



FLUIDRA, S.A.
ANNUAL REPORT BY THE AUDIT COMMITTEE
FINANCIAL YEAR 2007

Introduction

In accordance with Article 46 of the Articles of Association and with Article 13 of the Board of Directors' Regulations, the Audit Committee was set up at a Board meeting on September 17th 2007, in an effort to comply with the guidelines set out in the Internal Code of Conduct. The main responsibilities of the Audit Committee are to: oversee and control the Group by assessing the Group's auditing system; monitor the independence of the external auditor; and review the Group's internal control systems.

The activities undertaken by the Audit Committee covered only the last 2 months of the year, as Fluidra floated on the Stock Exchange on October 31st 2007.

This report, prepared by the Audit Committee of Fluidra at a meeting held on March 24th 2008, is the first annual report to be drawn up, as required by Article 13.8 of the Board of Directors' Regulations.

Regulations governing the Audit Committee

The Audit Committee is governed by Article 46 of the Articles of Association, Article 13 of the Board of Directors' regulations and Article 12 of the Internal Code of Conduct, a full copy of which is attached as Appendix I.

Responsibilities of the Audit Committee

The responsibilities of the Audit Committee, as detailed in Appendix I, are to:

- Report to the General Shareholders' Meeting on issues raised by shareholders in relation to matters falling within its remit;
- Make recommendations to the Board in relation to the appointment of the external auditors, as well as to their terms of engagement, scope of work, removal or re-election;
- Supervise the internal auditing systems;
- Review the accounts of the Company, ensure compliance with statutory requirements and the correct application of generally accepted accounting principles;
- Supervise the policy on the control and management of the risks involved in the attainment of corporate objectives;
- Be familiar with the financial reporting process and verify the suitability of the internal control systems;
- Manage and supervise relationships with the external auditors;
- Monitor compliance with the auditing contract (report and results);
- Assess compliance with the Internal Code of Conduct and, in general, the rules of governance of the Company; and
- Receive information and, where applicable, report on any disciplinary action to be taken against members of the management team of the Company.



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In relation to the information and internal control systems, the responsibilities of the Audit Committee are to:

- Supervise the preparation and integrity of financial information (regulatory compliance, consolidation perimeter, and correct application of accounting standards);
- Review the internal control and risk management systems;
- Monitor the independence and effectiveness of the internal auditing function; and
- Put in place and supervise a mechanism allowing employees to report irregularities in a confidential manner.

In relation to the external auditor, the responsibilities of the Audit Committee are to:

- Make recommendations to the Board in relation to the selection, appointment, re-appointment and removal of the external auditor;
- Receive reports from the external auditor on the auditing plan and the results of its implementation on a periodic basis;
- Monitor the independence of the external auditor; and
- Encourage the Group's auditor to take responsibility for all companies which are to be audited.

In relation to the Group's risk policy and risk management, the responsibilities of the Committee are to:

- Identify the various different types of risk (operational, technological, financial, legal and reputation-related) which the Company faces, including contingent liabilities and other off-balance-sheet risks;
- Identify the level of risk considered acceptable;
- Identify the actions in place to mitigate the impact of the risks, should they materialise; and
- Identify the information and internal control systems in place to control and manage said risks, including contingent liabilities and other off-balance-sheet risks.

In relation to the obligations imposed on listed companies, the Audit Committee has a duty to report to the Board before taking relevant decisions concerning:

- Financial information to be disclosed;
- The creation or acquisition of shares in special purpose entities or companies based in tax havens, and any transactions or operations likely to undermine the Group's transparency;
- Related transactions; and
- Any transactions that involve or may involve a conflict of interest.

Membership of the Audit Committee

In accordance with Article 13 of the Board of Directors' regulations, the Audit Committee comprises 3 directors appointed by the Board of Directors on September 17th 2007.

At December 31st 2007 the Audit Committee comprised the following directors:

Chairman: Juan Ignacio Acha-Orbea Echevarría (independent director)



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Member:	Joan Planes Vila (external director representing controlling shareholders)
Member (Secretary):	Bansabadell Inversió Desenvolupament, S.A. (external director representing controlling shareholders), through its individual representative, Carles Ventura Santamans.

In accordance with the above-mentioned article of the Board of Directors' regulations, the members of the Audit Committee were appointed on the basis of their knowledge, skills and experience in the areas of accounting, auditing and risk management, and in relation to other functions assigned to the Committee. Whilst the Chairman of the Committee is an independent director, the Secretary was appointed from among the external directors of the Committee representing controlling shareholders.

Below is a brief CV of each of the members of the Committee:

Name and Surname	Experience and Education
Mr Juan Ignacio Acha-Orbea Echevarría	<p>Born in San Sebastián on 1 July 1956. He graduated in Economic Sciences from the Universidad Complutense of Madrid and earned a Masters in Business Administration from IESE Business School.</p> <p>From 1982 until 1986 he managed Chemical Bank, a company based in Madrid.</p> <p>From 1986 until 1989, he carried out the post of Director of Variable Income Securities and Investment Funds for Bankinter.</p> <p>From 1989 until 2003 he was General Manager and Chairman of BBVA Bolsa, S.V.</p> <p>From 2003 until 2006 he formed part, as independent director, of the Board of Directors of the listed company TPI Páginas Amarillas.</p> <p>Furthermore, in 2003, he was appointed Chairman of the company Equity Contraste Uno, a post which he continues to exercise at present.</p>



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Name and Surname	Experience and Education
Mr Juan Planes Vila	<p>Chairman and founder of the Company, born in 1941 in Estamariu (Seu d'Urgell).</p> <p>Completed Industrial Engineering studies, began professional career as head of production and quality control at Paris Morató, company in the automotive sector.</p> <p>In 1969 he founded, together with three other shareholders, Astral S.A. de Construcciones Metálicas, a company devoted to the manufacture of metal accessories for swimming pools. The continuous progress and internationalisation of the company made Mr Juan Planes decide to promote and lead the creation of the Fluidra Group, and he was the Company Managing Director until October 2006.</p> <p>Mr Juan Planes has an active presence within Catalan business. Since 1998 he has been a member of the Plenary Committee of the Chamber of Commerce, Industry and Navigation of Barcelona and Chairman of the Environmental Committee of said entity. He also collaborates with the Chamber of Commerce of Barcelona and the General Board of Chambers of Catalonia in aspects of Internationalisation.</p> <p>In 2006, the Regional Government of Catalonia awarded him the Prize for Internationalisation in the category of individuals.</p> <p>Mr Juan Planes Vila is the Chairman of the Board of Directors of Dispur, S.L.</p>
Mr Carlos Ventura Santamans	<p>Born in Sabadell (Barcelona) in 1969. He graduated and earned a Masters in Business Management from ESADE.</p> <p>In 2001 he joined Banco Sabadell as Corporate Development Director of the BS Capital Unit. Since then, he has held various executive positions within the Banco Sabadell Group, including Head of Corporate Banking and Structured Financing Director. Currently, he is the Director of BS Capital, a Bank Business Unit which manages the group's interests in other companies (venture capital and real estate businesses).</p> <p>Mr Carlos Ventura Santamans is a member of the Board of Directors of Bansabadell Inversió Desenvolupament S.A.U.</p>

Activities carried out by the Audit Committee in 2007

The activities undertaken by the Committee covered only the last 2 months of 2007, as Fluidra floated on the Stock Exchange on October 31st 2007. During this 2-month period, the Audit Committee met once during the month of December, in order to:

- Agree on the Committee's strategy; and
- Become familiar with the Internal Auditing Department and its operation.

Activities involving the Board of Directors:

On December 11th 2007, the Audit Committee informed the Board of Directors of the results of the Committee meeting held the previous day.



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Activities involving the Internal Auditing Department:

The Head of the Internal Auditing Department took part in the Committee meeting held in 2007. He reported on the Department's day-to-day operations and work approach, and on the arrangements made for next year's work plan.

Activities involving the External Auditor:

During the Committee meeting held in 2007, the Audit Committee agreed to invite the external auditors of the Fluidra Group to the next Audit Committee, to inform them of the scope of their work and of the principal risks faced by the Fluidra Group.

KPMG has audited the consolidated accounts of the Fluidra Group since the company was set up. Until last year the auditing firm issued unqualified and unreserved opinions on the Group's consolidated accounts.

Regulatory Compliance activities:

In 2007 the Audit Committee initiated the implementation of appropriate mechanisms and procedures for ensuring compliance with the requirements of the Internal Code of Conduct. As part of this initiative, it decided to create the role of Regulatory Compliance Officer.

At the date of completion of this report most of the critical processes have been implemented, i.e. those processes that have a significant impact on the Company.

Also, it should be noted that in 2007 there have been no incidents in terms of compliance with the Internal Code of Conduct and, consequently, no disciplinary action has been taken in this regard.

Priorities for 2008

Priorities for 2008 set by the Audit Committee in its annual meeting include:

- Establishing procedures and controls to ensure statutory compliance in relation to the various regulations applicable to the Group;
- Refocusing the responsibilities of the Internal Auditing Department, including a review by KPMG of unaudited quarterly financial statements and increased focus on process review and internal control assessment;
- Putting in place a mechanism to allow employees to report irregularities on a confidential basis; and
- Making recommendations to the Board in relation to the selection, appointment, re-appointment and removal of the external auditor, as well as to their terms of engagement. For the year 2007, given that the company was not listed on the stock exchange in the first few months of the year, the external auditor was re-appointed for a 1-year term by resolution of the General Meeting of Shareholders at a meeting held on 01/08/07.



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Furthermore, during the year the Audit Committee identified the risks affecting the business, sector and organisational structure of the Company, and various Committees responsible for monitoring these risks were also identified. Should any of these risks materialise, the Committees will raise the alert and take corrective action to remedy the cause of the risk. However, in 2008 the Audit Committee will continue work on the development of a Risk Plan, to define appropriate risk control systems, the acceptable level of risk, and the actions planned to mitigate the risks should these materialise.



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APPENDIX I

ARTICLES OF ASSOCIATION OF FLUIDRA, S.A.

Article 46. Audit Committee. Membership, responsibilities and operations

1. An Audit Committee shall be established as part of the Board of Directors, subject to the following requirements:
 - a) The Audit Committee shall comprise three Directors, most of them non-executive, appointed by the Board of Directors.
 - b) The Chairman of the Audit Committee shall be appointed from among said non-executive Directors. The Chairman is appointed for a term of four years and may be re-elected once after a period of one (1) year has elapsed since the end of their first term.
 - c) The Secretary shall be elected from among the members of the Committee.

The members of the Audit Committee and, in particular, its Chairman shall be appointed on the basis of their knowledge and experience in the areas of accounting, auditing and risk management.

2. Without prejudice to any of the powers delegated to the Committee by the Board of Directors, the main responsibilities of the Audit Committee are to:
 - Report to the General Shareholders' Meeting on issues raised by shareholders in relation to matters falling within its remit;
 - Make recommendations to the Board for submission to the General Shareholders' Meeting in relation to the appointment of the external auditors, as provided for by Article 204 of the Spanish Public Limited Liability Companies Act, as well as to their terms of engagement, scope of work and, where applicable, removal or non re-election;
 - Supervise the internal auditing systems;
 - Review the accounts of the Company, ensure compliance with statutory requirements and the correct application of generally accepted accounting principles, in direct collaboration with both the external and the internal auditors;
 - Be familiar with the financial reporting process and internal control systems of the Company, verify the suitability and integrity of said systems and review the appointment or removal of the persons responsible for them;
 - Manage and monitor relationships with the external auditors to receive information on those aspects that might jeopardise their independence and any other aspects related to the auditing process, and such other communications as may be provided for by auditing legislation and technical auditing standards;
 - Monitor compliance with the auditing contract, ensuring that the opinion regarding the annual accounts and the main contents of the auditing report are drawn up clearly and precisely, and evaluate the results of each audit;



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- Review the periodic financial information which the Board is required to provide to the markets and their supervisory bodies;
 - Monitor compliance with regulations governing related transactions. In particular, the Audit Committee shall ensure that the information on related transactions is disclosed to the market, as required by Order 3050/2004 of the Ministry of the Economy and Treasury, dated 15 September 2004;
 - Assess compliance with the Internal Code of Conduct, the Board of Directors' by-laws and, in general, the rules of governance of the Company, and make the recommendations necessary for their improvement; and
 - Receive information and, where applicable, report on any disciplinary action to be taken against members of the senior management team of the Company.
3. The Audit Committee shall meet once every quarter to review the periodic financial information to be provided to the stock market authorities, along with the information that the Board of Directors is required to approve and include in its annual public filings. Furthermore, the Committee shall meet whenever requested by a member and whenever a meeting is called by the Chairman. The Chairman shall convene a meeting whenever the Board or its Chairman requests a report to be issued or recommendations to be approved and, in any event, whenever appropriate for the proper fulfilment of its duties.
4. The Audit Committee shall prepare an annual report on its operations, which shall include, if deemed appropriate, recommendations to improve the rules of governance of the Company.

REGULATIONS OF THE BOARD OF DIRECTORS OF FLUIDRA, S.A.

Article 13. Audit Committee. Membership, responsibilities and operations

1. An Audit Committee shall be established within the Board of Directors, made up of at least 3 Directors, most of them non-executive, appointed by the Board of Directors, without prejudice to the participation of executive directors or senior executives, if so decided by the members of the Committee. The members of the Audit Committee and, in particular, its Chairman shall be appointed according to their knowledge and experience in the areas of accounting, auditing and risk management, and based on their knowledge, skills and experience in relation to the other responsibilities of the Committee.
2. The Chairman of the Audit Committee shall be an independent director, appointed from among the outside directors. The Chairman shall be elected every four years and may be re-elected once after a period of one year has elapsed since his removal. The Secretary shall be elected from among the members of the Committee.
3. Without prejudice to any of the powers delegated to it by the Board of Directors, the main responsibilities of the Audit Committee are to:
 - Report to the General Shareholders' Meeting on issues raised by shareholders in relation to matters falling within its remit;



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- Make recommendations to the Board for submission to the General Shareholders' Meeting in relation to the appointment of the external auditors, as provided for by Article 204 of the Spanish Public Limited Liability Companies Act, as well as to their terms of engagement, scope of work and, where applicable, removal or non re-election;
- Supervise the internal auditing systems;
- Review the accounts of the Company, ensure compliance with statutory requirements and the correct application of generally accepted accounting principles, in direct collaboration with both the external and the internal auditors.
- Supervise the policy on the control and management of the risks involved in the attainment of corporate objectives;
- Be familiar with the financial reporting process and internal control systems of the Company, verify the suitability and integrity of said systems and review the appointment or removal of the persons responsible for them;
- Manage and monitor relationships with the external auditors;
- Monitor compliance with the auditing contract, ensuring that the opinion regarding the annual accounts and the main contents of the auditing report are drawn up clearly and precisely, and evaluate the results of each audit;
- Assess compliance with the Internal Code of Conduct, these Regulations and, in general, the rules of governance of the Company, and make the recommendations necessary for their improvement; and
- Receive information and, where applicable, report on any disciplinary action to be taken against members of the senior management team of the Company.

Furthermore, the Audit Committee has the following responsibilities:

In relation to the internal information and control systems:

- (a) Supervise the preparation process and integrity of the financial information regarding the Company and, where applicable, the group, reviewing the fulfilment of statutory requirements, the appropriate definition of the consolidation perimeter and the correct application of accounting standards;
- (b) Review the internal control and risk management systems on a periodic basis, so that the main risks are timely identified, managed and reported;
- (c) Ensure the independence and efficiency of the internal auditing function; propose the selection, appointment, re-election and removal of the head of the internal auditing service; prepare the budget for the department; receive periodical information on its activities; and verify that the senior management team takes into account the conclusions and recommendations set out in the Committee's reports; and



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- (d) Establish and monitor a mechanism that enables employees to report confidentially and, if deemed appropriate, anonymously, any irregularities of potential relevance, especially financial and accounting information, which they might notice within the Company.

In relation to the external auditor:

- (a) Make recommendations to the Board in relation to the selection, appointment, re-appointment and removal of the external auditor, as well as to their terms of engagement.
- (b) Receive regularly from the external auditor information regarding the auditing plan and the results of its implementation, and verify that the senior management team takes its recommendations into account;
- (c) Ensure the independence of the external auditor, and to this end, ensure: (i) that the Company report as a relevant event to the CNMV any change in auditor and accompanies this with a statement regarding the possible existence of disagreements with the outgoing auditor and their content, where appropriate; (ii) that the Company and the auditor observe prevailing rules on the provision of services other than those relating to auditing services and, in general, all other rules designed to ensure the independence of the auditors; and (iii) that in the event of the resignation of the external auditor, it examines the circumstances giving rise thereto.
- (d) In the case of groups, encourage the auditor of the Group to assume responsibility for the auditing of the companies comprising it.

In relation to risk policy and risk management:

- (a) Identify the various different types of risk (operational, technological, financial, legal, reputation-related) which the Company faces, including, among financial and economic risks, contingent liabilities and other off-balance-sheet risks;
- (b) Identify the level of risk the Company considers acceptable;
- (c) Identify the measures in place to mitigate the impact of the risks identified, should they materialise; and
- (d) Identify the information and internal control systems in place to control and manage said risks, including contingent liabilities and off-balance-sheet risks.



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In relation to the obligations imposed on publicly listed companies:

To inform the Board of Directors before it takes any decisions concerning the following matters:

- (a) The financial information which, due to its listed status, the Company is required to make public on a periodic basis. The Audit Committee shall ensure that the interim accounts are prepared using the same accounting criteria as the annual accounts and, to such end, consider the appropriateness of a limited review of the external auditor;
 - (b) The creation or acquisition of interests in special purpose entities or those domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, might be detrimental to the transparency of the Group;
 - (c) Any related transactions, unless this duty of prior reporting has been attributed to another Committee for supervision and control; and
 - (d) Any operations that involve or may involve conflicts of interest.
4. The Audit Committee shall normally meet each quarter, in order to review the periodical financial information to be sent to the stock market authorities as well as the information that the Board of Directors must approve and include in its annual public filings. Furthermore, it shall meet at the request of any of its members and each time a meeting is called by its Chairman, who must do so whenever the Board or its Chairman requests the issue of a report or the adopting of recommendations and, in any event, whenever appropriate for the proper fulfilment of its functions.
 5. The Audit Committee may summon any of the members of the management team or personnel of the Company and also have them appear without the presence of any other director. These shall be obliged to attend the meetings of the Audit Committee and provide their collaboration and access to the information they have available. The Committee may likewise request the attendance at its meetings of the auditors.
 6. In order to ensure the best fulfilment of its functions, the Audit Committee may resort to the advice of external experts, when it deems it necessary for the appropriate fulfilment of its functions.
 7. The Company shall have an internal auditing function which, under the supervision of the Audit Committee, will ensure the smooth running of the information and internal control systems. The head of the internal auditing function shall present their annual work plan to the Audit Committee, and furthermore shall inform it directly of any incidents occurring in the development thereof, and shall submit an activity report to the Committee at the end of each financial year.
 8. The Audit Committee shall report on its activity and be answerable for the work carried out before the first plenary session of the Board of Directors subsequent to



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its meetings. Furthermore, the Audit Committee shall take minutes of its meetings, of which it shall send copies to all members of the Board of Directors. The Audit Committee shall prepare an annual report on its operations, emphasising the main incidents which have arisen, where applicable, in relation to the functions delegated to it. Moreover, when the Audit Committee deems it appropriate, it shall include in said report proposals for improving the governance rules of the Company. The report by the Audit Committee shall be attached to the annual report on the corporate governance of the Company and shall be available to shareholders and investors through the website.

The Board of Directors shall discuss and examine the recommendations and reports submitted to it by the Committee.



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INTERNAL CODE OF CONDUCT OF FLUIDRA, S.A.

Article 12. OVERSEEING COMPLIANCE WITH THE INTERNAL CODE OF CONDUCT

As required by the Company's Articles of Association and by the Board of Directors' regulations, the Audit Committee is responsible for ensuring that the obligations set out in this Code of Conduct are effectively met. To this end, the responsibilities delegated to the Audit Committee are to:

- (i) Comply with and ensure compliance with the rules of conduct governing securities markets and with the requirements of this Code of Conduct, its procedures and any other present or future additional regulations;
- (ii) Ensure that all Liable Persons are familiar with the Code of Conduct and other rules of conduct governing the securities markets;
- (iii) Where appropriate, develop the procedures and development rules it sees fit to implement the Code of Conduct;
- (iv) Interpret the rules set out in the Code of Conduct and resolve the queries or questions put forward by Liable Persons;
- (v) Take disciplinary action against Liable Persons in the event of a breach of the rules set out in this Code of Conduct; and
- (vi) Put forward to the Board of Directors of the Company any alterations or improvements to this Code of Conduct that it considers appropriate.

The Audit Committee shall have all the powers necessary to fulfil its functions, and shall be specially authorised, among other things, to:

- (i) Request the Liable Persons to provide any data or information considered necessary; and
- (ii) Establish any information requirements, control rules and other measures considered appropriate.

The Audit Committee shall report to the Board of Directors on the action taken to ensure compliance with the provisions of this Code of Conduct, on its degree of compliance, and on any incidents or disciplinary action taken, as appropriate, over the period. The Audit Committee shall report annually and whenever deemed necessary or required to do so.