

FLUIDRA

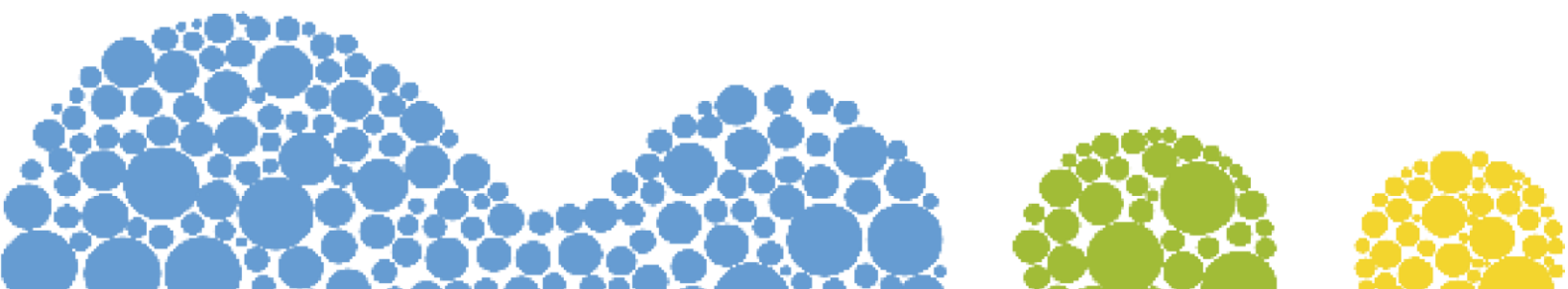


ANNUAL REPORT ON 2016 AUDIT

COMMITTEE ACTIVITIES

2016

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1. PRESENTATION

I am pleased to present the Fluidra Group Annual Report on Audit Committee Activities for the 2016 financial year. It was prepared in compliance with the Company's Articles of Association, was approved by the Audit Committee and was presented to and validated by the Board of Directors on 30th March, 2016.

Progress has been made this year on the priorities set out for 2016. On the one hand, in the process for continuous improvement of the Group's internal controls, new policies and procedures have been established and sent out whilst existing ones have been updated as a result of the recommendations and observations made by the Internal Audit department. Furthermore, for the second year in a row, the external auditor has issued a favourable report on the information in the internal control system on financial information (FIICS) for the 2016 financial year.

On the other, meanwhile, the activities carried out by the Compliance Coordination Committee was increased and emphasis was placed on developing the Fluidra Group crime prevention and control model, in line with Spanish legislation. The model was completed over the course of the year, including the continuous proof of performance system for the corresponding internal control. This prevention system was reviewed by PwC, an independent expert, and a favourable report was issued. A plan has, furthermore, been designed in order to implement the model in the Group's international companies. This shall be done in stages based on their degree of exposure to risk.

In compliance with Fluidra Group's commitment to continuous improvement of the quality of financial information released to the market, this year, for the first time, the Group's interim consolidated financial statements to 30th June underwent a limited review by the group's accounts auditor. A favourable report on the interim financial statements was issued by EY.

Last of all, in 2016, the Audit Committee supervised the transition process to the new external auditor with the aim of ensuring a smooth and risk-free changeover for the Group. We can confirm that the transition and first audit carried out by EY were completed to the total satisfaction of the Committee.

The aim in 2017 is to continue with the Group's process of continuous improvement in internal controls by developing policies, reinforcing the existing internal control procedures and policies and, furthermore, continuing to work on the compliance programme on worldwide scale and guaranteeing the quality of the financial information which is published.

Gabriel López
Chairman of the Audit Committee



2. THE AUDIT COMMITTEE

The Audit Committee is regulated by article 13 of the Board of Directors' Regulations and article 14 of the Internal Code of Conduct Regulations. Full details of both articles may be found in Annex I.

AUDIT COMMITTEE STRUCTURE AND SESSIONS IN 2016

On 31st December 2016, the Audit Committee Members consisted of the following persons appointed by the Board of Directors:

Name	Position	Appointed
Mr. Gabriel López Escobar (independent)	Chairman	30/10/2014
Bansabadell Inversió Desenvolupament, S.A. (external proprietary director), represented by natural person, Mr. Carles Ventura Santamans	Spokesperson (Secretary)	26/10/2011
Mr. Juan Ignacio Acha-Orbea Echeverría (independent)	Spokesperson	26/10/2011
Mr. Bernat Corbera (external proprietary director)	Spokesperson	03/12/2014

In compliance with article 13 of the Board of Directors' Regulations, Committee Members were appointed taking into account their knowledge, skills and experience in accounting, audits and risk management, as well as other areas of Committee responsibility. The Committee Chairman is an independent director and the Secretary was selected from amongst the Committee's external proprietary directors.

In compliance with the Board of Directors' Regulations, the Committee meets on a quarterly basis although it can meet whenever requested by any of its members and when notified by the Chairman. It held 5 sessions in 2016.

COMMITTEE FUNCTIONS AND PERFORMANCE

The Audit Committee's functions are regulated by the Board of Directors' Regulations and the Internal Conduct Regulations. They are summarised below:

- Provide the Annual General Shareholder's Meeting with information on the issues it discusses and for which it is responsible;
- Propose the appointment of external account auditors to the Board of Directors (and the contract conditions, scope of the professional mandate and revocation or renewal);
- Supervise internal audit systems;
- Supervise the preparation and presentation of regulated financial information;
- Review Company accounts, ensure regulatory compliance and the correct use of commonly accepted accounting principles;
- Manage and supervise professional relationships with external auditors;
- Oversee compliance with the audit contract (report and results);
- Oversee compliance with the legislation on related-party transactions.
- Examine compliance with the Internal Code of Conduct Regulations and, in general, the Company's governing regulations; and
- Receive information and, where applicable, issue reports on disciplinary measures to be applied to members of the Company's senior management team;
- In terms of information systems and internal controls, the Audit Committee is responsible for:
 - Supervising the process for generating and ensuring the integrity of financial information (compliance with regulatory requirements, the scope of consolidation and correct use of accounting criteria);
 - Periodical reviews of internal control and risk management systems;
 - Ensuring independence and efficiency in internal audit responsibilities; and
 - Establishing and supervising a mechanism to allow employees to confidentially notify irregularities.

- In terms of the external auditor, the Committee's roles include:

- Making auditor selection, appointment, re-election and substitution proposals to the Board of Directors;
- Regularly receiving information from the external auditor on the audit plan and its results;
- Guaranteeing external auditor independence; and

- Encouraging the Group auditor to take responsibility for all the companies to be audited;

- In terms of the risk management policy, the Committee covers matters including:

- Identification of the different risk types (operative, technological, financial, legal and reputation), including contingent liabilities and off-balance-sheet risks;
- Identification of the level of risk considered acceptable;
- Identification of the measures established for the mitigation of identified risks, should they arise; and
- Identification of the information and internal control systems to be used for managing and controlling identified risks, including contingent liabilities and off-balance-sheet risks.

- With reference to listed company obligations, the Committee shall give the Board prior notification of decisions it plans to make regarding:

- Financial information to be made public;
- The creation or acquisition of an equity interest in special purpose vehicles or entities domiciled in countries or territories considered tax havens, and any other transaction or operation of a nature which may impair Group transparency;
 - Related party transactions; and
- Transactions that imply or may imply a conflict of interests.

These are the Committee's responsibilities, notwithstanding any additional roles assigned by the Board of Directors.

Board Regulations also call for minutes of Audit Committee meetings to be written up and made available to all Board members.

In order to duly comply with responsibilities, the Committee may request guidance from external experts when it is deemed necessary.

The Board of Directors' Regulations authorise the Committee to request the presence of any Fluidra Group employee (including senior management) and the accounts auditor at meetings.

As indicated in the activities report, the Committee is in permanent contact with the accounts auditor, the head of regulatory compliance and with the Group senior management team. Communication between them is fluid. The Director of Internal Audits routinely participates the meetings.

AUDIT COMMITTEE MEMBER PROFILES

Mr. Gabriel López Escobar

Born in Madrid in 1956, he holds a degree in Business Studies, a Master's degree in Economics and a post-graduate diploma in Economics and European Studies from the University of Nancy (France). He is on the Official Register of Account Auditors (ROAC) and the Public Company Accounting Oversight Board (PCAOB) roster, USA.

He began working in PwC in 1984 and was a partner in the firm until 2014. He has extensive experience across all types of auditing services, consultancy services and financial research. He has led auditing processes in large groups of Spanish companies and in the branches of international groups of companies. He has worked for companies such as Abengoa (IBEX 35, Nasdaq), Deutsche Bahn, Kraft Foods, Marsans, Nacex, Randstand, RIU, Quirón, Securitas, Telvent (Nasdaq), ThyssenKrupp, TUI and Volkswagen/Seat.

He was, furthermore, Chairman of the PwC Spain Supervision Committee during his final years in the company.

In 2015, he was an advisor to the Fuertes, S.L. Business Group's Family Business Board.

Since October 2014, he has been Director of Fluidra and Chairman of its Audit Committee and since 2016 he has also held the position of Coordinating Director at Fluidra.

Mr. Juan Ignacio Acha-Orbea Echeverría

Born in San Sebastián, Spain, on 1st July 1956, he holds a degree in Economics from the Complutense University in Madrid and a Master's degree in Business Administration from IESE Business School.

Between 1982 and 1986, he was Director of Chemical Bank in Madrid and New York. Between 1986 and 1989, he was Director of Equity and Investment Funds in Bankinter.

Between 1989 and 2003, he held the position of General Manager and Chairman of BBVA Bolsa, S.V.

Between 2003 and 2006 he was an independent director on the TPI Páginas Amarillas listed company Board of Directors.

He has been Managing Director of AENA since 2012. He was also named Chairman of the company Equity Contraste Uno in 2003 and currently still holds this position.



3. 2016 FINANCIAL YEAR ACTIVITIES

Mr. Carlos Ventura Santamans

Born in Sabadell (Barcelona) in 1969, he holds a degree and Master's degree in Business Administration from ESADE. In 2001, he joined the Sabadell Bank as Director of Corporate Development of the BS Capital unit. Since then he has held several management positions within the Sabadell Bank Group. Of particular importance are those of Director of Corporate Banking, Director of Structured Finances and Director of BS Capital, one of the bank's business units that manages the group's shares in businesses (capital risk and real estate). He is currently vice General Manager of Sabadell Bank and Director of the Group's Corporate Banking.

Mr. Bernat Corbera

Born in Sabadell (Barcelona) in 1965, he holds a degree in Business Studies from ESEI International Business School and Senior Management Programme studies from IESE business school.

He began his professional career in 1989 in Astral Export S.A. as Export Manager, covering expansion in the Middle East and Africa. In 1993, he took over the position of General Manager of Astral Products Inc. and was mainly responsible for implanting the company in the North American market. In 1997, he began his role as manager of Poltank Inc. and later, in 1999, he joined Astral Group. S.A., again as Director of North America and member of the executive committee.

He no longer works for the Fluidra Group and his professional activity is mainly in the management of numerous companies. Bernat Corbera Serra is Managing Director of the Edrem S.L Board of Directors.

The Company's Audit Committee met 5 times during the 2016 financial year and discussed numerous issues to do with its basic areas of responsibility, as provided for in the Articles of Association, in the Board of Directors' Regulations and the Internal Conduct Regulations. As such, it has frequently been in contact with the Director of Internal Audits and, whenever requested, with Corporate General Management, the General Manager, the Head of Regulatory Compliance and external auditors in order to obtain information and/or provide

necessary explanations on matters that have arisen in the Committee.

Further to review and a favourable report, the most relevant activities to be taken to the Board of Directors for approval and favourable feedback were:

- Quarter, semester and annual closures to be reported to the CNMV;
- Significant related party transactions carried out during the financial year;
- Evaluation of Financial Information Internal Control Systems;
- Results of the ethics channel; and
- Conclusions from the risks map update.

This section includes a summary of Audit Committee activities in the 2016 financial year with activities arranged into groups based on basic functions. The main activities carried out are summarised below:

FINANCIAL INFORMATION

The Committee has dedicated particular attention to reviewing Fluidra Group annual accounts and quarterly financial statements and other information made available to the market or supervising bodies during the financial year, prior to the review carried out by the Board of Directors.

Group senior managers participated in all the Committee meetings held in the 2016 financial year. This meant that they were able to get to know the quarterly financial statement elaboration and consolidation process with sufficient time and to check compliance with regulations and applicable accounting principles. As such, assets and changes in assets, the financial situation and the Group's results for the period have been duly indicated in those statements.

In the meetings held on 26th April, 27th July and 26th October 2016, and the meeting held on 22nd February 2017, the Audit Committee issued a favourable report on the financial statements up to 31st March, 30th June, 30th September and 31st December 2016, respectively. This was prior to Board approval and communication to markets and supervising bodies.

In terms of annual accounts and the management report for the 2016 financial year which are due to be reviewed in the 2017 Annual General Meeting scheduled for 3rd May, the Committee, in its meeting held on 29th March 2017, following a review, issued a favourable report on their content prior to taking it them to the Board of Directors.

ACCOUNTS AUDITOR

In its meeting on 29th March 2016, the Committee agreed to make a proposal to Fluidra's Board of Directors to include the selection of Ernst&Young (EY) as account auditors for the verification of Fluidra and Group annual accounts and management reports for three years, the initial minimum period required under Spanish legislation (financial years 2016, 2017 and 2018) in the 2016 Annual General Meeting agenda. The Board of Directors took the proposal to the aforementioned meeting and it was voted in by 99.999% of the shareholders present and represented.

The Audit Committee has supervised the transition process to the new external auditor with the aim of ensuring that handover was trouble-free and posed no risks to the Group. The Committee has, therefore, been informed of the minutiae of the handover, its progress, the new auditor's audit schedule including identification of risk areas and their analysis in an early stage of the audit, of the suitability of the resources used both by the external auditor and departments within the Fluidra Group and of compliance with deadlines and the quality of the service rendered. We are able to confirm that the transition and the first audit carried out by EY were completed to the total satisfaction of the Committee.

EY was the individual and consolidated accounts auditor for Fluidra Group in the 2016 financial year. Corporate policy means that the Group will favour the accounts auditor also carrying out this role in the different branches, as long as there are no specific reasons for which this is inadvisable. The aim is to guarantee adequate coordination and achieve a more appropriate and efficient audit process.

The external auditors participated in Audit Committee meetings on 4 occasions in the 2016 financial year. The activities carried out included:

- Planning tasks for the 2016 financial year;
- Reporting on the main conclusions of the limited review of the semester closure on 30th June 2016. No issues of importance were identified. In compliance with Fluidra Group's commitment to continuous improvement of the quality of financial information released to the market, this year, for the first time, the group's interim consolidated financial statements to 30th June underwent a limited review by the group's accounts auditor. EY issued a favourable report on those interim financial statements.

- Presenting the main recommendations on the internal controls to which the company ought to continue to pay particular attention; and
- Providing information on the main conclusions of the review of the 2016 annual closure. In their opinion, no matters of significant interest were identified.

Additionally, in December 2016, the external auditors gave a presentation on the degree to which internal procedures have progressed to date with regards to 2016 financial year consolidated annual account audits and an evaluation of internal controls on the interim stage and recommendation follow-ups.

Prior to approval of this Audit Committee Report for the 2016 financial year, the first meeting for 2017 was held. The account auditors were present and this was done prior to informing the CNMV of financial statements for the second semester of 2016.

In the Committee's opinion, all relevant aspects of the annual accounts for the year ending 31st December 2016 are a true and faithful representation of Fluidra and the Group's assets and consolidated financial situation to date. It is also a true and faithful reflection of its results, of changes to net assets and cash flows for the 2016 financial year. The accounts include all necessary information for adequate interpretation and comprehension. The aforementioned individual and consolidated annual accounts have been audited by the account auditor. The corresponding audit reports are due to be issued on 30th March 2017. Likewise, and in the Committee's opinion, the individual and consolidated Group management reports for the 2016 financial year include a true and faithful analysis of evolution and business results as well as Fluidra's and the Group's position, and a description of the main risks and uncertainties they face. The Committee received the account auditor's confirmation that complete access to all necessary information was given and that the Group's teams collaborated adequately in the process.

The accounts auditor carried out his tasks independently, in compliance with independence regulations applicable under current Spanish regulations. The Commission completed the necessary report, arriving at the conclusion that the external auditor is independent to the Fluidra Group.

In 2016, the external auditors and all the firm's international associated companies provided the following non-auditing services:

- In Spain, assurance services consisting of fulfilling agreed procedures on information prepared for Fluidra Group companies on calculations prepared in order to justify fulfilment of financial ratios in compliance with the syndicated loan contract and a COFIDES, S.A. loan contract;

- In Spain, review and evaluation of section F of the Corporate Governance Annual Report (FIICS);
- In Spain and Brazil, advisory services for local Management in the preparation of tax returns in the country of origin and destination, and documentation in parallel to said service for expatriate personnel (services provided prior to appointment as auditors).
- In Israel, advisory services for local Management regarding the impact of transfer-pricing policies on sales to the Australian subsidiary (services performed prior to appointment as auditors).
- In Israel, audits on the calculation of company tax for the 2015 financial year (services provided prior to appointment as auditors).

The fees paid to global organisation, EY, for different services provided to Group companies in 2016 included the following concepts:

Audit	€ 623,025
Audit-related services	€ 25,000
Fiscal services	€ 7,371
Other services	€ 6,433
TOTAL	€ 661,829

Additionally, the conclusions of the work carried out with reference to updating the risks map, steps taken throughout the year and future steps in order to mitigate risks were presented.

Furthermore, the Internal Audit Department and the Corporate General Director provided explanations on the steps taken in order to continue reinforcing and improving the Company's accounting policies and procedures.

The Internal Audit Department also reviewed the efficiency of Fluidra Group internal controls on the generation of financial information in the Group consolidated annual accounts up to 31st December 2016. As discussed in the Committee meeting held on 29th March 2017, it concluded that no significant deficiencies nor material weaknesses in the internal control model had been identified. This conclusion was endorsed by the external auditor's favourable report on financial information internal control system (FIICS) for the 2016 financial year.

Last of all, the Audit Committee was informed of activity in the complaints channel set up by the Ethics Committee and the reviews and improvements carried out.

The Internal Audit Director confirmed that the service worked totally independently and objectively in 2016.

The Committee informed the Board of Directors of the work carried out by the Internal Audit Department.

GROUP INTERNAL AUDITS AND INTERNAL CONTROL SYSTEMS

In its meeting on 24th February 2016, the Committee approved the Internal Audit programme for the 2016 financial year and the departmental budget. The Director of Internal Audits attended the 5 Committee meetings held during the financial year in question and reported on audits held, the scope of reviews and the main conclusions.

Internal audit reports for the financial year were duly handed over to Audit Committee members, Group senior management and the account auditor. Additionally, the Director of Internal Audits provided the Committee with regular reports on the resolution of incidents detected in internal audits and was required to provide Group senior management with explanations on those incidents that had not been satisfactorily cleared up as well as propose new resolution plans and dates.

The Internal Audit Department carried out limited reviews of accounting closures for March and September to be sent to the CNMV and informed the Committee and Corporate General Management about the work carried out and the conclusions drawn.

REGULATORY COMPLIANCE

The Head of Regulatory Compliance gave a report in each of the Committee's meetings on the supervision and follow-up tasks carried out in the department.

The following are the most significant issues:

- Approval of an update of the Treasury Stock Policy indicating how the share repurchase programme works, so that management remuneration schemes are covered.
- Adaptation of the Internal Conduct Regulations (ICR) to the new Regulation (EU) 296/2016 of 16 April on market abuse. The following points have been updated:
 - Extension of the restriction period to 30 days prior to the publication of results (over and above the 7 days applicable to date).

- The permitted period for Liable Persons to inform the entity and the Spanish National Securities Market Commission (CNMV) of any transactions relating to the issuer's shares.
- On 5th October 2016, a notification was received from the CNMV providing us with a copy of the information request letter sent by the CNMV to BNP Paribas S.A. requesting information on the transaction carried out by this firm, in its role as intermediary, with reference to the share repurchase programme transaction for the Fluidra managers' incentives plan. As BNP Paribas informed us by e-mail on 19th October, all transactions carried out had been introduced or modified on the open market and not in a closing auction, except for one particular case. The BNP Compliance Department confirmed that all the information requested by the CNMV was sent and that no news of action to be taken by the CNMV has been received.

In terms of the Fluidra Group crime prevention and control model, we can highlight the following milestones for 2016:

- The Compliance Coordination Committee, including representatives of the Human Resources, Internal Audits and Legal departments as well as the Business Director, has been consolidated. As provided for in its regulations, its main functions consist of:
 - Promoting, distributing and applying the Ethics Code across the entire Group;
 - Ensuring that the crime prevention and control model is developed properly within the Group (Compliance Programme); and
 - Fomenting the creation of internal policies, rules and procedures.

- An external auditor (PwC) has issued an expert report certifying that Fluidra, S.A. has a Corporate Compliance Programme.
- A plan for implementing the Compliance Programme in the Fluidra Group companies has been determined. Implantation, beginning in 2017, will be progressive and carried out across different phases and levels.
- Carrying out supervision of the Financial Information Control Systems and following-up compliance with action plans implemented by General Corporate Management;
- Reinforcing the role of the Compliance Coordination Committee and its activities.
- Planning and carrying out internal audit reviews, covering the risks related to the strategic aims defined by General Corporate Management, as well as covering those areas that are more likely to be subject to possible significant errors (quantitative, qualitative, estimations, areas of judgement, complex accounting matters, etc.) with the aim of improving internal control in the corresponding areas.



4. PRIORITIES

The 2016 financial year priorities, as indicated in the 2015 financial year report, were put into action. The following are of particular relevance:

- Work continued on reinforcing internal control procedures and policies, and particular emphasis was placed on setting up new policies and procedures. These were later reviewed and compliance within Group branches was monitored;
- Financial Information Control Systems were supervised and compliance with action plans implemented by General Corporate Management was monitored;
- Work on developing the Compliance programme and steps to adapt it to changes in legislation has continued. An expert report by PwC was obtained;
- Internal Audit reviews were scheduled and carried out. These covered all the risks related to the strategic aims defined by General Corporate Management with the aim of improving internal controls in their corresponding areas; and
- The external auditor's work and the transition process was supervised.

The priorities for the 2017 financial year agreed upon by the Audit Committee include:

- Continuing to develop new internal control policies and procedures and effectively disseminating them across the organisation;
- Continuing to reinforce current internal control procedures and policies with particular emphasis on reviewing and fulfilling them and on developing and implementing the Compliance programme within Group branches;



5. CONCLUSION

This report includes a summary of the activities carried out by the Audit Committee in the 2016 financial year in compliance with its areas of responsibility.

Throughout the year, the different Group senior management teams and Account Auditors worked together and the Internal Audit Department provided support so that the responsibilities outlined in the regulations could be fulfilled.

As a result of its work, the Audit Committee members:

- Consider that the Committee's work, in terms of its responsibilities, as indicated in the corresponding regulations, was satisfactory;
- Have informed the Board of Directors and the company's managers of matters to do with company financial and economic information, the efficiency of internal control systems in terms of relevant risks and the degree to which the company complies with good governance rules and recommendations; and
- Reported to the Board of Directors and company senior management on areas that may be susceptible to improvements in each of the areas of responsibility.

Sabadell, 29th March 2017

The Chairman

The Secretary

Mr. Gabriel López

Mr. Carles Ventura Santamans

Spokesperson

Spokesperson

Mr. Bernat Corbera Echeverría

Mr. Juan Ignacio Acha-Orbea



ANNEX I

FLUIDRA, S.A. BOARD OF DIRECTORS' REGULATIONS

Article 13. Audit Committee. Structure, roles and procedures

1. The Board of Directors shall set up an Audit Committee from among its members and comprising at least three exclusively non-executive directors who shall be appointed by the Board of Directors, without prejudice to the participation of senior management and executive directors when so required by members of the Committee. At least two of the Committee Members shall be independent and one of them shall be appointed taking into account his/her knowledge and experience in accounting matters or audit matters, or both. The members of the Audit Committee, and particularly its Chairman, shall be appointed based on their knowledge and experience in the field of accounting, auditing and risk management, as well taking into consideration other knowledge, skills and experience in other related matters.

2. The position of Chairman of the Audit Committee shall be filled from among the independent directors forming part thereof and the position shall be held for four years. The Chairman may be elected to another term with at least a one-year interlude between terms. The secretary shall be selected from among members of the Committee.

3. Without prejudice to any other functions assigned at any time by the Law, the Articles of Association or Board of Directors, the Audit Committee shall have the following basic functions:

- Provide the General Shareholders' Meeting with information on the issues it discusses and for which it is responsible.
- Propose the appointment of external auditors or audit companies in compliance with article 264 of the Spanish Corporations Law, as well as the contract conditions, the scope of the mandate and, where applicable, its revocation or cancellation. The proposal shall be made to the Board of Directors so that it may be treated in the General Shareholders' Meeting.
- Supervise the efficiency of the Company's internal control system and, in particular, the Financial Information Internal Control System, internal audits (where applicable) and the risk management systems, including fiscal ones. Also, discuss any significant weaknesses in the internal control system detected during audits with the account auditors or external auditing companies.

- Supervise the preparation and presentation of regulated financial information;
- Review Company accounts, ensuring compliance with legal requirements and correct use of commonly accepted accounting principles. In order to do so, they will have the direct support of the external and internal auditors.
- Manage and supervise professional relationships with account auditors or external audit companies with a view to gathering information on matters that may put their independence at risk. This, and any other information on the account audit, as well as any other notifications provided for in account audit legislation and audit regulations, shall be examined by the Committee.
- Oversee compliance with the audit contract and ensure that the auditor's opinion on financial statements and the main content of the audit report are drawn up clearly and precisely, evaluating the results of each audit carried out.
- Oversee compliance with the legislation on related-party transactions. In particular, ensure that information on these transactions is reported to the market, in compliance with the provisions of Order 3050/2004 of the Ministry of Economy and Finance of September 15 2004.
- Examine compliance with the Internal Code of Conduct, with these Regulations and, in general, with the Company's rules of good corporate governance and make any proposals as may be appropriate for the improvement thereof.
- Receive information and, when appropriate, issue reports on disciplinary action to be taken with reference to members of the Company's senior management team.

Similarly, the Audit Committee shall:

- With regards to information systems and internal control:
 - (a) Supervise the preparation and integrity of the Company's financial reporting process and, where applicable, of the corporate group, assuring compliance with regulatory requirements and the appropriate establishment of the scope of consolidation and correct use of accounting criteria.
 - (b) Periodically review the internal control and risk management systems in order to ensure primary risks are identified, managed and reported in an appropriate manner.
 - (c) Ensure the independence and efficiency of internal audit functions; propose the selection, appointment, re-election and dismissal of the internal audit department manager; propose the services budget; receive periodic information on activities; and verify that senior management

takes into account the conclusions and recommendations included in reports.

(d) Establish and supervise a mechanism that allows employees to confidentially and anonymously report any relevant anomaly or irregularity that they may have noticed, particularly in finance and accounting.

• With regards to the external auditor or audit company:

(a) Make proposals on the selection, appointment or re-election and substitution of the external auditor or audit company, as well as on the contract conditions, to the Board of Directors.

(b) Regularly receive information from the external auditor or audit company on the audit plan and the results of its implementation and verify that senior management are taking recommendations into account.

(c) Ensure the independence of the external auditor or audit company in carrying out their functions and, to that effect: (i) ensure that the Company notifies the CNMV of any change in the external auditor as a relevant event, accompanying the notification with a report on any existing disagreements with the former auditor and the content thereof; (ii) ensure that the Company and the auditor respect the applicable rules on the provision of non-audit services and, in general, on any other rules established to assure the independence of auditors; and (iii) in the event of the resignation of the external auditor or audit company, investigate the reasons for this.

Pursuant to the legislation on account audits, external auditors or audit companies shall send the Audit Committee, on an annual basis, a written confirmation of their independence vis-à-vis the directly or indirectly related company or companies, as well as information on additional services of any kind rendered and the corresponding fees received from those companies by the auditors or companies, or by any related persons or entities. In addition, each year, the Audit Committee shall, prior to the publication of an audit report, issue a report containing an opinion on the independence of the auditors or audit companies. The report shall always include an assessment of the provision of the additional services contemplated in the paragraph above, both individually and as a whole, other than the statutory audit and in relation to the rules on independence and to the legislation regulating audits.

(d) In the case of groups, facilitate circumstances so that the group auditor takes responsibility for auditing all companies within the group.

With regards to risk policies and management:

(a) Identify the different risk types (operating, technological, financial, legal, image) faced by the Company

including risks arising from contingent liabilities and other off-balance-sheet risks.

(b) Determine the acceptable level of risk established for the Company.

(c) Determine the measures established for the mitigation of identified risks, should they arise.

(d) Determine the information and internal control systems to be used for managing and controlling identified risks, including contingent liabilities and off-balance-sheet risks.

• With regards to the obligations of publicly-traded companies:

Provide information to the Board of Directors, prior to the decisions it may make, on all matters provided for in the Law, the Articles of Association and the Board of Directors' Regulations and, in particular, regarding:

(a) The financial information that the Company, as a publicly traded company, must periodically release. The Audit Committee must ensure that interim financial statements are prepared following the same accounting criteria as applied to the annual financial statements and, to this end, determine if a limited review by the external auditor or auditing company is appropriate.

(b) The creation or acquisition of an equity interest in special purpose vehicles or entities domiciled in countries or territories considered tax havens, and any other transaction or operation of a similar nature which, due to its complexity, may lessen Group transparency.

(c) Operations with related parties.

(d) Transactions that imply or may imply a conflict of interests.

The Audit Committee shall not perform the functions provided for in sections (a), (b) and (c) above where, pursuant to the Articles of Association, they have been entrusted to another supervision and control committee, as provided for by the Law.

4. The Audit Committee shall meet, under normal circumstances, on a quarterly basis in order to review periodical financial information to be reported to the exchange authorities and the information that Board of Directors must approve and include in the annual statements. Similarly, the Committee shall meet when requested to do so by any of its members and whenever called to do so by the Chairman. The latter must do so whenever the Board of Directors or its Chairman request a report or the adoption of

proposals and at any time as may be appropriate for adequately carrying out its functions.

5. Ordinary Audit Committee meetings shall be convened by certified letter, fax, telegram or e-mail and shall be authorised with the Committee Chairman's signature or, where appropriate, that of the Committee Secretary on the Chairman's orders. The meeting shall be convened at least five days in advance and shall, at all times, include a meeting agenda. The Committee Chairman may convene special Committee meetings when, in his/her opinion, the circumstances so justify. In such cases, the aforementioned advance notice period shall not apply. Additionally, the Audit Committee meeting shall be considered convened without the need for a notification if all its members present (in person or by proxy) unanimously agree to hold the meeting.

6. The resolutions of Audit Committees held by video-conference, by conference call or by other remote communication techniques shall be considered valid, provided that none of its members object to this procedure, that they have the necessary means and they reciprocally recognise each other. This must be recorded in the Audit Committee meeting minutes. In such cases, the Committee meeting shall be deemed to be a single meeting held at the registered office.

7. The Committee meetings shall be considered quorate when at least the majority of its members are present or represented.

8. Resolutions shall be adopted by a majority of the members present (or represented) at the meeting. In the event of a tie in the vote, the Chairman shall have the casting vote.

9. The Audit Committee may request the presence of any member of the senior management team or Company employee and may even request that the latter participate without the presence of any other senior manager. All employees called to participate in an Audit Committee meeting shall collaborate and provide access to the information they have. The Committee may also request the presence of the account auditors at their meetings.

10. In order to comply appropriately with its functions, the Audit Committee may consult external experts whenever necessary.

11. The Company shall have an internal audit area operating under the supervision of the Audit Committee. It shall oversee the appropriate functioning of the internal information and control. The head of internal audits shall submit an annual internal audit plan to the Audit Committee and shall report on any incidents that take place during. An annual activity report shall be submitted at the close of each financial year.

12. The Audit Committee shall report on its activities in the first Board of Directors Meeting held following the Audit Committee Meeting. The Audit Committee shall prepare minutes of its meetings and send a copy to all Audit Committee Members. The minutes shall be made available in any event to the members of the Board of Directors. The Audit Committee shall prepare an annual report on its activities, highlighting, where applicable, any incidents that may have occurred with reference to its functions. Similarly, the Audit Committee may include any proposals for improving the Company's rules of corporate governance in the aforementioned annual report. The Audit Committee report shall be attached to the annual report on corporate governance issued by the Company and shall be made available to shareholders and investors through the corporate website.

The Board of Directors shall deliberate on the reports and proposals presented by the Audit Committee.

FLUIDRA, S.A. INTERNAL CODE OF CONDUCT REGULATIONS

Article 14. Supervising compliance with Internal Conduct Regulations.

In accordance with the provisions of the articles of association and the Company's Board of Directors' Regulations, the Audit Committee shall supervise effective compliance with the obligations covered in these Regulations. To this end, the Committee shall:

- (i) Comply with and enforce compliance with conduct standards for the securities market and the rules of these Regulations, their procedures and other complementary legislation, present or future.
- (ii) Promote familiarisation with the Regulations and other conduct standards in the securities market amongst Subject Persons.
- (iii) Develop, as appropriate, the necessary procedures and implementation requirements for applying the Regulations.
- (iv) Interpret the Regulations and resolve any doubts or questions raised by Subject Persons.
- (v) Initiate disciplinary proceedings against Subject Persons as a result of a failure to comply with these Regulations.
- (vi) Provide the Company Board of Directors with proposals for any modifications or improvements to these Regulations it considers appropriate.

The Audit Committee shall have all the necessary faculties for complying with its functions and, amongst others shall, in particular, have the authority to:

- (i) Request any data or information it considers necessary from any Subject Persons.
- (ii) Establish information requirements, control rules and any other measures deemed necessary.

The Audit Committee shall report annually, and whenever deemed necessary or requested to do so, to the Board of Directors on the measures taken to ensure compliance with the provisions of the Regulations, its level of compliance and, where applicable, the incidents that have taken place and cases opened during that period.

With a view to facilitating Audit Committee compliance with the aforementioned obligations, the Managing Director shall appoint a person to manage Regulatory Compliance. This person, under the direct dependency of the Managing Director, shall monitor compliance with all the internal Company rules and CNMV or other applicable official institution legislation as long as the Company is a listed company. With a view to fulfilling the competencies indicated in this section, the head of Regulatory Compliance shall also periodically report to the Audit Committee on the degree to which regulatory compliance is being observed.