an amount receivable in assets on the consolidated statement of financial position, provided that there is no doubt as to whether this compensation will actually be received, and that it does not exceed the amount of the recorded obligation.

4. Segment information

The Group is structured into three divisions, two of which include the Group's sales and distribution activities based on a geographical approach, and the third division includes the Group's transactions and logistics chain. All three divisions are centrally defined and managed by the Group's Management Committee.

The Sales Divisions are the Europe Division and the Expansion Division. The purpose of this structure is to enhance the approach to each market and rationalize the supply chain by unifying purchases, production, storage and logistics under a single management. Additionally, the Europe Division, concentrated on markets showing a more modest growth, focuses on gaining efficiency in its processes and profitability through operating leverage, and the Expansion Division, concentrated on markets with greater growth expectations, focuses on increasing our market share in those markets. These Divisions include the following business units: Swimming-pool, Domestic Irrigation and Water treatment, and Industrial Fluid Handling, each of them focused on marketing products in the residential, commercial and industrial markets. This commercial structure allows the Company to combine a more direct approach to each business and market segments and operating synergies such as sharing the capillarity of distribution networks by country.

The Operations Division, which is mainly located in Spain, France, Israel and China, focuses on increasing cost efficiency through the rationalization of production plant structure and the optimization of industrial assets.

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

Segment information shows the information used by Fluidra Group's Management in accordance with IFRS 8.

Holding, real estate and services companies do not form operating segments (they do not generate significant revenue to third parties or revenue is supplementary to the Group's activity). All these companies are grouped into the "Shared services" caption.

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 the consolidation process.

As for assets and liabilities, mainly financial assets and liabilities have not been allocated to any of the aforementioned business segments ("unallocated" column). The difference between the items of the different segments and the "unallocated" column and the total assets and liabilities in the consolidated statement of financial position mainly corresponds to intra-segment consolidation adjustments, the elimination investment-shareholders' equity of the financial investments in group companies, as well as other adjustments derived from the business combinations and the consolidation process.

No customer accounts for sales to third parties greater than 10% of total sales.

The breakdown of the Group's segment information for 2016 and 2015 is shown in Appendices II and III to these consolidated financial statements.

5. Business combinations and sales of group companies

The breakdown of transactions resulting in a business combination in 2016 and 2015 is as follows:

2016

On January 12, 2016 the Group acquired the business of the French company EGT Aqua for the marketing of wooden pools in Europe in both the mass market channel and the professional channel. The transaction, which was measured at 1,000 thousand euros, includes the design of pools and the wide experience in the sale of these products in the large distribution channel. Goodwill arisen in this transaction was included in the Europe CGU.

On July 21, 2016 the Group acquired 70% of the Dutch company SIBO B.V. (subsequently SIBO Fluidra Netherlands B.V.)

SIBO is a leading company in natural pools and water installations with strong distribution presence in Northern Europe, especially Benelux and Germany. The purpose of this acquisition was to strengthen the Group's presence in said market.

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

An initial amount of 6,393 thousand euros was paid for this acquisition and contingent amounts were established mainly subject to the results that the acquired business obtains during 2017. The Group has recognized an amount of 4,047 thousand euros related to this contingent consideration at the date of acquisition. The Group has estimated the fair value of this contingent consideration weighing the potential outcomes based on the probabilities estimated for each one. The agreement does not establish any maximum limit to be paid.

As a result of this acquisition, the Group has granted a put option to the minority shareholder for the remaining 30%, and the minority shareholder has granted the Group a call option, which can be exercised between January 1, 2021 and June 30, 2021, the price being mainly subject to the results obtained by the acquired business in 2017. At acquisition date, the Group has recorded a non-current liability for the present amount of the price of said put option amounting to 6,348 thousand euros, and no non-controlling interest has been recognized.

During the period comprised between the date of acquisition and December 31, 2016 the acquired business has generated consolidated total sales of goods and finished products amounting to 7,535 thousand euros and consolidated losses after tax amounting to 167 thousand euros.

If the acquisition had occurred on January 1, 2016, the Group's sales of goods and finished products would have increased by 11,489 thousand euros and consolidated profit after tax would have increased by 845 thousand euros.

Due to commercial and management synergies, this acquisition has been integrated into the Europe 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 December 31, 2016 is as follows:

	Thousands of Euros
Consideration paid	
Cash paid	7,393
Contingent consideration	10,395
Total consideration paid	17,788
Fair value of net assets acquired	11,740
Goodwill	6,048

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 businesses.

The amounts that have been 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 December 31, 2016, by significant categories, are as follows:

	Thousands of Euros
	Fair value
Property, plant, and equipment	148
Other intangible assets	6,149
Inventories	5,234
Trade and other receivables	2,448
Cash and cash equivalents	977
Total assets	14,956
Employee benefits payable	56
Trade and other payables	1,022
Income tax liabilities	460
Provisions	145
Deferred tax liabilities	1,533
Total liabilities and contingent liabilities	3,216
Total net assets	11,740
Total net assets acquired	11,740
Paid in cash	7,393
Cash and cash equivalents acquired	977
Cash paid for the acquisitions	6,416

On November 24, 2016 the Spanish subsidiary Calderería Plástica del Norte, S.L. was sold to a third party for an amount of 3,350 thousand euros.

This transaction follows Fluidra’s strategy to sell investments in non-essential activities to focus on the Group’s core business.

The breakdown of the sale of the abovementioned company during the twelve-month period ended December 31, 2016 was as follows:

	Thousands of Euros
Amount received in cash	3,350
Total	3,350
Total net assets sold	1,872
Profit from the Sale	1,478

The amounts 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 December 31, 2016, by significant categories, are as follows:

	Thousands of Euros
Property, plant, and equipment	265
Goodwill	1,581
Other intangible assets	242
Other non-current financial assets	32
Deferred tax assets	101
Trade and other receivables	861
Inventories	752
Cash and cash equivalents	230
Total assets	4,064
Trade and other payables	936
Other non-current liabilities	842
Deferred tax liabilities	54
Other non-current provisions	360
Total liabilities and contingent liabilities	2,192
Total net assets	1,872
Total net assets sold	1,872
Amount received in cash	3,350
Cash and cash equivalents disposed of	230
Net cash generated by the sale	3,120

During 2016 250 thousand euros have been received corresponding to deferred collections on the sale of the company Accent Graphic, S.L.U. (190 thousand euros during 2015).

During 2016 cash has been disbursed in connection with the acquisitions of subsidiaries and non-controlling interest for an amount of 11,983 thousand euros (15,399 thousand euros in 2015).

On July 25, 2016 the call option was exercised on 10% of the share capital of the company I.D. Electroquímica, S.L. for an amount of 1,625 thousand euros, thus decreasing the value of non-controlling interest.

2015

On February 23, 2015 the Group acquired the chemical product distribution business of the Australian company Price Chemicals Pty Ltd.

The acquisition of this business meant the acquisition of their customer portfolios, trademarks, property, plant and equipment, distribution licenses, inventories, employees, and the rest of assets and liabilities related to these activities.

The Price Chemicals Pty Ltd business was acquired by Fluidra Investments Pty Ltd (which subsequently changed its name to Price Chemicals Pty Ltd), a company incorporated by the Group and based in Australia.

An initial amount of 1,762 thousand euros was paid for this acquisition and contingent amounts were established mainly subject to the results that the acquired business will obtained during the 2015-2018 period. The Group recognized an amount of 1,908 thousand euros related to this contingent consideration at the date of acquisition. The Group estimated the fair value of this contingent consideration weighing the potential outcomes based on the probabilities estimated for each one. The agreement does not establish any maximum limit to be paid.

On December 31, 2016 the fair value of this contingent liability was re-estimated at 707 thousand euros, and the difference was recognized against profit or loss (Notes 20 and 27).

During the period comprised between the date of acquisition and December 31, 2015 the acquired business generated consolidated total sales of goods and finished products amounting to 2,907 thousand euros and consolidated losses after tax amounting to 1,043 thousand euros.

If the acquisition had occurred on January 1, 2015, the Group's sales of goods and finished products would have increased by 1,330 thousand euros and consolidated profit after tax would have increased by 477 thousand euros.

Due to the sales and management synergies, this acquisition was integrated into Fluidra’s Australia, Pty Ltd and subsidiaries CGU.

On July 29, 2015 the Group started the process for acquiring 72% of the share capital of the Waterlinx group, a manufacturing and distribution company in the South African pool market. As a result of this acquisition, Fluidra strengthened its presence in the south of Africa, where it had a small-sized subsidiary until then.

This acquisition was subject to a set of conditions precedent that were mete on September 17, 2015.

During the period comprised between the date of acquisition and December 31, 2015 the acquired business generated consolidated sales of goods and finished products amounting to 18,216 thousand euros and consolidated profit after tax amounting to 1,440 thousand euros.

Sales of goods and finished products of the Waterlinx group at the closing date of its reporting period ended July 31, 2015 amounted to 30.6 million euros, and its principal market is the domestic and export market in the Southern hemisphere. Additionally, profit after tax for the year ended July 31, 2015 amounted to 1,046 thousand euros.

Furthermore, on September 17, 2015 two cross call/put options were signed on 15% of share capital with the most significant shareholders and 13% with the three key executives of the Waterlinx group.

The call/put options with the most significant shareholders on 15% of share capital can be exercised between January 1, 2018 and December 31, 2018. The Group estimated and recorded the fair value of this liability for an amount of 1,952 thousand euros and no longer recognized the book value of non-controlling interest.

As for the cross call/put options with the three key executives of the acquired Group the exercise period is determined by the executives leaving the Group. The Group estimated and recorded the fair value of this liability for an amount of 787 thousand euros and no longer recognized the book value of non-controlling interest.

On May 15, 2016 one of the key executives left the acquired Group, and thus the percentage of such options was reduced by 3%.

A fixed price was agreed on the acquisition of 72% of Waterlinx amounting to 13,905 thousand euros, which were paid or will be paid as follows:

- Upfront payment of 10,090 thousand euros.
- Payment of 3,602 thousand euros paid during January 2016.
- Withholding of 213 thousand euros to guarantee the transaction, which will be pay when such guarantee is released after 3 years and 6 months from the closing date.

On December 2, 2015 goodwill was acquired from a third party related to the design, sale and production of artistic fountains activity. This goodwill was acquired for an amount of 1,085 thousand euros, which were fully paid. This goodwill was included in the Operations CGU.

The breakdown of the consideration paid, of the fair value of the net assets acquired and goodwill for the business combinations that were carried out during the twelve-month period ended December 31, 2015 are as follows:

	Thousands of Euros
Consideration paid	
Cash paid	12,937
Fair value of deferred payments	3,815
Contingent consideration	4,647
Total consideration paid	21,399
Fair value of net assets acquired	7,627
Goodwill	13,772

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 December 31, 2015, by significant categories, were as follows:

	Thousands of Euros
	Fair value
Property, plant, and equipment	3,241
Other intangible assets	12,194
Other current financial assets	13
Deferred tax assets	38
Trade and other receivables	3,626
Inventories	5,442
Total assets	24,554
Other financial liabilities	701
Employee benefits payable	784
Bank borrowings	8,923
Trade and other payables	3,042
Income tax liabilities	161
Provisions	102
Deferred tax liabilities	3,214
Total liabilities and contingent liabilities	16,927
Total net assets	7,627
Total net assets acquired	7,627
Paid in cash	12,937
Cash paid for the acquisitions	12,937

Following Fluidra's strategy to sell non-essential activities and focus on the Group's core business, during the twelve-month period ended December 31, 2015 two companies that belonged to the consolidated group were sold.

On February 9, 2015 the French subsidiary Hydroswim International, S.A.S was sold to a third party for an amount of 375 thousand euros.

Additionally, on June 4, 2015 the company Accent Graphic, S.L.U. was sold to a third party for an amount of 899 thousand euros.

The breakdown of the sale of the abovementioned companies during the twelve-month period ended December 31, 2015 was as follows:

	Thousands of Euros
Amount received in cash	170
Deferred collections	1,104
Fair value of available-for-sale assets	230
Total	1,504
Total net assets sold	1,167
Profit from the Sale	337

The amounts 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 December 31, 2015, by significant categories, were as follows:

	Thousands of Euros
Property, plant, and equipment	2,033
Other intangible assets	1
Other non-current financial assets	6
Deferred tax assets	5
Trade and other receivables	1,047
Inventories	124
Cash and cash equivalents	591
Total assets	3,807
Bank borrowings	884
Government grants	39
Trade and other payables	1,450
Income tax liabilities	151
Other non-current liabilities	27
Other provisions	89
Total liabilities and contingent liabilities	2,640
Total net assets	1,167
Total net assets sold	1,167
Amount received in cash	170
Cash and cash equivalents disposed of	591
Net cash generated by the sale	(421)

6. Property, plant and equipment

The movements in the Property, plant and equipment accounts during 2016 and 2015 are as follows:

	Thousands of Euros							
	Balances at 31.12.15	Business combinations (Note 5)	Additions	Disposals	Impairment losses	Transfers	Exchange gains (losses)	Balances at 31.12.16
Cost								
Land and buildings	72,722	-	1,299	(26)	(384)	1,187	85	74,883
Plant and machinery	131,623	106	6,703	(2,815)	-	243	453	136,313
Other installations, tools and equipment	127,822	931	4,495	(1,583)	(69)	804	182	132,582
Other PP&E	24,350	93	1,673	(1,149)	-	(66)	146	25,047
Property, plant and equipment under construction	1,547	-	2,465	(10)	-	(2,845)	-	1,157
	358,064	1,130	16,635	(5,583)	(453)	(677)	866	369,982
Accumulated depreciation								
Buildings	(30,825)	-	(1,560)	35	-	(101)	(10)	(32,461)
Plant and machinery	(104,047)	(92)	(6,721)	2,459	-	308	(147)	(108,240)
Other installations, tools and equipment	(102,202)	(818)	(6,039)	1,491	-	(63)	83	(107,548)
Other PP&E	(19,378)	(72)	(2,259)	950	-	380	(65)	(20,444)
	(256,452)	(982)	(16,579)	4,935	-	524	(139)	(268,693)
Net carrying amount	101,612	148	56	(648)	(453)	(153)	727	101,289

	Thousands of Euros							
	Balances at 31.12.14	Business combinations (Note 5)	Additions	Disposals	Impairment losses	Transfers	Exchange gains (losses)	Balances at 31.12.15
Cost								
Land and buildings	76,205	-	174	(2,366)	(1,022)	(565)	296	72,722
Plant and machinery	124,289	2,167	6,553	(1,811)	(159)	588	(4)	131,623
Other installations, tools and equipment	120,587	2,712	4,096	(1,177)	(55)	1,299	360	127,822
Other PP&E	22,060	1,651	1,857	(1,157)	(294)	246	(13)	24,350
Property, plant and equipment under construction	1,610	-	2,522	(144)	-	(2,465)	24	1,547
	344,751	6,530	15,202	(6,655)	(1,530)	(897)	663	358,064
Accumulated depreciation								
Buildings	(29,370)	-	(2,229)	532	-	341	(99)	(30,825)
Plant and machinery	(98,450)	(1,021)	(6,190)	1,731	-	(105)	(12)	(104,047)
Other installations, tools and equipment	(95,668)	(1,246)	(6,257)	1,130	-	(7)	(154)	(102,202)
Other PP&E	(17,127)	(1,022)	(2,092)	970	-	(97)	(10)	(19,378)
	(240,615)	(3,289)	(16,768)	4,363	-	132	(275)	(256,452)
Net carrying amount	104,136	3,241	(1,566)	(2,292)	(1,530)	(765)	388	101,612

a) Property, plant and equipment pledged as guarantees

At December 31, 2016 and 2015 no property, plant and equipment items are mortgaged.

Additionally, at December 31, 2016 and 2015 no property, plant and equipment items have been pledged as guarantees.

b) Insurance

The consolidated Group has taken out insurance policies to cover the risks to which its property, plant and equipment items are exposed. The coverage of these policies is considered sufficient.

c) Goods acquired under finance lease arrangements

The following assets are held by the Group under finance leases at December 31, 2016 and 2015:

	Thousands of Euros	
	2016	2015
Land and buildings	18,596	19,797
Plant and machinery	4,225	2,750
Other installations, tools and furniture	951	808
Other PP&E items	1,148	1,421
	24,920	24,776
Less: accumulated depreciation	(6,509)	(10,003)
Balance at 31 December	18,411	14,773

The main characteristics of the most significant finance lease arrangements by subsidiary are as follows:

1) Fluidra Commercial, S.A.U.: real estate leasing with BBVA for the purchase of an industrial unit in La Garriga at a cost value of 10,700 thousand euros. Agreement signed on 21/12/04, the last payment matures on 21/12/19. Lease payments are monthly settled and the outstanding amount at 31/12/16 is 3,357 thousand euros (4,302 thousand euros in 2015), with a purchase option of 100 thousand euros. It accrues a fixed interest rate of 3.8% until 2014 and a variable interest rate of Euribor plus 0.5%.

2) Certikin Portugal, Lda.: real estate leasing with BPI for the purchase of an industrial unit in Portugal at a cost value of 1,674 thousand euros. Agreement signed on 4/11/05, the last payment matures on 4/11/20. Lease payments are monthly settled and the outstanding amount at 31/12/16 is 505 thousand euros (718 thousand euros in 2015), with a purchase option of 167 thousand euros. It accrues a variable interest rate of Euribor plus 1%.

3) Astral Pool Australia Pty Ltd.: equipment leasing with West-Pac Banking Corporation for the acquisition of machinery at a cost value of 2,432 thousand euros. Agreement signed on 18/10/16, maturing on 18/10/22. Lease payments are monthly settled and the outstanding amount at 31/12/16 is 2,351 thousand euros. It accrues a fixed interest rate of 5.6%.

The breakdown of the minimum lease payments and the present value of finance lease liabilities by term to maturity at December 31, 2016 and 2015 is shown in Note 18.

The finance lease liabilities are effectively guaranteed since the rights to the leased asset revert to the lessor in the event of default.

During 2016 no contingent rents has been paid in connection with these contracts, except for the interest spread resulting from the annual evolution of Euribor, in accordance with the initial terms and conditions agreed upon in said contracts.

The Group has acquired property, plant and equipment items under finance leases in 2016 for an amount of 3,614 thousand euros funded with a debt for the same amount (497 thousand euros funded with a debt for the same amount in 2015).

d) Fully-depreciated assets

The cost of fully depreciated property, plant and equipment items still in use at December 31, 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Buildings	16,062	14,284
Plant and machinery	74,470	71,349
Other installations, tools and equipment	80,122	76,118
Other PP&E items	15,492	14,004
	186,146	175,755

e) Property, plant and equipment items located abroad.

At December 31, 2016 property, plant and equipment items located outside Spain amount to 35,148 thousand euros (36,589 thousand euros at December 31, 2015).

f) Gains (losses) on disposals of property, plant and equipment

No significant disposals have occurred during the twelve-month period ended December 31, 2016 and 2015.

7. Goodwill and Other intangible assets

The movements in the Goodwill and Other intangible assets accounts during 2016 and 2015 are as follows:

a) Goodwill

	Thousands of Euros						
	Balances at 31.12.15	Business combinations (Note 5)	Additions	Disposals	Impairment losses	Exchange gains (losses)	Balances at 31.12.16
Net carrying amount							
Goodwill	190,655	6,048	4,259	(1,581)	(2,112)	2,288	199,557

	Thousands of Euros						
	Balances at 31.12.14	Business combinations (Note 5)	Additions	Disposals	Impairment losses	Exchange gains (losses)	Balances at 31.12.15
Net carrying amount							
Goodwill	182,796	13,772	-	-	(7,016)	1,103	190,655

b) Other intangible assets

	Thousands of Euros							
	Balances at 31.12.15	Business combinations (Note 5)	Additions	Disposals	Impairment losses	Transfers	Exchange gains (losses)	Balances at 31.12.16
Cost								
Development expenses for work in progress	36,442	-	4,284	(1,024)	(90)	(78)	382	39,916
Relations with customers/Contractual relations	37,913	5,751	-	-	(3,500)	-	2,129	42,293
Software	23,457	444	7,376	(78)	-	382	101	31,682
Patents	25,501	-	530	(257)	-	4	213	25,991
Trademarks and Other intangible assets	8,835	382	391	(31)	(300)	(338)	1,681	10,620
	132,148	6,577	12,581	(1,390)	(3,890)	(30)	4,506	150,502
Accumulated amortization								
Product development expenses	(28,620)	-	(5,269)	982	-	3	(282)	(33,186)
Relations with customers/Contractual relations	(25,254)	-	(2,148)	-	-	-	(1,582)	(28,984)
Software	(13,581)	(428)	(4,026)	76	-	(9)	(71)	(18,039)
Patents	(17,789)	-	(783)	59	-	(43)	(100)	(18,656)
Trademarks and Other intangible assets	(5,138)	-	(4,585)	31	-	40	(1,192)	(10,844)
	(90,382)	(428)	(16,811)	1,148	-	(9)	(3,227)	(109,709)
Net carrying amount	41,766	6,149	(4,230)	(242)	(3,890)	(39)	1,279	40,793

	Thousands of Euros							
	Balances at 31.12.14	Business combinations (Note 5)	Additions	Disposals	Impairment losses	Transfers	Exchange gains (losses)	Balances at 31.12.15
Cost								
Development expenses for work in progress	31,481	-	4,474	(374)	-	108	753	36,442
Relations with customers/Contractual relations	38,796	9,189	-	(11,720)	(1,604)	-	3,252	37,913
Software	16,596	-	6,319	(99)	-	541	100	23,457
Patents	25,538	-	231	(58)	(332)	6	116	25,501
Trademarks and Other intangible assets	5,580	3,052	662	(24)	-	(435)	-	8,835
	117,991	12,241	11,686	(12,275)	(1,936)	220	4,221	132,148
Accumulated amortization								
Product development expenses	(23,166)	-	(5,441)	372	-	(3)	(382)	(28,620)
Relations with customers/Contractual relations	(26,608)	-	(8,001)	11,720	-	-	(2,365)	(25,254)
Software	(10,633)	-	(2,918)	96	-	(22)	(104)	(13,581)
Patents	(15,565)	-	(1,828)	57	-	11	(464)	(17,789)
Trademarks and Other intangible assets	(4,754)	(47)	(363)	24	-	(1)	3	(5,138)
	(80,726)	(47)	(18,551)	12,269	-	(15)	(3,312)	(90,382)
Net carrying amount	37,265	12,194	(6,865)	(6)	(1,936)	205	909	41,766

No intangible assets have been pledged as guarantees.

Additions of product development expenses in 2016 amounting to 4,284 thousand euros (4,474 thousand euros) correspond to work performed by the Group and capitalized as non-current assets, and are included in said caption of the consolidated income statement.

Additions of software in 2016 include an amount of 6,669 thousand euros (5,640 thousand euros in 2015) related to set-up costs and licenses for the design and implementation of the Group's new ERP (Invictus Project).

The cost of fully amortized intangible assets still in use at December 31, 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Development expenses for work in progress	25,810	17,534
Software	10,285	7,535
Patents	9,008	8,640
Trademarks and Other intangible assets	4,826	4,416
	49,929	38,125

At December 31, 2016 intangible assets located outside Spain amount to 29,220 thousand euros (28,516 thousand euros at December 31, 2015).

c) Impairment and allocation of goodwill to CGUs.

For the purpose of impairment testing, the Group has allocated goodwill to its cash-generating units (CGUs) in accordance with the geographical area of the transaction and the business segment.

The breakdown of goodwill allocated by CGU or group of CGUs at December 31, 2016 and 2015 is as follows:

		Thousands of Euros	
	Segment	12/31/2016	12/31/2015
Europe	Europe	43,086	42,712
Expansion	Expansion	45,044	44,866
Operations	Operations	56,003	53,102
Certikin Internacional, LTD	Europe	3,439	3,943
SSA Fluidra Österreich, GmbH	Europe	4,991	4,991
Fluidra Australia PTY LTD and subsidiaries	Expansion	9,223	9,037
Aqua Group	Operations	21,922	22,793
Fluidra Waterlinx	Expansion	10,801	9,211
SIBO	Europe	5,048	-
Total		199,557	190,655

The movement in goodwill is due to the business combinations occurred in 2016 (Note 5), to the impairment of the CGUs as commented below, and to the change in 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, US dollar, Israeli shekel, Chinese renminbi and South African rand.

The CGUs correspond to the Group's management structure, which is organized into three divisions, two of them covering a geographical approach: Europe and Expansion, which manage the Group's sales and distribution activity, and the third one, which comprises the operations and logistics chain for the whole Group. That is, they correspond to the segments reported in APPENDIX II (Note 4).

When there is a management unit whose cash flows can be individualized at the company or group of companies level and there is a single management (Australia, SSA, Waterlinx, Certikin Internacional, Aqua, SIBO) the lowest company or group of companies level is used as CGU.

During 2015 the Group unified the CGU initially established for Manufacturas Gre, S.A.U. with Europe, as a result of the integrated management of the "Mass Market" channel in Europe through a common general direction and search for cost efficiency and sales management carried out during that year.

The recoverable amount of each CGU is based on value-in-use calculations. These calculations use cash flow projections based on finance budgets and/or strategic plans, approved by Management, for the cash generating units to which goodwill has been allocated and cover a period of 4 years. The process for preparing the strategic plans of Europe and Expansion 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 based on market projections and competitive positioning. The key factors of business evolution are mainly the evolution of the pool stock existing in each market for the maintenance business and the evolution of the manufacture of new pools. Additionally, the potential operating efficiencies due to growth are considered. These projections are adjusted based on the degree of compliance with the strategic plans and/or financial budgets in prior years.

The key assumptions used in the strategic plans obey to a recovery of the construction of new pools in mature markets (Europe and USA) and a sustained growth of emerging markets, combined with an increase in our penetration in commercial pools in some geographical areas where our presence is still small.

As for the Operations division, revenue is associated with the growth of the other two sales divisions (Europe and Expansion), as a result of the integration of production into Fluidra. The assumptions used in the strategic plans obey 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.

The quantitative assumptions used are as follows:

CGU	CAGR Sales (*) 2016-2020	CAGR EBITDA (*) 2016-2020	g	WACC (**) 2016
Europe	3.38%	6.07%	1.00%	7.59%
Expansion	8.49%	15.87%	2.00%	10.73%
Operations	7.49%	10.71%	1.50%	7.66%
Certikin International, LTD	2.18%	2.65%	1.00%	7.52%
FLUIDRA ÖSTERREICH Gmbh "SSA"	0.97%	-5.37%	1.00%	7.38%
Fluidra Australia PTY LTD and subsidiaries	6.67%	29.01%	1.50%	7.06%
Aqua Group	3.38%	25.51%	2.00%	7.41%
Fluidra Waterlinx Pty Ltd	5.33%	7.68%	2.00%	10.15%
SIBO Fluidra Netherlands B.V.	5.26%	19.28%	2.00%	6.45%

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

(**) After-tax discount rate.

In all cases, impairment tests are based on cash flow projections based on strategic plans and/or financial budgets, which cover a period of four years. Cash flow projections from year five onwards are calculated using a growth rate in perpetuity according to each market. This rate does not exceed the medium- and long-term growth rate for the businesses in which the CGUs operate. The rates applied are detailed in the table above.

The discount rate applied to cash flow projections used for the CGUs has been calculated based on risk-free rates (interest rates for sovereign debt of each country, always the one applicable to each market at December 31), tax rate, market risk premiums, and debt spreads for the markets in which the CGUs operate. The rates applied are detailed in the table above. Pre-tax rates range between 9.4% and 13.7%.

In the case of the Aqua CGU, the value in use, which amounts to 65.6 million euros (68.1 million euros in 2015) does not cover the value of the net assets and goodwill allocated, and therefore, the Group has recognized an impairment amounting to 1.5 million euros. The impairment of such goodwill is due to the low profitability of the Aqua Group in the American market, although the manufacturing business of electronic cleaners has maintained the forecast profitability in Israel.

The Group performs a sensitivity analysis of the calculation of impairment by means of reasonable changes in the key assumptions used in the calculation. For the CGUS with significant goodwill (Europe, Expansion, Operations and Aqua) the following decreasing have been assumed:

- Decrease of 100 basis points in the EBITDA margin for 2019 (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 December 31, 2016, is as follows:

CGU	EBITDA	g	WACC
Europe	>100%	>100%	>100%
Expansion	>100%	>100%	>100%
Operations	>100%	>100%	>100%
Aqua Group	-68%	-13%	-21%

Changes in the assumptions used to determine the value in use may modify the estimate of impairment.

The Group's market capitalization at December 30, 2016 amounts to 486.6 million euros (352.5 million euros at December 31, 2015).

8. **Investment property**

The movements in the Investment property accounts during 2016 and 2015 are as follows:

	Thousands of Euros				
	Balances at 31.12.15	Additions	Disposals	Transfers	Balances at 31.12.16
Cost					
Land	1,233	-	-	197	1,430
Buildings	934	-	-	319	1,253
	2,167	-	-	516	2,683
Accumulated depreciation					
Buildings	(616)	(35)	-	(324)	(975)
	(616)	(35)	-	(324)	(975)
Net carrying amount	1,551	(35)	-	192	1,708

	Thousands of Euros				
	Balances at 31.12.14	Additions	Disposals	Transfers	Balances at 31.12.15
Cost					
Land	996	-	-	237	1,233
Buildings	504	-	-	430	934
	1,500	-	-	667	2,167
Accumulated depreciation					
Buildings	(427)	(99)	-	(90)	(616)
	(427)	(99)	-	(90)	(616)
Net carrying amount	1,073	(99)	-	577	1,551

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

9. Investments accounted for using the equity method

The movements in investments accounted for using the equity method are as follows:

	Thousands of Euros	
	2016	2015
Balance at January 1	93	96
Share in profit/(losses)	27	36
Dividends received	-	(39)
Balances at December 31	120	93

The breakdown of the key financial figures of companies accounted for using the equity method in 2016 and 2015 is as follows:

			2016				
			Thousands of Euros				
	Country	% ownership interest	Assets	Liabilities	Equity	Income	Profit/(loss)
Astral Nigeria, LTD	Nigeria	25	577	95	482	1,437	110
			577	95	482	1,437	110

			2015				
			Thousands of Euros				
	Country	% ownership interest	Assets	Liabilities	Equity	Income	Profit/(loss)
Astral Nigeria, LTD	Nigeria	25	740	369	371	1,606	144
			740	369	371	1,606	144

10. Current and non-current financial assets

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

		Thousands of Euros	
	Note	2016	2015
Available-for-sale financial assets		1,030	719
Deposits and guarantees		4,583	4,600
Derivative financial instruments	11	-	-
Total non-current assets		5,613	5,319
Available-for-sale financial assets		-	50
Deposits and guarantees		4,147	7,217
Derivative financial instruments	11	274	714
Total current		4,421	7,981

The movements in available-for-sale financial assets are as follows:

	Thousands of Euros	
	2,016	2,015
At January 1	719	807
Disposals	(73)	(5)
Reversals / (Impairment)	34	-
Adjustment at fair value recognized in profit or loss	350	(33)
At December 31	1,030	769
Less: Current portion	-	(50)
Total non-current assets	1,030	719

Non-current available-for-sale assets mostly relate to debt securities quoted on the secondary market and earning market interest rates.

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 in Note 3. The difference between the amount given and fair value is recognized in the income statement as a prepayment over the lease term.

The fair value of quoted securities is determined based on their price at the reporting date of the consolidated financial statements.

11. Derivative financial instruments

The breakdown of the derivative financial instruments is as follows:

	2016				
		Thousands of Euros			
	Amount	Fair values			
	Notional amount	Assets		Liabilities	
		Non-current	Current	Non-current	Current
1) Derivatives held for trading					
a) Exchange rate derivatives					
Foreign currency contracts	14,606	-	274	-	249
Total derivatives traded on over-the-counter markets		-	274	-	249
Total derivatives held for trading		-	274	-	249
2) Hedging derivatives					
a) Cash flow hedges					
Interest rate swaps	120,036	-	-	1,958	-
Foreign currency swaps	6,173	-	-	-	598
Total hedging derivatives		-	-	1,958	598
Total recognized derivatives		-	274	1,958	847
		(Note 10)	(Note 10)		

	2015				
		Thousands of Euros			
	Amount	Fair values			
	Notional amount	Assets		Liabilities	
		Non-current	Current	Non-current	Current
1) Derivatives held for trading					
a) Exchange rate derivatives					
Foreign currency contracts	25,483	-	714	-	49
Total derivatives traded on over-the-counter markets		-	714	-	49
Total derivatives held for trading		-	714	-	49
2) Hedging derivatives					
a) Cash flow hedges					
Interest rate swaps	117,600	-	-	1,507	-
Foreign currency swaps	2,394	-	-	-	31
Total hedging derivatives		-	-	1,507	31
Total recognized derivatives		-	714	1,507	80
		(Note 10)	(Note 10)		

The overall amount of the change in fair value of derivatives held for trading, which has been estimated using measurement techniques, has been recognized in profit or loss and amounts to a loss of 632 thousand euros (a loss of 514 thousand euros in 2015).

The overall amount of the change in fair value of hedging derivatives, which has been estimated using measurement techniques and has been recognized in consolidated equity as it has been considered an effective hedge, has resulted in a decrease of 304 thousand euros (a decrease of 218vthousand euros in 2015).

The overall amount of cash flow hedges that has been transferred in 2016 from other comprehensive income in equity to the consolidated income statement (under finance cost) amounts to a loss of 627 thousand euros (a loss of 1,516 thousand euros in 2015).

a) Interest rate swaps

The Group uses interest rate swaps, at a floating interest rate without knock-out barriers, with fixed rate values ranging from 0.36% to 0.49% in 2016 and 2015. These derivatives are used to manage exposure to fluctuations in the interest rates mainly of bank loans.

During 2015 interest rate derivatives were canceled as a result of the new financing agreement signed (Note 18). The impact of this cancellation amounted to 1,009 thousand euros (Note 27).

Hedging derivatives at 31.12.16			
Notional amount in thousands of euros	Start date	End date	Type of derivative
14,374	3/5/2015	2/25/2020	Fixed swap
22,438	3/5/2015	2/25/2020	Fixed swap
14,374	3/5/2015	2/25/2020	Fixed swap
7,187	3/5/2015	2/25/2020	Fixed swap
14,374	3/5/2015	2/25/2020	Fixed swap
7,187	3/5/2015	2/25/2020	Fixed swap
9,466	3/5/2015	2/25/2020	Fixed swap
9,466	3/5/2015	2/25/2020	Fixed swap
5,259	3/5/2015	2/25/2020	Fixed swap
3,506	3/5/2015	2/25/2020	Fixed swap
2,805	3/5/2015	2/25/2020	Fixed swap
1,050	4/28/2015	3/25/2020	Fixed swap
8,550	6/3/2016	6/3/2019	Fixed swap
120,036			

Hedging derivatives at 31.12.15			
Notional amount in thousands of euros	Start date	End date	Type of derivative
15,131	3/5/2015	2/25/2020	Fixed swap
23,619	3/5/2015	2/25/2020	Fixed swap
15,131	3/5/2015	2/25/2020	Fixed swap
7,566	3/5/2015	2/25/2020	Fixed swap
15,131	3/5/2015	2/25/2020	Fixed swap
7,566	3/5/2015	2/25/2020	Fixed swap
9,964	3/5/2015	2/25/2020	Fixed swap
9,964	3/5/2015	2/25/2020	Fixed swap
5,536	3/5/2015	2/25/2020	Fixed swap
3,690	3/5/2015	2/25/2020	Fixed swap
2,952	3/5/2015	2/25/2020	Fixed swap
1,350	4/28/2015	3/25/2020	Fixed swap
117,600			

The breakdown, by notional amount and residual maturity term, of the swaps prevailing at year end is as follows:

	Thousands of Euros	
	2016	2015
Within one year	-	-
Between one and five years	120,036	117,600
	120,036	117,600

Since derivatives are not traded on organized markets, the fair value of swaps 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.

b) Exchange rate derivatives

To manage exchange rate risk in future firm sales and purchases, the Group has arranged an option contract and currency forwards in the main markets in which it operates. For some of them, the Group applies hedge accounting.

The breakdown, by type of foreign currency, of the notional amounts of exchange rate derivatives at December 31, 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
GBP / USD	1,976	919
GBP / EUR	2,900	5,749
EUR / USD	949	14,696
EUR / ILS	4,950	3,200
EUR / ZAR	4,170	2,394
AUD / USD	-	919
USD / ZAR	441	-
BRL / EUR	5,393	-
	20,779	27,877

At December 31, 2016, the exchange rate derivatives in EUR/ZAR and BRL/EUR with a notional amount of 3,943 and 2,230 thousand euros, respectively, are hedging derivatives.

At December 31, 2015, the exchange rate derivative in EUR/ZAR with a notional amount of 2,394 thousand euros, respectively, was a hedging derivative.

The breakdown, by notional amount and residual maturity term, of the exchange rate derivatives is as follows:

	Thousands of Euros	
	2016	2015
Within one year	20,779	27,877
	20,779	27,877

The fair value of these 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).

The gains and losses from measuring and settling these contracts are taken to finance costs for the year.

12. Inventories

Details of inventories are as follows:

	Thousands of Euros	
	2016	2015
Goods	33,301	35,772
Raw materials and other consumables	39,485	34,013
Finished products and work in progress	91,825	78,429
	164,611	148,214

At December 31, 2016 and 2015 there are no inventories with a recovery period greater than 12 months from the date of the consolidated statement of financial position.

As a result of the business combinations carried out during 2016 inventories amounting to 5,234 thousand euros were incorporated (5,442 thousand euros in 2015).

The consolidated group companies have taken out a range of insurance policies to cover the risks to which inventories are exposed. The coverage of these policies is considered sufficient.

There are no significant commitments to purchase or sell goods.

During 2016, the Group has recorded impairment losses on inventories amounting to 350 thousand euros to adjust them to their net carrying amounts (917 thousand euros in 2015) (Nota 22).

13. Trade and other receivables

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

	Thousands of Euros	
	2016	2015
Non-current		
Other non-current accounts receivable	2,285	2,851
Current		
Trade receivables	159,199	162,231
Other current accounts receivable and prepayments	6,558	5,924
Public administrations	12,351	9,084
Current income tax assets	10,391	6,564
Provisions for impairment and bad debts	(34,372)	(37,595)
Total current	154,127	146,208

The “Other receivables” caption includes 1,138 thousand euros (1,138 thousand euros at December 31, 2015) corresponding to repayment commitments to the shareholders taken on when they contributed securities in the capital increase, as detailed in Note 28.

The fair value of trade and other receivables does not significantly differ from book value.

There is no significant concentration of credit risk over trade receivables in any of the Group segments.

The most significant balances in currencies other than the euro at December 31, 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
US dollar	22,149	16,994
Australian dollar	17,087	14,066
GBP	8,441	8,508
UAE dirham (AED)	7,277	11,194
South African rand	7,361	6,221
Brazilian real	4,957	2,175
Chinese renminbi	2,980	3,184
Moroccan Dirham	2,662	4,825
Turkish lira	2,045	3,003
Mexican peso	1,345	1,755
Chilean peso	1,179	1,318
Thai bhat	992	3,494
	78,475	76,737

Receivables from public administrations mostly relate to VAT receivable balances.

The movement in the provisions for impairment losses and bad debts for 2016 and 2015 is as follows:

	Thousands of Euros
Balance at December 31, 2014	40,476
Business combinations	(908)
Charge for the year	11,366
Recoveries	(6,311)
Exchange gains (losses)	124
Write-offs	(7,152)
Balance at December 31, 2015	37,595
Business combinations	107
Charge for the year	7,674
Recoveries	(3,490)
Exchange gains (losses)	61
Write-offs	(7,575)
Balance at December 31, 2016	34,372

14. Cash and cash equivalents

The balances of cash and cash equivalents mostly correspond to balances in cash and at banks.

15. Equity

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

- Share capital

At December 31, 2016 Fluidra, S.A.'s share capital consists of 112,629,070 ordinary shares with a par value of 1 euro 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 October 31, 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 1 euro 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 provide voluntarily or in compliance with applicable regulations. In accordance with the Company's information, the structure of significant ownership interest at December 31, 2016 and 2015 is as follows:

Ownership percentage	31.12.2016	31.12.2015
Boyser, S.R.L.	14.12%	14.12%
Edrem, S.L.	13.50%	13.50%
Dispur, S.L.	12.24%	12.14%
Aniol, S.L.	10.16%	10.16%
NMAS1 Asset Management	8.00%	8.00%
Santander Asset Management	6.42%	6.42%
Maveor, S.L.	5.01%	5.01%
Bansabadell Inversió Desenvolupament, S.A.	5.00%	5.00%
Other shareholders	25.55%	25.65%
	100.00%	100.00%

- Share premium

This reserve can be freely distributed, except for that established in the section on Dividends and limitations on dividend distribution of this note.

- Legal reserve

Pursuant to article 274 of the Consolidated Text of the Corporate Enterprises Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

This reserve can be used to increase capital by the amount exceeding 10% of the new 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.

- Parent company shares

The movements in treasury shares during 2016 and 2015 are as follows:

		Euros	
	Headcount	Face value	Average acquisition/disposal price
Balances at 01.01.15	235,920	235,920	2,8176
Acquisitions	560,664	560,664	3,0952
Disposals	(286,798)	(286,798)	(3,1277)
Balances at 31.12.15	509,786	509,786	3,0632
Acquisitions	1,464,174	1,464,174	3,6114
Disposals	(156,816)	(156,816)	(4,0528)
Balances at 31.12.16	1,817,144	1,817,144	3,4772

On February 18, 2011 a liquidity contract was signed with a management entity on the shares of Fluidra, S.A. This contract complies with Circular 3/2007 of December 19.

On July 8, 2014 there was a change of the management entity of the liquidity contract, although no significant changes were made to the conditions in comparison with the former liquidity contract.

At the general meeting of Fluidra, S.A. held on June 6, 2012, in accordance with articles 146 and related articles of the Spanish Corporate Enterprises Act, the shareholders authorized the Company to make a derivative acquisition of treasury shares, directly or through group companies, as well as selling them, and with the express power to decrease share capital for redeeming treasury shares, delegating in the Board of Directors the necessary powers for the execution of the agreements adopted by the shareholders in general meeting to this respect, thus rendering void the former authorization (of June 8, 2011), and authorizing the appropriation of the treasury shares portfolio to execute or cover remuneration schemes.

On November 25, 2015 Fluidra, S.A. temporarily suspended the liquidity contract signed with BNP Paribas, S.A. in order to carry out a program for the repurchase of shares. This program was launched to meet the obligations of the share-based incentive plan for executives approved by the shareholders in general meeting on May 5, 2015 (Note 29, section b). On September 26, 2016 the maximum number of shares to be acquired under the repurchase program was reached, and therefore, on September 27 its ending was communicated and operations under the liquidity contract signed with BNP Paribas, S.A. resumed.

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

There are no shares of the Parent Company owned by group companies.

- 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.

- Dividends and limitations on the distribution of dividends

The Parent Company's voluntary reserves at December 31, 2016 amounting to 19,379 thousand euros (3,970 thousand euros at December 31, 2015), as well as the share premium profit/(loss) for the year of the Parent, are subject to the legal limitations on their distribution.

By virtue of the agreements reached by the shareholders at the general meeting held on May 3, 2016, the distribution of dividends against voluntary reserves for an overall amount of 10,000 thousand euros was approved by the Company.

At the meeting held on March 30, 2017 the Board of Directors resolved to propose that dividends amounting to 15,000 thousand euros were distributed to the shareholders against 2016 profit.

The proposed appropriation of profit included in the Parent Company's financial statements for the years 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Basis of appropriation:		
Profit / (loss) for the year	17,879	27,455
Distribution to:		
To legal reserves	1,788	2,745
Voluntary reserves	1,091	7,501
Dividends	15,000	10,000
Prior years' losses	-	7,209
Total	17,879	27,455

- Capital management

The objectives of the Group's capital management are to ensure that it maintains the ability to continue as a going concern so that it can provide returns to shareholders and benefit other stakeholders, and to maintain an optimal capital structure in order to reduce its cost of capital.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue shares and sell assets in order to reduce debt.

Fluidra, S.A. controls its capital structure based on total leverage and net financial debt over EBITDA ratios (Nota 34).

- The total leverage ratio is calculated as total assets divided by total equity.
- The net financial debt ratio (NFD) over EBITDA is calculated as net financial debt divided by EBITDA. The net financial debt is determined by the sum of current and non-current bank borrowings and derivative financial liabilities less non-current financial assets, less cash and cash equivalents, less other current financial assets, less derivative financial assets.

During 2016 the strategy, which has remained unchanged over prior years, was to keep the total leverage ratio and the net financial debt over EBITDA ratio between 2 and 2.5. The ratios for 2016 and 2015 have been determined as follows:

Total leverage ratio:

	Thousands of Euros	
	2016	2015
Total consolidated assets	785,283	746,920
Total consolidated equity	336,319	332,045
Total leverage ratio	2.33	2.25

Net Financial Debt / EBITDA ratio:

	Thousands of Euros	
	2016	2015
Bank borrowings	249,974	241,371
Plus: Derivative financial instruments	2,805	1,587
Less: Cash and cash equivalents	(86,099)	(67,353)
Less: Non-current financial assets	(5,613)	(5,319)
Less: Other current financial assets	(4,147)	(7,267)
Less: Derivative financial instruments	(274)	(714)
Net financial debt	156,646	162,305
Ebitda (note 34)	85,962	72,151
Net Financial Debt over Ebitda	1.82	2.25

- Non-controlling interests

During 2016 the movement in non-controlling interest has been as follows:

Company	Percentage of non-controlling interest 31.12.2016	31.12.2015
Certikin Portugal, Lda (1)	0.00%	20.00%
Fluidra Maroc, S.A.R.L. (1)	0.00%	4.50%
AO Astral SNG (1)	15.00%	20.00%
Fluidra Magyarország, kft. (1)	5.00%	10.00%
Fluidra Polska, SP. Z.O.O. (1)	0.00%	5.00%
Fluidra Chile, S.A. (1)	0.00%	0.52%
Astral India Private, Limited (1)	0.00%	5.00%
Splash Water Traders Pvt. Ltd (1)	0.10%	5.10%
I.D. Electroquímica, S.L. (1)	0.00%	40.00%
Fluidra Export, S.A. (1)	0.00%	5.00%
Way Fit, S.L. (2)	0.00%	0.52%

(1) Purchase of ownership interest in 2016.
(2) Wound up in 2016.

An amount of 2,544 thousand euros has been paid as a result of transactions derived from these variations (113 thousand euros in 2015).

There are no significant restrictions on the group's capacity to act on the assets of non-controlling interest.

The most significant non-controlling interest at December 31, 2016 is as follows:

			2016 Thousands of Euros				
	Country	% ownership interest	Assets	Liabilities	Equity	Income	Profit/(loss)
Fluidra Tr Su Ve Havuz Ekipmanlari AS	Turkey	49	2,313	644	1,669	3,115	400
Ningbo Dongchuan Swimming Pool Equipments Co, LTD	China	30	2,658	1,305	1,353	3,985	497
Fluidra Balkans JSC	Bulgaria	33.33	600	136	464	878	55
Fluidra Youli Fluid System (Wenzhou) Co., LTD	China	30	6,870	2,400	4,470	2,282	170

			2015				
			Thousands of Euros				
	Countr y	% ownership interest	Assets	Liabilities	Equity	Income	Profit/(loss)
Fluidra Tr Su Ve Havuz Ekipmanlari AS	Turkey	49	2,222	357	1,865	2,926	413
Ningbo Dongchuan Swimming Pool Equipments Co, LTD	China	30	2,294	968	1,326	4,097	498
I.D. Electroquímica, S.L.	Spain	40	3,439	371	3,068	2,928	651
Fluidra Youli Fluid System (Wenzhou) Co., LTD	China	30	8,707	4,285	4,422	2,572	(329)

The figures indicated above correspond to the ownership percentage of each company.

16. Earnings per share

a) Basic earnings

Basic earnings per share amounts are calculated by dividing consolidated 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 December 31, 2016 and 2015, excluding own shares.

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

	31.12.2016	31.12.2015
Profit/(loss) for the period attributable to equity holders of the Parent (thousands of euros)	24,068	12,997
Weighted average number of ordinary shares outstanding	111,743,841	112,406,270
Basic earnings per share (euros)	0.21539	0.11563

Profit/(loss) for the year corresponds to the profit/(loss) for the year attributable to equity holders of the Parent.

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

	Number of shares	
	31.12.2016	31.12.2015
Ordinary shares outstanding at January 1	112,629,070	112,629,070
Effect of changes in treasury shares	(885,229)	(222,800)
Weighted average number of ordinary shares outstanding at December 31	111,743,841	112,406,270

b) Diluted earnings

Diluted earnings per share amounts 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, this calculation is not necessary.

17. Provisions

The breakdown of “Other provisions” is as follows:

	Thousands of Euros			
	2016		2015	
	Non-current	Current	Non-current	Current
Guarantees	-	6,050	-	4,872
Provisions for taxes	3,830	-	2,900	-
Provisions for obligations with employees	4,087	-	3,833	-
Litigation and other liabilities	502	-	1,940	-
Total	8,419	6,050	8,673	4,872

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 three 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 labor legislation in some countries in which the Group operates; 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.

The movements during 2016 and 2015 are as follows:

	Guarantees	Provision for obligations with employees	Litigation and other liabilities	Provision for taxes	Total
At January 01, 2015	3,711	3,293	1,817	2,904	11,725
Charge for the year	536	528	404	250	1,718
Business combinations	33	-	69	-	102
Payments / Disposals	(1,180)	(106)	-	(95)	(1,381)
Amounts utilized	(353)	(27)	-	(171)	(551)
Transfers	2,087	65	(347)	-	1,805
Exchange gains (losses)	38	80	(3)	12	127
At December 31, 2015	4,872	3,833	1,940	2,900	13,545
Charge for the year	967	484	163	1,586	3,200
Business combinations	145	-	-	-	145
Payments / Disposals	(56)	(252)	(360)	(126)	(794)
Amounts utilized	(89)	(51)	(1,244)	(330)	(1,714)
Transfers	55	30	-	(200)	(115)
Exchange gains (losses)	156	43	3	-	202
At December 31, 2016	6,050	4,087	502	3,830	14,469

18. Bank borrowings

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

	Thousands of Euros	
	2016	2015
Bank borrowings	168,786	169,649
Obligations under finance leases	6,203	6,127
Total non-current assets	174,989	175,776
Bank borrowings	37,322	22,623
Bank loans	35,401	40,777
Discount facilities	-	315
Obligations under finance leases	2,262	1,880
Total current	74,985	65,595
Total Bank borrowings	249,974	241,371

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

At December 31, 2016 and 2015 bank borrowings and discount lines accrue an average market interest rate, except for those granted by Public Bodies, which accrue an interest rate between 0% and 6-month Euribor plus 2% (between 0% and 6-month Euribor plus 3.10% in 2015). There are no significant differences between the carrying amounts of financial liabilities and their fair values at December 31, 2016 and 2015.

On February 25, 2015, the Group signed a loan agreement and revolving credit facility with a syndicate of banks amounting to 155 and 55 million euros, respectively. As a result of signing this agreement, the former loan agreement and revolving credit facility signed on July 27, 2012 has been fully repaid. At December 31, 2016 the Company has an outstanding repayable amount on that loan amounting to 147.25 million euros and the credit line has not been drawn down (155 million euros outstanding and 17 million dollars drawn down, respectively, at December 31, 2015).

The banks involved in this transaction are BBVA, Banco Santander, Caixabank, Banco Sabadell, Banco Popular, Bankia, Bankinter and Banca March, and the agent is BBVA.

The signing of this agreement contributes to the financial stability of the Group, allowing it to develop its business plan, extend the average loan repayment period and ensure short-term financing for the next five years, as well as reducing finance cost. It is guaranteed by several Group associates.

The loan received for a period of 5 years matures on a half-year basis according to an increasing repayment timetable, whereby the first repayment is 12 months after the signing of the agreement. The credit line matures also matures on a half-year basis.

The interest rate for these financing facilities is Euribor plus a spread that ranges from 1.40% and 2.50% based on the Net Financial Debt / EBITDA ratio.

Additionally, the financing agreement establishes compliance with some covenants based on the need for the Net Financial Debt / EBITDA ratio to be kept below 3.5x.

It also establishes the need for the EBITDA / Net Finance Cost to be kept above 3 throughout the term of the loan, and for the Net Financial Debt / Shareholders' equity ratio to be kept below 1. Additionally, these agreements include a set of non-financial obligations that shall be fulfilled. Non-compliance with any of the above ratios would cause the total financed amount and interest accrued to become immediately payable if the banks demand so. At December 31, 2016 these obligations have been met.

The data on the most significant loans and finance lease transactions are as follows:

	Company	Outstanding amount (thousand euros)	
		2016	2015
Syndicated revolving loan with a nominal amount of 155,000 and 55,000 thousand euros maturing on 25/02/2020 and earning variable interest at 6-month Euribor plus a spread ranging between 1.40% and 2.50%, taken out for debt restructuring purposes.	Fluidra, S.A.	147,250	155,000
Loan with a nominal amount of 5,000 thousand euros signed on June 17, 2014, maturing on June 30, 2019 and earning fixed interest at a 3.764% rate until December 31, 2014 and variable interest at 12-month Euribor plus a spread for the whole period, taken out to finance productive investments in the current year.	Fluidra, S.A.	3,000	4,000
Loan with a nominal amount of 5,000 thousand euros signed on July 10, 2014, maturing on June 30, 2019 and earning fixed interest at a 3.4530% rate until December 31, 2016 and variable interest at 6-month Euribor plus a spread for the remaining period, taken out to finance productive investments.	Fluidra, S.A.	2,500	3,500
Loan with a nominal amount of 150,000 South African rand (ZAR) signed on September 17, 2015, maturing on September 30, 2020 and earning fixed interest at 9.80% until December 31, 2015 and variable interest tied to prime rate plus a spread for the remaining period, taken out to refinance the existing loan and finance the acquisition of the Waterlinx group. Reclassification to short term due to non-compliance with covenants.	Fluidra Waterlinx, Pty Ltd.	9,511	8,848
Real estate leasing with a nominal amount of 10,700 thousand euros maturing on 21/01/2020 and earning fixed interest at 3.80% until 2013 and variable interest of Euribor plus a 0.5% spread.	Fluidra Commercial, S.A.U.	3,357	4,225
Loan with a nominal amount of 4,700 thousand euros, signed on November 29, 2013 and drawn down on June 26, 2013, maturing on July 20, 2020. It earns fixed interest at 3.441% until January 20, 2014 and variable at 6-month Euribor plus a spread for the remaining period, taken out to finance the acquisition of Youli.	Fluidra J.V. Youli, S.L.	-	4,700
Loan with a nominal amount of 2,679 thousand euros, signed on November 29, 2013 and drawn down on July 1, 2013, maturing on July 20, 2020. It earns fixed interest at 3.441% until January 20, 2014 and variable at 6-month Euribor plus a spread for the remaining period, taken out to finance the acquisition of Youli.	Fluidra J.V. Youli, S.L.	-	2,680
Loan with a nominal amount of 4,466 thousand Australian dollars, signed on August 2, 2016, maturing on July 1, 2019 and earning fixed interest at 4.81%, taken out for the restructuring of lines.	Astral Pool Australia Pty Ltd	2,969	-
Loan with a nominal amount of 7,000 thousand euros signed on March 07, 2016, maturing on March 31, 2021 and earning fixed interest at a 1.500% rate until October 01, 2016 and variable interest at 6-month Euribor plus a spread for the remaining period, taken out to finance productive investments.	Fluidra, S.A.	6,300	-
Loan with a nominal amount of 9,500 thousand euros signed on June 3, 2016, maturing on June 3, 2021 and earning fixed interest at a 1.500% rate until September 3, 2016 and variable interest at 12-month Euribor plus a spread for the remaining period, taken out to finance productive investments.	Fluidra, S.A.	8,550	-
Loan with a nominal amount of 5,000 thousand euros signed on June 3, 2016, maturing on June 3, 2021 and earning fixed interest at a 1.500% rate until December 3, 2016 and variable interest at 12-month Euribor plus a spread for the remaining period, taken out to finance productive investments.	Fluidra, S.A.	4,525	-
Loan with a nominal amount of 7,000 thousand euros signed on June 28, 2016, maturing on June 28, 2021 and earning fixed interest at a 1.500% rate until December 28, 2016 and variable interest at 6-month Euribor plus a spread for the remaining period, taken out to finance productive investments.	Fluidra, S.A.	6,300	-
Loan with a nominal amount of 7,000 thousand euros signed on October 13, 2016, maturing on October 13, 2021 and earning fixed interest at a 1.400% rate until April 13, 2017 and variable interest at 6-month Euribor plus a spread for the remaining period, taken out to finance productive investments.	Fluidra, S.A.	7,000	-
Leasing with a nominal amount of 3,250 thousand Australian dollars signed on October 13, 2016, maturing on September 13, 2022 and earning fixed interest at 5.631%, taken out to finance productive investments.	Astral Pool Australia Pty Ltd.	2,351	-

There are no significant financial liabilities that may be affected by the United Kingdom’s withdrawal from the European Union (Brexit).

The most significant balances in currencies other than the euro at December 31, 2016 and 2015 are as follows:

Bank borrowings:

	Thousands of Euros	
	2016	2015
US Dollar	30,599	38,258
Australian dollar	12,292	9,364
GBP	73	188
South African rand	12,253	11,197
Other currencies	1,015	844
	56,232	59,851

The Group has the following credit and discount facilities at December 31, 2016 and 2015:

	Thousands of Euros			
	2016		2015	
	Drawn down	Limit	Amount drawn down	Limit
Credit facilities	35,401	162,168	40,777	167,129
Discount facilities	-	10,000	315	10,250
	35,401	172,168	41,092	177,379

At December 31, 2016 and 2015 there are no borrowings backed by mortgage guarantees (Note 6).

The maturity of the loans taken out with financial institutions is as follows:

	Thousands of Euros	
Maturity	2016	2015
Within one year	37,322	22,623
Within 2 years	34,370	20,998
Within 3 years	41,306	28,679
Within 4 years	86,024	35,867
Within 5 years	5,437	81,579
More than five years	1,649	2,526
	206,108	192,272

The breakdown of the minimum lease payments and the present value of finance lease liabilities by term to maturity is as follows:

	Thousands of Euros					
	2016			2015		
	Minimum payments	Interest	Principal	Minimum payments	Interest	Principal
Within one year	2,490	228	2,262	1,905	25	1,880
Between one and five years	6,169	390	5,779	5,995	23	5,972
More than five years	432	8	424	156	1	155
	9,091	626	8,465	8,056	49	8,007

During 2016 and 2015 the interest rate on all the loans taken out by the Group is renewed on a monthly, quarterly, half-yearly or yearly basis.

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

19. Trade and other payables

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

	Thousands of Euros	
	2016	2015
Trade payables	83,444	71,264
Other borrowings	1,031	3,013
Liabilities arisen in business acquisitions / Suppliers of assets	19,359	21,599
Public administrations	13,364	12,624
Current income tax liabilities	2,532	3,556
Employee benefits payable	14,979	12,382
	134,709	124,438

The “Liabilities arisen as a result of business acquisitions/Suppliers of assets” caption include 17,841 thousand euros (16,872 thousand euros at December 31, 2015) corresponding to the best estimate of the fair value of the current contingent consideration derived from the acquisition of the Aqua Group. This balance is fully denominated in US dollars and corresponds to the category “Financial liabilities at fair value through profit or loss”. On March 17, 2011 a contingent consideration that can be exercised by the seller during the period comprised between May 1, 2015 and July 2, 2017 was established. Its calculation base was initially determined mostly by the average EBITDA for the past two years prior to the exercise date. Additionally, on December 14, 2012, an agreement was signed whereby a maximum and minimum amount of 40,000 thousand USD and 18,000 thousand USD, respectively, was established for this contingent consideration. At December 31, 2015 the fair value of said contingent consideration was estimated below its recorded minimum amount, and therefore, the contingent liability for the agreed minimum amount. As a result of this re-estimate, the Group recorded the “Finance income” caption of the consolidated income statement for the year ended December 31, 2015 an amount of 9,128 thousand euros related to the decrease in the contingent liability initially recorded.

The above-mentioned caption also includes 585 thousand euros (646 thousand euros at December 31, 2015) derived from the cross put/call options held with the key executives of Fluidra Waterlinx Pty Ltd, the exercise period of which is determined by the key executives leaving the company (Note 5.

Additionally, this caption also includes 211 thousand euros (3,334 thousand euros in 2015) derived from the deferred fixed and firm payment related to the business acquisitions carried out in 2015 (Note 5).

Liabilities for contingent considerations from Aqua and Fluidra Waterlinx Pty Ltd correspond to level 3 fair value hierarchy in accordance with IFRS 13.

For these liabilities, the Group has used measurement models that take into account the present value of expected cash flows discounted at a risk-adjusted discount rate. Estimated cash flows have been determined considering different forecast EBITDA scenarios and other variables in accordance with the formula indicated in the agreements on the acquisition of the businesses, the payable amount for each scenario and the estimated probability of each scenario.

The most significant balances in currencies other than the euro at December 31, 2016 and 2015 are as follows:

Trade payables:

	Thousands of Euros	
	2016	2015
Australian dollars	12,665	7,755
Chinese renminbi	7,388	5,324
GBP	6,280	3,746
South African rand	6,188	4,139
US Dollars	5,166	4,790
Israeli shekel	3,931	708
Brazilian real	3,345	511
Moroccan Dirham	1,023	121
	45,986	27,094

Payable balances to Public Administrations are as follows:

	Thousands of Euros	
	2016	2015
Tax payables to tax authorities		
VAT	6,996	6,433
Withholdings	1,598	1,409
Social Security, payables	3,881	3,529
Other	889	1,253
	13,364	12,624

20. Other non-current liabilities

The breakdown of non-current liabilities is as follows:

	Thousands of Euros	
	2016	2015
Liabilities arisen in business acquisitions	19,247	4,417
Other	4,343	4,077
Total	23,590	8,494

The “Liabilities arisen in business acquisitions” caption includes 2,159 thousand euros (1,673 thousand euros at December 31, 2015) derived from the cross put/call options with the significant shareholders of the company Fluidra Waterlinx Pty Ltd, which can be exercised between January 1, 2018 and December 31, 2018. It also includes 6,423 thousand euros from the cross put/call options with the minority shareholder of the company SIBO Fluidra Netherlands B.V., which can be exercised between January 1, 2021 and June 30, 2021.

Additionally, this caption also includes 707 thousand euros (1,902 thousand euros at December 31, 2015) from the contingent liability for the acquisition of Price Chemicals Pty Ltd and 4,092 thousand euros from the contingent liability for the acquisition of SIBO Fluidra Netherlands B.V. (Note 5).

Liabilities for contingent considerations from Price Chemicals Pty Ltd, Fluidra Waterlinx Pty Ltd, and SIBO Fluidra Netherlands B.V. correspond to level 3 fair value hierarchy in accordance with IFRS 13.

For these liabilities, the Group has used measurement models that take into account the present value of expected cash flows discounted at a risk-adjusted discount rate. Estimated cash flows have been determined considering different forecast EBITDA scenarios and other variables in accordance with the formula indicated in the agreements on the acquisition of the businesses, the payable amount for each scenario and the estimated probability of each scenario.

None of the liabilities arisen in business acquisitions is fixed or firm.

The “Other” caption includes 759 thousand euros (495 thousand euros in 2015) corresponding to loans granted by Centro para el Desarrollo Tecnológico Industrial (CDTI) at a finance cost between 0.6% and 2%.

Additionally, the “Other” caption includes 1,291 thousand euros (1,196 thousand euros at December 31, 2015) derived from the deferred fixed and firm payment related to the companies acquired during the prior year.

21. **Risk management policy**

Fluidra's risk management system has been designed to mitigate all risks to which the company is exposed on account of its business activities. The three cornerstones of Fluidra’s risk management structure are as follows:

- Common management systems specifically designed to mitigate business risks.
- Internal control procedures, aimed at mitigating the risks arisen in the preparation of financial reporting and improving its reliability, which have been designed in accordance with ICSFR.
- The risk map, which is the methodology use by Fluidra for identifying, understanding and measuring the risks that affect the company. Its purpose is to get a comprehensive perspective thereon, designing an efficient response system that is aligned with the business objectives.

This elements form an integrated system that allows the Group to appropriately manage the risks and mitigating controls throughout the organization.

Fluidra has a comprehensive and dynamic risk management system in place. It is applicable to the entire organization and its environment, is intended for the long term and is binding upon all employees, executives and directors of the company.

Additionally, the internal audit department is responsible for the fulfillment and proper functioning of these systems.

The Audit Committee is responsible for the preparation and execution of the risk system, specifically assisted by the internal audit department.

The internal audit department is responsible for the supervision and proper functioning of the risk management system.

The objectives of the audit committee are to:

- Inform the shareholders at the general meeting of any questions that may arise regarding matters that come within its competence.
- Propose the appointment of the auditors or audit firms to the Board of Directors, to be submitted for approval by the shareholders in general meeting, in accordance with article 264 of the Spanish Corporate Enterprises Act, as well as the terms of engagement, the scope of the professional engagement and the renewal or cancellation of the appointment.

- Supervise the efficiency of the Company's internal control, and especially the Internal Control over Financial Reporting, the internal audit, and where applicable, risk management systems, in addition to discussing with auditors significant weakness in the internal control system detected during the audit.
- Monitor the process for preparing and presenting regulated financial information.
- Review the Company's accounts, watch over compliance with legal requirements and the proper adoption of generally accepted accounting principles, with the direct assistance of the external and internal auditors.
- Manage appropriate relationships with auditors or audit firms to obtain information on questions which might jeopardize their independence, for review by the Committee, and any other audit-related items, as well as any other communications provided for in audit legislation and standards. In any event, annual written confirmation of their independence must be received from the auditors or audit companies regarding the entity or directly or indirectly related entities, and information on additional services of any kind provided to these entities by the aforesaid auditors or companies, or by the persons or entities related thereto, in accordance with the provisions of Law 19/1988, dated July 12, on audits of financial statements.
- Prior to issuing the yearly audit report, a report expressing an opinion on the independence of the auditors of financial statements or audit firms must be published. This report in any event must opine on the provision of additional services to those discussed in the previous section.
- Oversee the fulfillment of the audit agreement, ensuring that the opinion on the financial statements and main contents of the audit report have been written clearly and accurately, as well as assessing the each audit's results.
- Oversee compliance with regulations on related-party transactions. In particular, it shall ensure that the information on these transactions is notified to the market, in compliance with Order 3050/2004 issued by the Ministry of Economy and Finance on September 15, 2004.
- Examine compliance with the Internal Code of Conduct, the Board of Directors Regulations and, in general, the Company's governance rules and propose the necessary improvements therein.
- Receive information and, where appropriate, issue a report on the disciplinary measures that are intended to be taken against members of the Company's senior management.

In the identification, understanding and measurement of the risks affecting the Company, the following risk factors have been considered:

- Security incidents
- Irregular activities and relations with the employees
- Risks related to the markets and activities in which the Group operates
- Brand reputation
- Process-related risks
- Economic environment
- Climatology
- Geopolitical risk
- Addition of new companies
- Financial risks

The risks are identified and assessed by analyzing the potential events that may give rise to them. Metrics are used to measure the probability and impact of the risks. The existing mitigating controls are determined, as well as the necessary additional action plans if those controls were considered insufficient.

This process, which is performed annually, allows the Company to obtain its Risk Map. From this map the most relevant risks are extracted, which together with the main changes over the prior year are submitted to the Audit Committee for discussion and approval.

The severity scale and probability scale are defined based on qualitative and quantitative criteria. Once the critical risks have been identified and reassessed, Company Management set specific actions, appoints the persons responsible, and establishes the terms for mitigating their impact and probability, while reviewing the current controls over them. The analysis of risks, controls and actions taken to mitigate their impact and probability is submitted annually to the Audit Committee for supervision and approval. Subsequently, the Audit Committee reports to the Board of Directors.

In 2016 the following risks materialized:

- Non-fulfillment of expectations in the USA market

In 2011 Fluidra acquired the Aqua group, a leading company in the robotic pool cleaners sector with presence in the USA and Israel. The expectations of growth and penetration in the USA market have not been as initially expected. In turn, the value in use of the cash generating unit resulting from the acquisition of the Aqua group does not cover the value of net assets and goodwill allocated, and therefore, an impairment on the goodwill resulting from the purchase was recorded by reducing it by 1.5 million euros.

- Brexit

The United Kingdom European Union membership referendum that took place on June 23, 2016 had had some immediate consequences such as the depreciation of the sterling pound. Although we can confirm that Fluidra's activities in the United Kingdom have grown up to double digits in the local currency, a decrease can be observed in the value of sales and investments (assets and liabilities) in sterling pound when consolidated into euros, although a significant impact is noted thanks to the actions taken by Fluidra Management. The Company continues to monitor both the economy in the United Kingdom and the market and competitors in order to react in the most appropriate manner to current uncertainty.

The response and supervision plans to mitigate the risks that the entity is exposed to are as follows:

a) Development of new products

Continuing analysis of sales of new strategic products and comparison with competitors using market research monitoring tools, analysis of statistical databases by type of market and product. Comparative studies that allow the products to be differentiate from the competitors' and update of product valuation files with the information obtained. Specific action plans aimed at ensuring that production capacities are adapted to the expected levels of demand for these new products.

b) Technology risks

Given the activities carried out by Fluidra's business units, the protection of their technology and developments is an essential milestone for maintaining their competitive advantage. For such purpose, the Group follows certain development criteria and policies and legal protocols that ensure protection.

c) Subsidiary management risk

Fluidra is clearly determined and convinced that the strengthening and standardization of its internal procedures and controls in the Group's subsidiaries is the right path to the prompt detection and eradication of any irregularity in the management of the subsidiaries. In this regard, the Invictus project is a high-value tool for the achievement of this goal.

d) Development of new activities

Fluidra's continuing evaluation of new activities that bring higher value to the Group has resulted in the acquisition and integration of the Dutch company SIBO in 2016.

Since the Fluidra is aware that any new activity poses intrinsic risks, it has hired the services of expert external consultants that have advised it on purchase processes, and the Company has established the necessary controls to mitigate the risk associated with the development and integration of any new activity.

e) Human capital risks

Fluidra group companies have a variable remuneration policy linked to professional development and achievement of personal goals in order to identify and reward its best professionals.

The Parent has a whistle-blowing channel created by the Audit Committee, under the joint management of the Corporate Human Resources, Internal Audit and Legal departments so that any group employee can report any internal control, accounting or audit-related matters.

The Company has an Internal Code of Conduct related to the securities market.

f) Process-related risks

These risks are centrally managed and monitored by the Finance and Legal departments, and verified by the Internal Audit department.

The processes for obtaining the consolidated economic and financial information are developed centrally and under corporate criteria, and both the consolidated and each subsidiaries' separate financial statements are verified by the external auditors.

g) Climatology

The Company manages climatological risk through internationalization and the development of products and applications that allow it to use and operate its premises in adverse climates.

h) Economic environment

Continuing valuation of company assets by a multidisciplinary team in order to early detect any impairment situation and determine the actions to be taken to secure the profitability of the area's activities.

i) Financial risks

Market, liquidity, foreign exchange and interest rate risk management is monitored by the Group's Central Cash Department in accordance with the policies defined. This department identifies, evaluates, and covers financial risks in close collaboration with the Group's operating units.

i. Credit risk

Credit risk is managed separately by each operating unit of the Group in accordance with the parameters set by Group policies, except for the subsidiaries in Spain, Portugal and Italy, where credit risk is managed centrally by the Group's Risk Department.

Credit risk exists when a potential loss may arise from Fluidra, S.A.'s counterparties not meeting their contractual obligations, that is, due to not collecting the financial assets according to the established amounts and time frame.

In the case of the Group, the risk is mainly attributable to trade receivables. This risk, however, is mitigated since the Group has a highly diversified domestic and international customer portfolio, where none of the customers accounts for a significant percentage of total sales for the year.

Credit risk arising from the failure of a counterparty to meet its contractual obligations is duly controlled by policies and risk limits which establish requirements regarding:

- Appropriate agreements to the transaction made.
- Sufficient internal or external credit quality of the counterparty.
- Additional guarantees when necessary.

Additionally, there is an impairment loss policy for trade receivables that ensures that fair values of accounts receivable do not significantly differ from their book value. This policy is mainly focused on accounts receivable more than 120 days past due.

The Group's exposure to past due not impaired financial assets is solely focused on the "Trade and other receivables" caption, and there are no other past due financial assets balances.

The tables below show the aging analysis of past due not impaired Trade and other receivables at December 31, 2016 and 2015:

	2016	2015
Not due	91,758	91,564
Past due	33,069	33,072
0 - 90 days	27,177	26,584
90 - 120 days	2,228	3,049
More than 120 days	3,664	3,439

ii. Liquidity risk

Liquidity risk is the possibility that Fluidra, S.A. will not have sufficient funds or access to sufficient funds at an acceptable cost to meet its payment obligations at all times.

The Group manages liquidity risk based on prudent criteria in order to maintain sufficient cash and marketable securities, secure the availability of committed credit facilities to provide financing, and ensure its capacity to exit market positions. Due to the dynamic nature of the underlying businesses, the Group's Treasury Department aims to maintain sufficient headroom on its undrawn committed borrowing facilities.

The table below shows the Group's exposure to liquidity risk at December 31, 2016 and 2015. The table below shows an analysis of financial liabilities by contractual maturity:

	2016					
	Thousands of Euros					
	1 year	2 years	3 years	4 years	5 years	More than 5 years
Bank borrowings	76,804	37,292	43,959	87,641	5,565	1,716
Share capital	72,723	34,370	41,306	86,024	5,437	1,649
Interest	4,081	2,922	2,653	1,617	128	67
Finance lease liabilities	2,490	2,399	2,334	791	645	432
Share capital	2,262	2,229	2,218	721	611	424
Interest	228	170	116	70	34	8
Derivative financial liabilities	847	-	-	1,958	-	-
Trade and other payables	134,709	-	-	-	-	-
Other non-current liabilities	-	15,289	510	481	6,904	406
	214,850	54,980	46,803	90,871	13,114	2,554

	2015					
	Thousands of Euros					
	1 year	2 years	3 years	4 years	5 years	More than 5 years
Bank borrowings	69,393	25,654	32,865	39,291	83,409	2,567
Share capital	63,715	20,998	28,679	35,867	81,579	2,526
Interest	5,678	4,656	4,186	3,424	1,830	41
Finance lease liabilities	1,905	2,408	1,768	1,619	200	157
Share capital	1,880	2,400	1,756	1,617	199	156
Interest	25	8	12	2	1	1
Derivative financial liabilities	80	-	-	-	1,507	-
Trade and other payables	124,438	-	-	-	-	-
Other non-current liabilities	-	723	4,994	1,169	327	1.281
	195,816	28,785	39,627	42,079	85,443	4,005

During the next months, based on its cash flow forecasts and financing available, the Group does not expect any difficulties in terms of liquidity.

iii. Foreign currency risk

The Group operates in the international arena and therefore is exposed to foreign exchange risks on transactions denominated in foreign currencies, especially in US dollar, pound sterling, Australian dollar, South African rand, Brazilian real, and Israeli shekel. Foreign exchange risk arises on future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Group companies manage the foreign currency risk of future commercial transactions, recognized assets and liabilities by forward currency contracts mainly entered into by the Group's Treasury Department. Foreign exchange risk arises when future commercial transactions or firm commitments, recognized assets and liabilities and net investments in foreign operations are denominated in a currency that is not the Company's functional currency. This risk also arises as a result of balances between group companies that have been eliminated on consolidation. The Group's Treasury Department is responsible for managing the net position of each foreign currency by entering into external forward currency contracts.

The purpose of the Group's risk management policy is to cover the risk arising in transactions carried out in dollars through natural hedges (offsetting collections against payments), using forward instruments to hedge the excess or shortfall. All transactions in pound sterling and Israeli shekel are hedged against the euro using forward instruments. No hedging instruments are used to hedge transactions carried out in the other foreign currencies. The Group also has several investments in foreign operations whose net assets are exposed to foreign currency translation risk. The Group manages the foreign currency risk relating to the net assets of its foreign operations in the United Kingdom, Australia, the United States, South Africa, Brazil and Israel mainly by holding borrowings denominated in the related foreign currency.

In the case of South African rand and Brazilian reals, the contingent liabilities and intragroup loans are fully or partially hedged against the euro with forward instruments.

Although the Group arranges forward contracts for the economic hedging of foreign currency risks, not all of them are recognized applying hedge accounting.

Specially as a result of the business combination of the Aqua group (not within the general policy, the contingent consideration is denominated in US dollars, but it is not exposed to foreign currency risk since the liability denominated in foreign currency is hedged naturally by the asset.

At December 31, 2016, if the euro had appreciated by 10% with respect to the US dollar, the Australian dollar, the sterling pound, the South African rand, the Brazilian real and the Israeli shekel, keeping the rest of variables constant, consolidated profit after tax would have increased by 1,179 thousand euros, and if the euro had depreciated by 10% with respect to the aforementioned foreign currencies, consolidated profit after tax would have decreased by 1,441 thousand euros, mainly as a result of the translation of accounts receivable denominated in foreign currency. Exchange differences included in recognized income and expenses would have increased by 7,781 thousand euros if the euro had appreciated by 10% and they would have decreased by 10,681 thousand euros if the euro had depreciated by 10%.

At December 31, 2015, if the euro had appreciated by 10% with respect to the US dollar, the Australian dollar, the sterling pound and the South African rand, keeping the rest of variables constant, consolidated profit after tax would have increased by 174 thousand euros, and if the euro had depreciated by 10% with respect to the aforementioned foreign currencies, consolidated profit after tax would have decreased by 350 thousand euros, mainly as a result of the translation of accounts receivable denominated in foreign currency. Exchange differences included in recognized income and expenses would have increased by 4,742 thousand euros if the euro had appreciated by 10% and they would have decreased by 3,916 thousand euros if the euro had depreciated by 10%.

The potential impact of foreign exchange rate derivatives has not been included in the calculation above.

The main balances in currencies other than the euro are described in notes 13, 18 and 19 to the consolidated financial statements.

iv. Cash flow interest rate risk

Since the Group does not have any significant remunerated assets, income and cash flows from operating activities are not significantly exposed to the risk of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. As indicated in Note 18, most loans taken out by the Group are linked to floating market interest rates that are updated every six months.

The Group manages its cash flow interest rate risk with floating-to-fixed interest rate swaps without barriers. The effect of these interest rate swaps is to convert floating borrowings to fixed borrowings. Generally, the Group borrows at a floating rate and swaps for a fixed rate, which is generally lower than the fixed rate at which the Group could have borrowed. Under interest rate swaps, the Group agrees with other parties to exchange, on a regular basis (usually quarterly), the difference between fixed interest and floating interest calculated on the notional principal agreed upon.

If interest rates at December 31, 2016 had been 25 basis points higher or lower, all other variables held constant, consolidated profit before tax would have been 500 thousand euros lower or higher (475 thousand euros in 2015), mainly due to higher / lower finance costs via floating rates.

The potential impact of interest rate derivatives has not been included in the calculation above.

v. Market risk

Apart from the swaps arranged by the Group mentioned in the section above, there are no significant price risks related to equity instruments classified as held for sale or at fair value through profit or loss.

22. Cost of sales and change in inventories of finished goods and work in progress

The breakdown of this income statement caption is as follows:

	Thousands of Euros	
	31.12.2016	31.12.2015
Purchase of raw and related materials	356,729	317,861
Changes in inventories of finished goods and work in progress	(5,972)	345
Change in inventories of goods for resale, raw materials and other consumables	(4,733)	307
Net charge to the provision for obsolescence	350	917
Total	346,374	319,430

23. Income from the rendering of services

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

24. Employee benefits expenses

The breakdown of employee benefits expense in 2016 and 2015 is as follows:

	Thousands of Euros	
	31.12.2016	31.12.2015
Wages and salaries	124,442	113,481
Termination benefits	1,428	1,508
Social security expense	25,304	24,059
Other employee welfare expenses	7,086	5,649
	158,260	144,697

The Group's average headcount during the years 2016 and 2015 by professional category is as follows:

	31.12.2016	31.12.2015
Management	88	82
Sales, logistics and production staff	3,423	2,934
Administration and purchases staff	837	701
	4,348	3,717

The average number of employees with a disability equal to or greater than 33% during 2016 amounts to 43 employees (44 employees in 2015), with 38 of them belonging to the professional category "sales, logistics and production" and the other 5 to "administration and purchases" (28 and 16, respectively, in the prior year).

The Group's headcount by gender at year end is as follows:

	31.12.2016		31.12.2015	
	Men	Women	Men	Women
Directors (includes 1 senior executive)	9	1	9	-
Management	92	11	75	6
Sales, logistics and production staff	2,384	923	2,058	849
Administration and purchases staff	401	413	367	343
	2,886	1,348	2,509	1,198

25. Other operating expenses

The breakdown of “Other operating expenses” is as follows:

	Thousands of Euros	
	31.12.2016	31.12.2015
Leases and fees	22,761	21,405
Repairs and maintenance	10,210	9,572
Independent professional services	12,839	11,825
Temporary employment agency expenses	5,748	4,267
Commissions	4,427	4,457
Sales transportation and logistics services	34,023	29,663
Insurance premiums	2,621	2,337
Bank services	1,452	1,302
Advertising and publicity	10,282	7,892
Utilities	9,145	9,219
Communications	2,949	2,716
Travel expenses	9,702	9,088
Taxes	3,663	3,249
Changes in trade provisions	4,184	5,055
Guarantees	3,567	3,859
Other (*)	7,162	5,398
	144,735	131,304

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

26. Operating leases

The Group has entered into operating leases with third parties on several warehouses, premises and industrial units.

The main operating lease arrangements on warehouses and buildings have been entered for a term between one and seven years (slightly shorter than the useful lives of the assets), at market prices, there are no advantageous purchase options thereon, and most of them can be renewed at the date of termination by mutual agreement of both parties to the contract. Lease payments are periodically updated in accordance with a price index established in each agreement.

The future minimum lease payments payable under non-cancelable operating leases are as follows:

	Thousands of Euros	
	2016	2015
Within one year	17,212	13,008
Between one and five years	24,638	21,292
More than five years	13,956	5,576
	55,806	39,876

Operating lease payments recognized as expenses in 2016 amounted to 22,761 thousand euros (2015: 21,405 thousand euros) (Note 25).

27. Finance income and costs

The breakdown of finance income and costs is as follows:

	Thousands of Euros	
	31.12.2016	31.12.2015
Finance income		
Other finance income	779	121
Reversal of impairment losses on available-for-sale financial assets	350	
Gains on the fair value of financial instruments	1,662	9,877
Total finance income	2,791	9,998
Finance costs		
Interest on debt (leasing and loans)	(5,773)	(5,427)
Interest on utilization of credit facilities and bills discounted	(2,092)	(2,258)
Other finance costs	(1,295)	(4,320)
Losses on the fair value of financial instruments	(2,032)	(1,701)
Impairment losses on available-for-sale financial assets	-	(33)
Impairment losses on financial assets at amortized cost other than trade and other receivables	-	(518)
Losses on the sale of associates	-	-
Total finance costs	(11,192)	(14,257)
Exchange gains (losses)		
Exchange gains	25,368	48,316
Exchange losses	(23,416)	(49,690)
Total exchange gains / (losses)	1,952	(1,374)
Net profit / (loss)	(6,449)	(5,633)

The “Gains on the fair value of financial instruments” caption includes 1,249 thousand euros corresponding to the estimate at fair value of the contingent liability derived from the acquisition of Price Chemicals Pty Ltd (in 2015 it included the income from the estimate at fair value of the contingent liability derived from the acquisition of Aqua for an amount of 9,128 thousand euros).

“Other finance costs” includes 406 thousand euros corresponding to implicit interest on the contingent payments for the acquisitions of Waterlinx Pty Ltd, SIBO Fluidra Netherlands B.V. and Price Chemicals Pty Ltd (Note 20). At December 31, 2015 it included 610 thousand euros corresponding to implicit interest on the contingent payments for the acquisition of the Aqua Group (Note 19) and Fluidra Waterlinx, Pty Ltd (Note 20).

Additionally, at December 31, 2015 the “Other finance costs” caption included 3,690 thousand euros corresponding to expenses for the cancellation of the syndicated loan, as well as expenses accrued for the new loan (Note 18).

At December 31, 2015, the “Losses on the fair value of financial instruments” caption includes an amount of 1,009 thousand euros from the cancellation of interest rate derivatives linked to the canceled syndicated loan (Note 11).

28. Deferred taxes and Income tax

During 2016 and 2015 the Group has 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 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:

Fluidra, S.A. (25%)

Fluidra Export, S.A.
Aplicaciones Técnicas Hidráulicas, S.L.U.
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.

Fluidra Services France, S.A.S. (33.33%)

Fluidra Commercial France, S.A.S.
Piscines Techniques 2000, S.A.S.
Fluidra Industry France, S.A.R.L

U.S. Pool Holdings, Inc. (40%)

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

Fluidra Services Italia, S.R.L. (27.5%)

Fluidra Commerciale Italia, S.p.a.
Inquide Italia, S.R.L.

The Company and the rest of subsidiaries (except for Fluidra Middle East FZE, and Certikin Middle East FZE) are required to file an annual corporate income tax return.

The breakdown of deferred tax assets and liabilities according to their nature is as follows:

	Thousands of Euros					
	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment and investment property	1,571	2,018	1,994	2,243	(423)	(225)
Deferred gains	40	40	1,764	1,764	(1,724)	(1,724)
Inventories	4,042	3,627	1,014	562	3,028	3,065
Provision for inventory	1,000	1,034	-	1	1,000	1,033
Provision for receivables	2,647	3,311	-	-	2,647	3,311
Other provisions	2,679	2,277	-	-	2,679	2,277
Tax credit for unused tax loss carryforwards and deductions	10,753	9,086	-	1	10,753	9,085
Financial goodwill	-	-	8,240	10,348	(8,240)	(10,348)
Customer portfolio	9	967	3,149	1,712	(3,140)	(745)
Other items	1,919	10,957	6,450	7,894	(4,531)	3,063
	24,660	33,317	22,611	24,525	2,049	8,792

The breakdown of changes in net tax assets and liabilities is as follows:

	Thousands of Euros							
	31.12.2015	Profit and loss	Impact of the change in tax rate on profit or loss	Equity	Business combinations (Note 5)	Exchange gains (losses) / Others	Transfers	31.12.2016
Property, plant and equipment and investment property	(225)	(135)	16	-	-	(79)	-	(423)
Deferred gains	(1,724)	-	-	-	-	-	-	(1,724)
Inventories	3,065	(37)	-	-	-	-	-	3,028
Provision for inventory	1,033	(47)	(15)	-	-	29	-	1,000
Provision for receivables	3,311	(536)	(134)	-	-	6	-	2,647
Other provisions	2,277	524	(11)	-	-	(111)	-	2,679
Tax credit for unused tax loss carryforwards and deductions	9,085	(5,346)	(12)	-	-	26	7,000	10,753
Financial goodwill	(10,348)	2,089	-	-	-	19	-	(8,240)
Customer portfolio	(745)	(610)	-	-	(1,438)	(347)	-	(3,140)
Other items	3,063	(722)	(5)	102	(95)	126	(7,000)	(4,531)
Total	8,792	(4,820)	(161)	102	(1,533)	(331)	-	2,049

After the winding up of the subsidiary Way Fit, S.L. an amount of 7,000 thousand euros has been reclassified from “Other items” to “Tax credit for unused tax loss carryforwards and deductions”.

	Thousands of Euros							
	31.12.2014	Profit and loss	Impact of the change in tax rate on profit or loss	Equity	Business combinations (Note 5)	Exchange gains (losses) / Others	Transfers	31.12.2015
Property, plant and equipment and investment property	577	(575)	-	-	(342)	(220)	335	(225)
Deferred gains	(1,724)	-	-	-	-	-	-	(1,724)
Inventories	3,193	(268)	65	-	-	75	-	3,065
Provision for inventory	813	86	-	-	66	68	-	1,033
Provision for receivables	3,633	(541)	(57)	-	52	224	-	3,311
Other provisions	1,959	244	4	-	219	(149)	-	2,277
Tax credit for unused tax loss carryforwards and deductions	8,923	203	34	-	-	260	(335)	9,085
Financial goodwill	(9,940)	2	-	-	-	(410)	-	(10,348)
Customer portfolio	539	(835)	-	-	(2,383)	689	1,245	(745)
Other items	2,729	2,587	(2)	76	(788)	(294)	(1,245)	3,063
Total	10,702	903	44	76	(3,176)	243	-	8,792

On March 30, 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 March 5, 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 7,790 thousand euros. However, on March 31, 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 December 31, 2006 the Company recognized a non-current deferred tax and a non-current account receivable amounting to 7,790 thousand euros. 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 October 31, 2007 due to the Company’s initial public offering, the non-current deferred tax and the non-current account receivable were reduced to 1,365 thousand euros, which are included in the “Other non-current accounts receivable” caption (Note 13). At December 31, 2016 and 2015 both non-current deferred tax and non-current account receivable have not shown any variation.

The items directly charged and credited to consolidated equity accounts for the year correspond to hedging instruments amounting to 101 thousand euros in 2016 (76 thousand euros in 2015 corresponding to hedging instruments and the provision for long-term defined benefits).

The other deferred tax assets and liabilities recorded and reversed in 2016 and 2015 have been recognized with a charge or credit to the income statement, except for those arisen in business combinations, exchange gains and losses and other concepts.

The deferred tax liabilities and assets expected to be reversed in the next 12 months amount to 1,006 and 21,569 thousand euros, respectively (1,152 and 19,814 thousand euros, respectively, in 2015).

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

	Thousands of Euros	
	2016	2015
Current tax		
for the year	8,195	8,558
Tax deductions	(269)	(1,025)
Adjustment in respect of prior years	(102)	(578)
Provision for taxes	330	250
Other	-	-
Deferred taxes		
Origination and reversal of temporary differences	(526)	(700)
Tax credit for unused tax loss carryforwards and deductions	5,346	(203)
Effect of the change in the tax rate	161	(44)
Total income tax expense	13,135	6,258

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

	Thousands of Euros	
	2016	2015
Current tax	7,926	7,533
Withholdings and payments made on account during the year	(11,696)	(6,971)
Other	(1,306)	(463)
Exchange gains (losses)	(22)	(66)
Payable tax in 2015	(2,761)	-
Payable tax in 2014	-	(3,041)
	(7,859)	(3,008)

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

	Thousands of Euros	
	2016	2015
Profit for the year before tax from continuing operations	39,667	20,473
Profit at 25%	9,917	-
Profit at 28%	-	5,732
Effect of applying different effective tax rates in other countries	6,593	4,706
Permanent differences	(3,010)	(2,738)
Utilization of unrecognized loss carryforwards from prior years	(667)	(153)
Differences in the income tax expense from prior years	(102)	(578)
Tax deductions	(269)	(1,025)
Effect of the change in the tax rate	161	(44)
Other	512	358
Income tax expense	13,135	6,258

Deferred tax assets related to unused tax loss carryforwards and unused tax credits recorded in the consolidated financial statements of the Group at December 31, 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Deductions	4,556	4,184
Tax loss carryforwards	6,197	4,901
	10,753	9,085

The Group only recognizes deductions and tax loss carryforwards for which recovery is considered probable. Tax loss carryforwards and deductions amounting to 8,017 thousand euros and capitalized in prior years were utilized in 2016 (427 thousand euros in 2015). Additionally, after the winding up of the subsidiary Way Fit, S.L. an amount of 7,000 thousand euros has been reclassified from “Other items” to “Tax credit for unused tax loss carryforwards and deductions”. Mainly as a result of tax losses from the Spanish companies filing consolidated taxes, in 2016 an amount of 2,368 thousand euros has been capitalized related to deductions and tax loss carryforwards (639 thousand euros in 2015).

The amounts and periods of reversal for the capitalized deductions at December 31, 2016 are as follows:

Years	Thousands of Euros	Last year for utilization
2007-2014	2,931	2022-2032
2015	900	2033
2004-2016	725	No time limit
	4,556	

The amounts and periods of reversal for the capitalized tax loss carryforwards at December 31, 2016 are as follows:

Arisen in	Thousands of Euros	Last year for utilization
2014	1,419	2032
2015	367	2033
2009-2015	4,411	No time limit
	6,197	

Deferred tax assets related, unused tax loss carryforwards and unused deductions not recorded in the consolidated financial statements of the Group are as follows:

	Thousands of Euros	
	2016	2015
Deductions	3,100	2,085
Tax loss carryforwards	26,260	20,170
	29,360	22,255

The amounts and periods of reversal for non-capitalized deductions at December 31, 2016 are as follows:

Years	Thousands of Euros	Last year for utilization
2004-2015	2,101	2017-2032
2011-2015	325	No time limit
2016	134	2026
2016	540	2034
	3,100	

The amounts and periods of reversal of unrecorded unused tax loss carryforwards are as follows:

Arisen in	Thousands of Euros	Last year for utilization
2002-2014	21,931	2017-2034
2015	8,718	2020-2035
2016	21,159	2036
2002-2016	20,228	Losses with no time limit for utilization
	72,036	

Tax inspections are being carried out on the companies Certikin Italia, S.p.A., Fluidra Commerciale Italia, S.P.A., Fluidra, S.A., Fluidra Global Distribution, S.L.U., Fluidra Commercial, S.A., Fluidra Export, S.A., Metalast, S.A.U., Fluidra Industry, S.A.U., Fluidra Comercial España, S.A.U. and Fluidra Waterlinx Pty Ltd as a result of which no significant tax liabilities are expected to arise for the Fluidra group other than those already shown in the Group's consolidated balance sheet.

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

Tax	Open tax periods
Corporate income tax	From 2011 to 2016
Value added tax	From 2013 to 2016
Personal income tax	From 2013 to 2016
Tax on Economic Activities	From 2013 to 2016

The Group's Directors consider that in the event of a tax inspection the possibility that contingent liabilities arise is remote and the additional tax payable, if any, that may derive would not have a significant impact on the consolidated financial statements of the Group taken as a whole.

29. 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			
	31.12.2016		31.12.2015	
	Receivable balances	Payable balances	Receivable balances	Payable balances
Customers	436	-	230	-
Debtors	74	-	37	-
Suppliers	-	601	-	590
Creditors	-	-	-	20
Total current	510	601	267	610

a) Consolidated Group transactions with related parties

Current related-party transactions correspond to the Company's normal trading activity, have been carried out on an 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			
	31.12.2016		31.12.2015	
	Associates	Related parties	Associates	Related parties
Sales	370	909	581	705
Income from services	28	202	-	203
Purchases	-	(4,739)	-	(3,878)
Expenses from services and other	-	(3,131)	-	(3,289)

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	
	2016	2015
Total key management personnel	1,944	1,918
Total Directors of the Parent Company	1,610	1,529

The members of the Parent Company's Board of Directors have earned 963 thousand euros in 2016 (924 thousand euros in 2015) from the consolidated companies in which they act as board members. Additionally, for the performance of executive duties, they have earned 548 thousand euros in 2016 (552 thousand euros in 2015). The amounts earned for executive duties include in kind remuneration related to the share plan, vehicle and life insurance. Also, the members of the Board of Directors have received 91 thousand euros compensation for travel expenses (83 thousand euros in 2015).

The Company has taken a pension commitment to one of its senior executives consisting in an income supplement in the event of total permanent invalidity on active duty. This commitment has been externalized through a life insurance policy whereby the Company has recognized an expense of 41 thousand euros in 2016 (16 thousand euros in 2016).

Additionally, the Company made a contribution of 19 thousand euros in 2016 (16 thousand euros in 2015) to cover the survival, death and temporary and permanent invalidity for the aforementioned senior director.

In addition to the above-mentioned, the Group has no pension plan or life insurance policies for former or current members of the Board of Directors or key management personnel, nor has it given any guarantees on their behalf.

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

On June 2, 2010 a stock option plan was approved for the CEO and the members of the executive team who belong to the Group's Executive Committee. The first, second and third (and last) cycle of this Plan started on July 15, 2010, July 15, 2011 and July 15 2012, respectively.

The plan is implemented through two instruments:

a) Part of the incentive is implemented through the granting of a certain number of restricted stock units (RSUs), which will be settled in shares once a certain period of time has elapsed.

b) The other part of the incentive is implemented through the granting of share appreciation rights (SARs) settled in shares once a certain period of time has elapsed and once the Company's shares have increased in value in the reference period.

The plan consists of three cycles, each one of them covering a 3-year period. The grant dates for each cycle are: July 15, 2010, July 15, 2011 and July 15, 2012, ending on July 15, 2013, July 15, 2014 and July 15, 2015, respectively.

The expense from this plan amounted to 1,050 thousand euros during its validity period (2011-2015). 66 thousand euros were recorded in equity at December 31, 2015.

In 2015 the settlement of this plan to the beneficiaries amounted to 98,460 shares, which are equivalent to 315 thousand euros.

Additionally, at the general meeting held on June 5, 2013 the shareholders approved a stock option plan for the CEO and the members of the executive team who belong to the Group's Executive Committee.

The plan is implemented through two instruments:

a) Part of the incentive is implemented through the granting of a certain number of restricted stock units (RSUs), which will be settled in shares once a certain period of time has elapsed.

b) The other part of the incentive is implemented through the granting of share appreciation rights (SARs) settled in shares once a certain period of time has elapsed and once the Company's shares have increased in value in the reference period.

The plan consists of three cycles, each one of them covering a 3-year period. The grant dates for each cycle are: July 15, 2013, July 15, 2014 and July 15, 2015, ending on July 15, 2016, July 15, 2017 and July 15, 2018, respectively.

The RSUs and SARs are free and non-transferable, and grant their holders the option of receiving Company shares. Provided that the RSUs and SARs are not converted into Company shares they do not confer their holders the nature of Company shareholders, and do not grant the beneficiaries the right to receive more RSUs and/or SARs in the future, since this is a one-off event that does not consolidate or guarantee future granting of RSUs and/or SARs.

The maximum number of RSUS that can be granted under the Plan is 300,000.

The maximum number of SARs that will be taken as a reference for establishing the variable remuneration to be paid to the beneficiaries will be 900,000.

At the general meeting held on May 5, 2015 the shareholders approved the cancellation and early termination of the third cycle of the share-based payment plan for Fluidra Group executives in force until that date in accordance with its renewal on June 5, 2013. This cancellation agreement does not affect the cycles granted prior to the adoption of this agreement, the agreements for which will remain in force under the terms and conditions prevailing to date.

At December 31, 2016 the amount recorded in equity for this item amounts to 108 thousand euros (169 thousand euros at December 31, 2015). The best estimate of the fair value of the whole Plan amounts to approximately 420 thousand euros. The fair value of the first cycle granted on July 15, 2013 amounts to 195 thousand euros and the fair value of the second cycle granted on July 15, 2014 amounts to 225 thousand euros.

In 2016 the settlement of this plan to the beneficiaries amounted to 76,642 shares, which are equivalent to 287 thousand euros.

On January 8, 2016, due to the termination of the contract with one of the plan beneficiaries, it was resolved to settle 22,176 shares, which were equivalent to 71 thousand euros (15,508 shares equivalent to 50 thousand euros corresponding to the first cycle, and 6,667 shares equivalent to 21 thousand euros corresponding to the second cycle).

At the general meeting held on May 5, 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 December 31, 2016 the amount recorded in equity for this item amounts to 812 thousand euros (274 thousand euros at December 31, 2015). The best estimate of the fair value of the whole Plan amounts to approximately 2,437 thousand euros.

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

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 2016 and 2015 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.

30. Information on the environment

The significant systems, equipment or installations incorporated into property, plant, and equipment at December 31, 2016 and 2015 for the purpose of minimizing environmental impact and protecting and improving the environment are as follows:

	2016		
	Thousands of Euros		
	Cost	Accumulated depreciation	Carrying amount
Waste treatment	3,041	(3,001)	40
Energy saving	1,629	(486)	1,143
Emissions reduction	763	(763)	-
Reduction of pollution	914	(765)	149
	6,347	(5,015)	1,332

	2015		
	Thousands of Euros		
	Cost	Accumulated depreciation	Carrying amount
Waste treatment	3,016	(2,722)	294
Energy saving	1,114	(310)	804
Emissions reduction	763	(739)	24
Reduction of pollution	726	(657)	69
	5,619	(4,428)	1,191

Expenses incurred in 2016 and 2015 for the protection and improvement of environment were as follows:

	Thousands of Euros	
Description of expenses	2016	2015
External services	403	333
Environmental protection	196	143
	599	476

The Directors estimate that there are no significant contingencies related to environmental improvement and protection and, therefore, no provision for risks and expenses has been recognized in any group company at December 31, 2016 and 2015.

No grants in connection with environmental activities have been received at December 31, 2016 and 2015.

31. Other commitments and contingencies

At December 31, 2016 and 2015 the Group has not presented any mortgage guarantees.

At December 31, 2016, the Group has guarantees from financial institutions and other companies amounting to 6,585 thousand euros (5,653 thousand euros in 2015), of which 189 thousand euros correspond to technical guarantees (639 thousand euros in 2015).

At the general meeting held on June 2, 2010 the shareholders approved a new stock option plan for the CEO and the members of the executive team who belong to the Group's Executive Committee. The acceptance of this new plan implies waiving any right derived from the plan approved on September 5, 2007 (Note 29).

At the general meeting held on June 5, 2013 the shareholders approved a stock option plan for the CEO and the members of the executive team who belong to the Group's Executive Committee (Note 29).

At the general meeting held on May 5, 2015 the shareholders approved the cancellation and early termination of the third cycle of the share-based payment plan for Fluidra Group executives in force until that date in accordance with its renewal on June 5, 2013. This cancellation agreement does not affect the cycles granted prior to the adoption of this agreement, the agreements for which will remain in force under the terms and conditions prevailing to date (Note 29).

Also at said general meeting 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 (Note 29).

32. Auditors' and related group companies' fees

Net fees accrued to Ernst & Young, S.L. as the auditor of the Group's consolidated financial statements for the year ended December 31, 2016 for professional services were as follows:

	Thousands of Euros
	31.12.2016
Audit services	460
Other accounting verification services	1
Other services	1
Total	462

Net fees accrued to KPMG Auditores, S.L. during the year ended December 31, 2015 for professional services were as follows:

	Thousands of Euros
	31.12.2015
Audit services	523
Other accounting verification services	18
Other services	10
Total	551

The amounts presented in the tables above include all of the fees related to the services rendered in 2016 and 2015, regardless of when they were invoiced.

Additionally, the professional services invoiced to the Group by other companies associated to Ernst & Young Global Limited during the year ended December 31, 2016 were as follows:

	Thousands of Euros
	31.12.2016
Audit services	174
Other accounting verification services	-
Tax advisory services	15
Other services	-
Total	189

The professional services invoiced to the Group by other companies associated to KPMG International during the year ended December 31, 2015 were as follows:

	Thousands of Euros
	31.12.2015
Audit services	433
Other accounting verification services	-
Tax advisory services	27
Other services	26
Total	486

Additionally, net fees accrued by the Group to auditors other than Ernst & Young, S.L. during the year ended December 31, 2016 for professional services were as follows:

	Thousands of Euros
	31.12.2016
Audit services	275
Other accounting verification services	-
Tax advisory services	-
Other services	33
Total	308

Net fees accrued by the Group to auditors other than KMPG Auditores, S.L. during the year ended December 31, 2015 for professional services were as follows:

	Thousands of Euros
	31.12.2015
Audit services	31
Other accounting verification services	-
Tax advisory services	-
Other services	-
Total	31

33. Information on late payment to suppliers

According to Law 31/2014 of 3 December establishing measures on combating late payment in commercial transactions, the information on late payment to suppliers in Spain is as follows:

	2016	2015
	Days	Days
Average payment period to suppliers	67.06	66.76
Ratio of transactions paid	66.84	67.08
Ratio of transactions pending payment	68.83	64.42
	Amount (thousands of euros)	Amount (thousands of euros)
Total amount of payments made	227,326	215,763
Total payments outstanding	27,959	29,520

34. 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 (see Note 23) + 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 raw materials consumables – Employee benefits expense – Other operating expenses + Share in profit/(loss) for the year from associates accounted for using the equity method.

Calculation of EBITDA 2016 and 2015	Thousands of Euros	
	31.12.2016	31.12.2015
Sales of goods and finished products	713,252	647,296
Income from services rendered	14,928	14,485
Work performed by the Group and capitalized as non-current assets	5,477	5,195
Profit from sales of fixed assets	1,647	570
Change in inventories of finished goods and work in progress and raw materials consumables	(346,374)	(319,430)
Employee benefits expense	(158,260)	(144,697)
Other operating expenses	(144,735)	(131,304)
Share in profit/(loss) for the year from investments accounted for using the equity method	27	36
EBITDA	85,962	72,151

35. Subsequent events

On February 2, 2017 an agreement was signed with the selling party in relation to the last contingent payment for the acquisition of Aquatron Inc and Aquaproducts Inc, as well as for the productive assets of the Israeli company Aquatron Robotics System Ltd. By virtue of this agreement, the overall contingent payment will amount to 18.7 million dollars, which will be paid in two equal installments on February 8, 2017 and October 3, 2017. The provision for this payment has already been recorded in the consolidated financial statements for the years ended December 31, 2016 and December 31, 2015 (Note 19).

General business evolution

The Fluidra Group's turnover at 2016 year end amounts to 713.3 M €, which means a 10.2% increase in comparison with the prior year (+12% at a constant exchange rate).

The evolution of turnover by quarters has been as follows: +16.1% in the first quarter (+18.7% at a constant exchange rate), +10.7% in the second quarter (+12.9% at a constant exchange rate), +7.3% in the third quarter (+9.3% at a constant exchange rate) and +6.9% in the fourth quarter (+9.8% at a constant exchange rate).

In addition to the impact of exchange rates, which has negatively affected the translation of the foreign currencies used in the markets where the company operates, three effects should be considered when analyzing turnover:

- Firstly, the effect of the sales from Waterlinx, which was acquired on July 29, 2015. The turnover of the 2016 months that were not integrated in 2015 amounts to 15.9 M € (2.5% over the total annual growth).
- Secondly, the acquisition of Sibo in 2016. Sibo is a leading company in natural pools and water installations with strong distribution presence in Northern Europe, especially Benelux and Germany. The purpose of this acquisition was to strengthen the Group's presence in said market. This acquisition has generated turnover amounting to 7.5 M € (1.2% over total annual growth).
- Lastly, Calderería Plástica del Norte, whose sales in December 2015 amounted to 0.2 M €, was sold on November 24, 2016.

Considering this three effects and the impact of foreign currency, sales have increased by 8.9%.

If we analyze sales by geographical area, the robust growth in the Spanish and Australian markets (+8.6% and +7.4%, respectively) stands out, combined with double-digit growth in highly significant markets such as France (+18.2%), Italy (+13.7%), Austria (+15.2%) and the USA (+16.2%). The market that has been most affected by the evolution of exchange rates was the English market, where the Brexit effect has caused the 11% increase in local currency to become -2.3% as a result of the translation into euros.

The performance of the Chinese market should be noted, where sales have decreased by 18.2%, making up for the rest of Asian countries, reaching an increase in Asia (excluding Australia) of 1.7%.

As a result of all this, we can conclude that the evolution of turnover has been very positive in almost all European markets, although it has been affected by the depreciation of the sterling pound and has slowed down mainly in China, with a robust performance in Australia and the rest of the world, supported by the acquisition of Waterlinx and the growth in the USA.

In the evolution of turnover by business unit, the Pool segment has increased by 11.6%, boosted by the effect of the aforementioned acquisitions of Waterlinx and Sibo.

This increase in the Pool segment breaks down in an increase of 16.4% in the residential pool, where raised swimming-pools, filters and robots stand out. Commercial pool has decreased by 7.8% due to the fact that in the prior year it included the completion of several significant projects in Americas, whereas in 2016 the turnover of some projects won mainly in Asia has not materialized yet.

The pool water treatment family shows an increase of 13.6% due to the good performance in Europe and the effect of Waterlinx.

The Irrigation & Water Treatment business unit remains flat and the industrial sector has dropped by 5.9%.

EBITDA has increased by 19.1%, from 72.2 million euros in 2015 to 86.0 million euros in 2016, due to the increase in turnover, with a rise in gross margin in percentage terms. The largest sales figure contributes 33.4 M € to EBITDA and the highest gross margin contributes 5.6 M €. Gross margin has had a positive behavior, mainly due to the actions taken on selling prices, as well as the favorable mix, since Southern Europe markets have increased, integrating into their portfolio a greater proportion of products manufactured by the Group and the growth in private pool against the worse performance of commercial pool, which has lower margins.

(Continued)

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 the change in trading provisions) have increased by 10.4%. The following concepts need be isolated in the analysis of the figure above:

- The effect of the profit generated by the sale in 2016 of the subsidiary Calderería Plástica del Norte, S.L. (a company engaged in the manufacture of water treatment filters) for an amount of 1.5 million euros.
- The effect of the months not integrated in the prior year of Waterlinx and the acquisition of SIBO in 2016 on operating expenses. This net effect means 8.8 million euros (including transaction and integration costs), which stands for a 3.5% increase.
- The rest of the increase is due to the rise in sales, as a result of both the variable expenses associated with the sale and the reinforcement of the distribution and manufacturing structures to attend to these sales, with a special emphasis on the Australian and South African markets, where industrial plants have been improved and moved, resulting in a one-off increase in expenses.

The evolution of trading provisions, with a decrease of 0.9 M €, is due to the improvement in the average collection ratio in Southern Europe, with no one-off insolvency incidents in any area. This provision accounts for 0.6% of sales, mainly due to the improvement in the economic environment and the risk control in the main market in which the company operates.

As a result of all this, the evolution of EBITDA has almost been two times the sales figure in percentage terms, thus making growth for the year amazingly profitable.

In the “Depreciation and amortization expenses and impairment losses” line, the non-recurring impairment of goodwill and intangible assets associated with the Aqua CGU amounting to 5.0 million euros shall be noted, as a result of the low profitability of such investment in the American market, where the expected results have not been obtained.

Finance cost has increased from -5.6 million euros in 2015 to -6.5 million euros in 2016, which shows a positive behavior of exchange differences (+2.0 million euros vs -1.4 million euros in 2015), as well as the effect of the lower cost of net financial debt.

It should be underscored that in the prior year it included two non-recurring effects: the positive effect of 9.1 million euros as a result of the re-estimates of the fair value of contingent considerations and the negative effect of the expenses related to the restructuring of the syndicated loan carried out during the first quarter of the year and to the cancellation of the expenses associated with the syndicated loan (4.7 million euros).

The net profit attributed to the parent increased from 13.0 million euros to 24.1 million euros as a result of improved EBITDA, with sales increasing from 2.0% to 3.4%.

As for the Group's consolidated balance sheet, the good performance of Net Working Capital should be noted, with a reduction from 170.0 (26.3% over sales9 to 184.0 (25.8% over sales). The accounts receivable ratios have also shown a very positive performance, decreasing from 70 days in 2015 to 64 days in 2016. The increase in stock of 11% reflects the high expectations for the 2017 campaign.

It should be highlighted that accounts payable include the contingent consideration derived from the acquisition of Aqua, which is in its execution stage in both years.

Investments in property, plant and equipment and other intangible assets amount to 29.2 million euros, which means an increase of 2.4 million euros. This increase is mainly due to the industrial reorganization investments in the Australian and South African markets, as well as to set-up costs and licenses for the design and implementation of the Group’s new ERP (Invictus Project).

Net Financial Debt has decreased from 162.3 million to 156.7 million due to the generation of cash flows from operations, which has allowed the Group to finance the disbursements for the purchase of SIBO.

The headcount at year end has increased by 527 employees, and its distribution by gender was 68% men and 32% women. The average headcount at December 31, 2016 is 4,348 employees.

As for the environment, Fluidra has kept its commitment to optimizing the natural resources in production processes and promoting alternative energies. Additionally, one of the main focuses of R&D projects is responsible use of water.

A breakdown of information on third-party transactions is disclosed on Note 29.

The Corporate Governance report is an integral part of the management report and is included in the following pages.

General description of Risk Policy

Refer to Note 21.

Treasury shares

Over 2016 the Company has carried out several purchase and sale transactions of treasury shares (1,464,174 shares purchased and 156,816 sold). At year end the Company owned 1,817,144 treasury shares, which account for 1.61% of share capital and a cost of 6,319 thousand euros.

Research, Development and Technological Innovation

Investments in Research, Development and Technological Innovation have amounted to 4,284 thousand euros in 2016.

Subsequent events

Refer to Note 35.

Fluidra, S.A. and Subsidiaries

Consolidated financial statements

2016

On March 30, 2016 the Board of Directors of Fluidra, S.A. approved for issue the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statements of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, the notes to the consolidated financial statements and the consolidated management report) for the year ended December 31, 2016. In witness whereof, they are hereby signed on this sheet, by all the members of the Board of Directors, as well as by the non-board member secretary of the Board, Mr. Albert Collado Armengol, on each of the sheets composing the aforementioned documents for identification purposes.

Mr. Eloy Planes Corts	Mr. Oscar Serra Duffo
Mr. Bernardo Corbera Serra	Dispur, S.L. Mrs. Eulalia Planes Corts
Aniol, S.L. Mr. Bernat Garrigós Castro	Bansabadell Inversió Desenvolupament, S.A. Mr. Carlos Ventura Santamans
Mr. Richard Cathcart	Mr. Juan Ignacio Acha-Orbea Echeverría
Mr. Gabriel López Escobar	Mr. Jorge Valentín Constans Fernández

FLUIDRA, S.A.
AND SUBSIDIARIES

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

Subsidiaries, accounted for using the full consolidation method

- Agro-Cepex, S.A.R.L., domiciled Casablanca (Morocco), is mainly engaged in the marketing of fluid handling products.

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

- AP Immobiliere, domiciled in Perpignan (France), is engaged in property development and lease.

- 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 HongKong (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.

- 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.

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

- ATH Aplicaciones Técnicas Hidráulicas, S.L.U., domiciled in Cervelló, Calle Joan Torruella I Urbina, 31 (Barcelona - Spain), is engaged in the wholesale and retail of machinery, materials, tools and accessories for water installations and treatment.

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

FLUIDRA, S.A.
AND SUBSIDIARIES

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

- 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.

- Certikin Middle East FZE, domiciled in Dubai (United Arab Emirates), is mainly engaged in the marketing of fluid handling products.

- Certikin Portugal, LDA., domiciled in Estrada Nacional 249 - Parque Industrial Cabra Figa, Lote 15 Cabra Figa (Portugal), is mainly engaged in the marketing of chemical products for water desinfection.

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

- 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 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 Jardim Sao Luis (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 participant in other companies as partner or shareholder. Rendering of technical assistance services for machines, filters and industrial and electro-electronic equipment. Rental of machines and industrial and/or electro-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 Montevideo-Bogotá D.C. (Colombia) is engaged in the purchase and sale, distribution, marketing, import, export of all types of machinery, equipment, components and machinery spare parts, tools, accessories and products for swimming-pools, irrigation and water treatment and purification in general, built with both metallic materials and any type of plastic materials and processed 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 Comercial España, S.A.U., domiciled in Polinyà (Barcelona), 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., 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) 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) is engaged in the rendering of advisory services for group companies.

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

- Fluidra Hellas, S.A. 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 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) 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 Industry France, S.A.R.L., domiciled in Perpignan (France), is engaged in the manufacture of automatic pool covers.

- Fluidra Industry, S.A.U., domiciled in Polinyà (Barcelona) 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), 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 Portugal, Lda. Unipessoal, 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 Projects USA Inc. domiciled in Wilmington (USA), is engaged in the management, advice and performance of sports, leisure and health centers 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, S.A.
AND SUBSIDIARIES

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

- 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 (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 Eastgate (Sandton), 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 (formerly Fluidra Sverige 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 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 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, is engaged in the sale of all types of process development machines and electrochemical reactors.

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

FLUIDRA, S.A.
AND SUBSIDIARIES

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

- Innodrip, S.L.U., domiciled in Las Franqueses del Vallés (Spain) is engaged in the rendering of services aimed at the sustainable use of water.

- Inquide Italia, S.R.L., domiciled in Bedizzole (Brescia, Italy), is mainly engaged in marketing of chemical products for water desinfection.

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

- 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. (Merged with Astramatic, S.A.U.), domiciled in Polinyà (Barcelona), is engaged in the manufacture of metallic 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 desinfection 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 desinfection equipment, pumps, dehumidifiers, metallic products, plastic products and vitreous coatings.

- 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), is engaged in the manufacture and marketing of filters for swimming-pools through injection, projection and lamination.

- 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.

- Pro Cepex, S.R.L., domiciled Casablanca (Morocco), is mainly engaged in the marketing of fluid handling products.

- Productes Elastomers, S.A., domiciled in Sant Joan Les Fonts (Girona), 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.

FLUIDRA, S.A.
AND SUBSIDIARIES

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

- Sacopa, S.A.U., domiciled in Sant Jaume de Llierca (Girona), 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.

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

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

- Talleres del Agua, S.L.U., domiciled in Polígono Industrial de Barros, Ayuntamiento de los Corrales de Buelna (Cantabria), 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.

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

- Trace Logistics France, S.A.S., domiciled in Perpignan (France) is engaged in the rendering of commercial and industrial product storage and distribution services, as well as all types of activities that contribute to the performance and expansion of its activity.

- Trace Logistics, S.A.U., domiciled in Maçanet de la Selva (Girona), 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), 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.

FLUIDRA, S.A.
AND SUBSIDIARIES

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

Associates, accounted for using the equity method

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

FLUIDRA, S.A.
AND SUBSIDIARIES

Subsidiaries
December 31, 2016

List of subsidiaries, accounted for using the full consolidation method

	% Ownership interest		
	Direct	Indirect	
FLUIDRA COMMERCIAL, S.A.U.	**100%**		
AGRO-CEPEX, S.A.R.L.		100%	
AO ASTRAL SNG		85%	
ASTRAL BAZENOVE PRISLUSENTSVI, S.R.O.		100%	
ASTRAL INDIA PRIVATE, LIMITED		100%	
SPLASH WATER TRADERS PVT. LTD		100%	
ASTRALPOOL CYPRUS, LTD		80%	
ASTRALPOOL HONGKONG, CO., LIMITED		100%	
ASTRAL POOL MEXICO, S.A. DE C.V.		93.83%	
ASTRAL POOL SWITZERLAND, S.A.		100%	
ASTRALPOOL UK LIMITED		100%	
CEPEX MEXICO, S.A. DE C.V.		100%	
CERTIKIN INTERNATIONAL, LIMITED		100%	
CERTIKIN MIDDLE EAST FZE		100%	
CERTIKIN PORTUGAL, LDA.		100%	
CERTIKIN SWIMMING POOL PRODUCTS INDIA PRIVATE LIMITED		100%	
FLUIDRA ADRIATIC D.O.O.		60%	
FLUIDRA AUSTRALIA PTY LTD		100%	(2)
PRICE CHEMICALS PTY LTD		100%	
FLUIDRA BALKANS JSC		66.67%	
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		90%	
W.I.T. EGYPT, Egyptian Limited Liability Company		89.91%	
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		75%	100% / (3)
FLUIDRA WATERLINX PTY, LTD		100%	(2) / Formerly Waterlinx Pty Ltd
FLUIDRA INDONESIA PT.		100%	
FLUIDRA JV YOULI, S.L.U.		100%	
FLUIDRA YOULI FLUID SYSTEMS (WENZHOU) CO, LTD		70%	
FLUIDRA KAZAKHSTAN Limited Liability Company		60%	
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, S.A.
AND SUBSIDIARIES

Subsidiaries
December 31, 2016

FLUIDRA MIDDLE EAST FZE		100%	
FLUIDRA AL URDOUN FZ		70%	
FLUIDRA MONTENEGRO DOO		60%	
FLUIDRA ÖSTERREICH Gmbh "SSA"		95%	
FLUIDRA POLSKA, SP. Z.O.O.		100%	
FLUIDRA PORTUGAL, LDA Unipessoal		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%	
INQUIDE ITALIA, S.R.L.		91%	
FLUIDRA SINGAPORE, PTE LTD		100%	
FLUIDRA SOUTH AFRICA (PTY) LTD		100%	
FLUIDRA NORDIC AB		100%	Formerly Fluidra Sverige AB
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%	
PRO CEPEX, S.R.L.		100%	
SIBO FLUIDRA NETHERLANDS B.V.		70%	100% / (3) / (4)
YA SHI TU SWIMMING POOL EQUIPMENT (SHANGHAI) Co, Ltd		100%	
FLUIDRA INDUSTRY S.A.U.	**100%**		
AP IMMOBILIERE		100%	
AQUATRON ROBOTIC TECHNOLOGY LTD		100%	
ATH APLICACIONES TÉCNICAS HIDRÁULICAS, S.L.U.		100%	
FLUIDRA INDUSTRY ESPAÑA, S.A.U.		100%	
CEPEX S.A.U.		100%	
METALAST, S.A.U.		100%	Merged with Astramatic, S.A.
ASTRAMATIC MALAYSIA SDN. BHD		99.99%	
NINGBO LINYA SWIMMING POOL & WATER TREATMENT		100%	
POLTANK, S.A.U.		100%	
TURCAT POLYESTER SANAYI VE TICARET A.S.		50%	
SACOPA, S.A.U.		100%	
I.D. ELECTROQUÍMICA, S.L.		70%	100% / (3)
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%	
TALLERES DEL AGUA, S.L.U.		100%	
TOGAMA, S.A.U.		100%	
UNISTRAL RECAMBIOS, S.A.U.		100%	
U.S. POOL HOLDINGS, INC		100%	
AQUA PRODUCTS INC		100%	
FLUIDRA USA, INC		100%	
FLUIDRA PROJECTS USA INC		100%	

FLUIDRA, S.A.
AND SUBSIDIARIES

Subsidiaries
December 31, 2016

MANUFACTURAS GRE, S.A.U.	**100%**		Merged with Swimco Corp, S.L.U.
ME 2000, S.R.L.		100%	
FLUIDRA SERVICES FRANCE, S.A.S.	**100%**		
FLUIDRA COMMERCIAL FRANCE, S.A.S.		100%	
FLUIDRA BELGIQUE, S.R.L.		100%	
FLUIDRA INDUSTRY FRANCE, S.A.R.L.		100%	
PISCINES TECHNIQUES 2000, S.A.S.		100%	
TRACE LOGISTICS, S.A.U.	**100%**		
TRACE LOGISTICS FRANCE, S.A.S.		100%	
FLUIDRA SERVICES ESPAÑA, S.L.U.	**100%**		
INNODRIP, S.L.U	**100%**		

List of associates, accounted for using the equity method

ASTRAL NIGERIA, LTD.	25%	(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 Australia Pty Ltd, Hurlcon Staffing Pty Ltd, Hurlcon Investments Pty Ltd, Hurlcon Research Pty Ltd and Rolachem Australia Pty Ltd. Fluidra Comercial España, S.A.U. is a group of companies in which the parent 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 into the consolidated financial statements and the book value of non-controlling interest has no longer been recognized.
(4) Companies acquired during the current year (Note 5).
(5) During the current year the companies Way Fit S.L and Ideal Pool Innovations, S.L.U. have been liquidated.
(6) During the current year the company Calderería Plástica del Norte, S.L. has been sold (Note 5).

Fluidra, S.A. and Subsidiaries

Detail of segment results
for the year ended December 31, 2016
(in thousands of euros)

	EUROPE	EXPANSION	TRANSACTIONS	Shared services	Adjustments and eliminations	Total consolidated figures
	31.12.2016	31.12.2016	31.12.2016	31.12.2016	31.12.2016	31.12.2016
Sales to third parties	392,031	247,995	73,226	-	-	713,252
Sales to third parties in Spain	127,657	589	24,929	-	-	153,175
Sales to third parties in France	82,565	-	12,908	-	-	95,473
Inter-segment sales	12,193	17,309	260,386	-	(289,888)	-
Segment sales of goods and finished products	404,224	265,304	333,612	-	(289,888)	713,252
Income from services rendered, work performed by the Group and capitalized as non-current assets	7,865	3,434	7,535	2,049	(478)	20,405
Amortization and depreciation expenses and impairment losses	(3,049)	(26,599)	(17,820)	(55,972)	63,594	(39,846)
Operating profit/(loss) from reporting segments	30,857	(10,854)	36,285	(71,036)	60,837	46,089
Finance income	1,459	1,057	899	6,784	(7,408)	2,791
Finance costs	(891)	(2,931)	(696)	(14,601)	7,927	(11,192)
Exchange gains (losses)	570	2,272	(197)	(696)	3	1,952
Share in profit/(loss) of associates	-	-	-	-	27	27
Profit before tax	31,995	(10,456)	36,291	(79,549)	61,386	39,667
Income tax income/(expense)	(8,332)	(4,307)	(9,841)	5,412	3,933	(13,135)
Profit for the year from continuing operations	23,663	(14,763)	26,450	(74,137)	65,319	26,532
EBITDA	41,135	18,605	59,310	(30,434)	(2,654)	85,962
Other significant non-monetary items before tax:	1,608	(2,011)	5	(88)	(264)	(750)

This appendix is an integral part of Note 4 to the consolidated financial statements of Fluidra, S.A. and subsidiaries for the year ended December 31, 2016 and 2015.

Fluidra, S.A. and Subsidiaries

Detail of segment results
for the year ended December 31, 2015
(in thousands of euros)

	EUROPE	EXPANSION	TRANSACTIONS	Shared services	Adjustments and eliminations	Total consolidated figures
	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Sales to third parties	356,617	219,889	70,790	-	-	647,296
Sales to third parties in Spain	119,314	560	21,170	-	-	141,044
Sales to third parties in France	68,290	165	12,291	-	-	80,746
Inter-segment sales	11,832	17,651	234,258	-	(263,741)	-
Segment sales of goods and finished products	368,449	237,540	305,048	-	(263,741)	647,296
Income from services rendered, work performed by the Group and capitalized as non-current assets	8,042	2,602	6,735	2,724	(423)	19,680
Amortization and depreciation expenses and impairment losses	(3,038)	(16,093)	(18,515)	5,635	(14,034)	(46,045)
Operating profit/(loss) from reporting segments	20,071	(2,436)	28,121	(1,451)	(18,235)	26,070
Finance income	738	5,387	5,704	4,557	(6,388)	9,998
Finance costs	(1,122)	(2,572)	(1,678)	(14,904)	6,019	(14,257)
Exchange gains (losses)	2,111	(2,199)	1,813	(3,551)	452	(1,374)
Share in profit/(loss) of associates	-	-	-	-	36	36
Profit before tax	21,798	(1,820)	33,960	(15,349)	(18,116)	20,473
Income tax income/(expense)	(6,171)	(2,540)	(8,417)	8,683	2,187	(6,258)
Profit for the year from continuing operations	15,627	(4,360)	25,543	(6,666)	(15,929)	14,215
EBITDA	30,346	16,373	51,779	(22,194)	(4,153)	72,151
Other significant non-monetary items before tax:	(1,328)	(5,753)	(462)	6,626	(3,961)	(4,878)

Fluidra, S.A. and Subsidiaries

Detail of segment assets and liabilities
for the year ended December 31, 2016
(in thousands of euros)

	EUROPE	EXPANSION	TRANSACTIONS	Shared services	Unallocated	Eliminations	Total consolidated figures
	31.12.2016	31.12.2016	31.12.2016	31.12.2016	31.12.2016	31.12.2016	31.12.2016
Assets							
Total non-current assets Spain	7,199	5	52,632	27,911	856,849	-	944,596
Total non-current assets Other countries	11,427	29,587	25,382	587	78,242	-	145,225
Total non-current assets Eliminated	-	-	-	-	-	(713,796)	(713,796)
Total non-current assets	18,626	29,592	78,014	28,498	935,091	(713,796)	376,025
Current operating assets[1]	100,623	138,332	152,942	56,326	-	(129,485)	318,738
Current operating liabilities[2]	45,092	88,125	80,747	45,621	-	(124,876)	134,709
Net working capital	55,531	50,207	72,195	10,705	-	(4,609)	184,029
Current non-operating assets	-	-	-	-	349,554	(259,034)	90,520
Current non-operating liabilities	-	-	-	-	340,766	(258,884)	81,882
Total current assets	100,623	138,332	152,942	56,326	349,554	(388,519)	409,258
Total current liabilities	45,092	88,125	80,747	45,621	340,766	(383,760)	216,591
Total non-current liabilities	-	-	-	-	356,852	(124,479)	232,373
Additions of non-current assets other than financial instruments and deferred tax assets	3,233	8,509	11,654	19,411	-	-	42,807

[1] Defined as inventories and trade and other receivables

[2] Defined as trade and other payables

Fluidra, S.A. and Subsidiaries

Detail of segment assets and liabilities
for the year ended December 31, 2015
(in thousands of euros)

	EUROPE	EXPANSION	TRANSACTIONS	Shared services	Unallocated	Eliminations	Total consolidated figures
	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Assets							
Total non-current assets Spain	6,886	6	54,792	24,929	676,171	-	762,784
Total non-current assets Other countries	10,607	63,213	12,479	799	81,981	-	169,079
Total non-current assets Eliminated	-	-	-	-	-	(554,699)	(554,699)
Total non-current assets	17,493	63,219	67,271	25,728	758,152	(554,699)	377,164
Current operating assets[1]	102,894	124,956	121,299	42,283	-	(97,011)	294,421
Current operating liabilities[2]	46,124	73,114	64,294	28,448	-	(87,542)	124,438
Net working capital	56,770	51,842	57,005	13,835	-	(9,469)	169,983
Current non-operating assets	-	-	-	-	330,682	(255,347)	75,335
Current non-operating liabilities	-	-	-	-	325,492	(254,945)	70,547
Total current assets	102,894	124,956	121,299	42,283	330,682	(352,358)	369,756
Total current liabilities	46,124	73,114	64,294	28,448	325,492	(342,487)	194,985
Total non-current liabilities	-	-	-	-	268,071	(48,181)	219,890
Additions of non-current assets other than financial instruments and deferred tax assets	3,002	7,686	10,552	55,125	-	-	76,365

[1] Defined as inventories and trade and other receivables

[2] Defined as trade and other payables