CORPORATE GOVERNANCE ANNUAL REPPORT

FLUIDRA, S.A.

A. OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital.

Last update	Share capital (€)	Number of shares	Number of voting rights
N/A	112,629,070.00	112,629,070.00	112,629,070

There is only one class of share and, therefore, none of the shares have additional rights.

A.2 Specify the direct and indirect holders of significant shares in your company at the closing date of the financial year, excluding the Directors:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights.*	% over the total voting rights
EDREM S.L	15.204.914	0	13,500
ANIOL S.L	8.664.442	0	7,693
DISPUR S.L	13.240.444	0	11,755
BOYSER S.R.L	15.899.405	0	14,117
BANCO DE SABADELL S.A	0	10.891.053	9,670
Bernat Corbera Bros	0	15.204.914	13,500
Robert Garrigós Castro	0	8.664.442	7,693
Juan Serra Aragonés	0	15.899.405	14,117
CAJA DE AHORROS Y M. PIEDAD DE NAVARRA	0	5.631.454	5,000

**Through :*

Name or corporate name of the direct shareholder	Number of direct voting rights	% over the total voting rights
BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.	10.891.053	9,670
EDREM S.L	15.204.914	13,500
ANIOL S.L	8.664.442	7,693
BOYSER, S.L.	15.899.405	14.117
GRUPO CORPORATIVO EMPRESARIAL DE LA CAJA DE AHORROS Y MONTE DE PIEDAD DE NAVARRA	5.631.454	5,000

Specify the most significant transactions that have taken place during the year in the shareholding structure:

Name or corporate name of the direct shareholder	Date of transaction	Description of transaction
GRUPO CORPORATIVO EMPRESARIAL DE LA CAJA DE AHORROS Y M. PIEDAD DE NAVARRA	06/11/2007	Acquisiton of 5% stock capital

A.3. Complete the following tables regarding the members of the company's Board of Directors who hold shares in the company.

Name or corporate name of the director	Number of direct voting rights	Number of indirect voting rights *	% over the total voting rights
Juan Planes Vila	0	13.217.304	11.926%
Eloy Planes Corts	1.055	0	0.0009%
Bernat Garrigós Castro	2.750	0	0.0024%
Oscar Serra Duffo	0	0	0
Bernardo Corbera Serra	198.426	0	0.18%
Bansabadell Inversió Desenvolupment, S.A. represented by Mr. Carlos Ventura Santamans	10.891.053	0	9.67%
Richard J. Cathcart	0	0	0
Kam Son Leong	0	0	0
Juan Ignacio Acha- Orbea Echevarría	0	0	0

Through*:

Name or corporate name of the direct shareholder	Number of direct voting rights	% over the total voting rights
DISPUR, SL	13.217.304	11.926%

% of total voting rights held by the Board of Directors	21.77%

Complete the following tables regarding the members of the company Board of Directors who own rights over company shares:

Name or corporate name of the director	Number of direct option rights	Number of indirect option rights	Number of equivalent shares	Total % of voting rights
ELOY PLANES	92.308	0	92.308	0.081

CORTS				

A.4. If applicable, state whether there are any relationships of a family, commercial, contractual or business nature between the significant shareholders that are known to the Company, unless such relationships are of little relevance or are the result of the ordinary line of business.

Name or company name related	Relationship	Briefly description
EDREM S.L and BOYSER S.R.L.	familiar	

A.5. If applicable, state whether there are any relationships of a family, commercial, contractual or business nature between the significant shareholders and the the Company and/or the group, unless such relationships are of little relevance or are the result of the ordinary line of business.

N/A

A.6. Specify whether the company has been notified of any agreements made by shareholders that may affect it in accordance with the provisions of Article 112 of the Spanish Stock Market Act. If applicable, give a brief description and list the shareholders related to the agreement.

On September 5th 2007 a syndication agreement was signed. It had the following features:

Intervening parties in the shareholders' agreement	% of capital affected	Brief description of the agreement
Mr Juan Planes Vila on behalf of Dispur, S.L; Mr Robert Garrigós Ruiz on behalf of Aniol, S.L; Mr Óscar Serra Duffo on behalf of Boyser, S.L; Mr Bernardo Corbera Serra on behalf of Edrem, S.L; Mr Carles Ventura Santamans on behalf of Bansabadell Inversió Desenvolupament, S.A.U	Boyser 13.5000% Edrem 13.5000% Dispur 11.4258% Aniol 7.0882% Bidsa 8.9860% Total 54.5000% Shareholder %	It aims to regulate voting rights over four (4) years as of the date Fluidra shares are listed on the market. It likewise aims to regulate the limitations imposed on the free transfer of Syndicated Shares. In accordance with the law, all of the terms that must be adopted at the Fluidra General Shareholders Meeting are excluded from this Agreement.

A.7. Specify whether any individual or legal entity exists that exercises or has the power to exercise control over the company in accordance with Article 4 of the Stock Market Act. If applicable, please specify:

YES NO X

A.8. Fill in the following tables regarding the company's treasury stock:

At the close of the financial year:

Number of directly owned shares	Number of indirectly owned shares	Total % of share capital
138.922	0	0.1233%

Specify any significant variations that have taken place during the year, under the provisions of Royal Decree 1362/2007: NOT APPLICABLE

A.9. Detail the conditions and deadline of authorisation by the Board of Directors to execute acquisitions or transfers of own shares:

It was agreed to authorise the Company's Board of Directors to proceed with the derivative purchase of the own shares that are necessary to fulfil the Plan under the terms described below:

a) The shares may be purchased, swapped or paid in kind, in one or more instalments, providing that the shares acquired, when added to those already owned by the Company, do not exceed 5 per cent of the share capital.

b) The price or parity may vary between (i) a minimum that is equivalent to the face value and (ii) a maximum that is equivalent to the listed price of the Company's shares on the Spanish Stock Market at the time of purchase. Notwithstanding the above, in the case of the purchase of shares that may be agreed upon prior to their being listed on the market, the maximum price shall be the highest of the following: (i) the price set for the retail tranche of the Public Offer of Sale or (ii) the corresponding institutional tranche of the Offer.

c) The authorisation period shall be in force for eighteen months as of the day following the signing of this agreement.

Furthermore, item fifteen on the agenda of the aforementioned General Meeting authorised the Company's Board of Directors to proceed with the derivative purchase of the own shares that are necessary cover the employee tranche of the offer under the terms described below:

a) The shares may be purchased, swapped or paid in kind, in one or more instalments, providing that the shares acquired, when added to those already owned by the Company, do not exceed 5 per cent of the share capital.

b) The price or parity must vary between a minimum that is equivalent to the face value and a maximum that will be determined by the retail tranche of the offer.

c) The authorisation period shall be in force for eighteen months as of the day following the signing of this agreement.

Finally, item sixteen on the agenda of the aforementioned General Meeting authorised the Company's Board of Directors to proceed with the derivative purchase of the own shares under the terms described below:

a) The shares may be purchased, swapped or paid in kind, in one or more instalments, providing that the shares acquired, when added to those already owned by the Company, and when those it has purchased or that it intends to purchase in accordance with agreements fourteen and fifteen are taken into consideration, do not exceed 4 per cent of the share capital.

b) The price or parity may vary between a minimum that is equivalent to the face value and a maximum that is equivalent to the listed price of the Company's shares on the Spanish Stock Market at the time of purchase. Notwithstanding the above, in the case of the purchase of shares that may be agreed upon prior to their being listed on the market, the maximum price shall be that set for the retail tranche of the Offer.

c) The authorisation period shall be in force for eighteen months as of the day following the signing of this agreement.

A.10. Specify, if applicable, the legal and statutory restrictions pertaining to exercising voting rights, as well as any legal restrictions on the acquisition or transfer of shares in the share capital:

Specify whether there are any legal restrictions on the exercise of voting rights:

YESI ☐ NO ☒

The Share Syndication Agreement signed on September 5th 2007 reflects the wish of the Syndicated Shareholders to define their overall position of control over Fluidra, both in terms of exercising their voting rights and in syndicating certain share transfer operations between themselves.

None of the Syndicated Shareholders may sell, transfer, assign, encumber or in any other way dispose of the Syndicated Shares. The same applies to the transfer of the inherent political and economic rights of the Syndicated Shares during the initial four- (4) year Syndication Period.

Specify whether there are any legal restrictions on the purchase or transfer of shares in the share capital:

☒ YES ☐ NO

Description of the legal restrictions on the purchase or transfer of shares in the share capital
Under the provisions of Article 81.2 of the Stock Market Act, any Liable Individuals that are party to any kind of Privileged Information, "may not prepare or perform, directly or indirectly, whether in person or through third parties, any kind of transaction on the Company's Negotiable Securities and Financial Instruments". Liable Individuals may not purchase or sell Negotiable Securities or Financial Instruments while the restriction periods are in force, that is: (i) In the fifteen days prior to the estimated date of publication of the quarterly, six-monthly and annual forecast statements that the Company is obliged to submit to the Spanish Securities Commission and the Governing Bodies of the Stock Exchange, and until its general publication. (ii) From the time that any information is made available until its general publication about proposals on the distribution of dividends, capital increases or decreases, of the issue of the Company's convertible securities. (iii) From the time any other Relevant Information is made available until it is officially released or becomes public knowledge. In accordance with the provisions of Article 5.3 of the Internal Regulations on Conduct, negotiable securities may not be sold on the same day on which a purchase transaction takes place.

A.11. Specify whether at the General Shareholders Meeting it was agreed to adopt neutralisation measures with regard to a takeover bid as provided for under Act 6/2007.

YES [ ] NO [X]

COMPANY MANAGEMENT STRUCTURE

B

B.1. Board of Directors

B.1.1. Specify the maximum and minimum number of directors foreseen in the articles of association:

Maximum number of directors	15
Minimum number of directors	5

B.1.2. Fill in the table below with the appropriate information about the members of the Board:

Name or company name of the	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure

director					
Mr Joan Planes		Chairman	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Eloy Planes		CEO and Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Bernat Garrigós		Deputy Secretary	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Oscar Serra Duffo		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Bernardo Corbera Serra		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Bansabadell Inversio Desenvolupament, SA	Mr Carles Ventura Santamans	Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Richard Cathcart		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Kam Son Leong		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.
Mr Juan Ignacio Acha-Orbea		Member	5.9.07	5.9.07	Unanimous decision at General Shareholders Meeting.

Total number of Board Members	9

Specify the resignations tendered from the Board of Directors over the last year:

Name or company name of the director	Position of the board member at the time of resignation	Date of resignation
Aurica XXI Sociedad de Capital riesgo, S.A.		January 12th 2007
Aniol, S.L represented by Mr Robert Garrigós Ruiz.		September 5th 2007
Edrem, S.L represented by Mr Bernardo Corbera Serra.		September 5th 2007
Dispur, S.L represented by Mr Juan Planes Vila.		September 5th 2007
Boyser, SRL represented by Mr Óscar Serra Duffo		September 5th 2007
Beran Cartera, S.L., represented by Mr Bernardo Corbera Serra.		September 5th 2007
Hobalear, S.L., represented by Mr Eugenio Vilardell Talló		September 5th 2007
Bansabadell Inversió Desenvolupament, S.A.U., represented by Mr Carles Ventura Santamans		September 5th 2007
Consultoría de Servicios O. Serra, S.L Represented by Mr. Oscar Serra Duffo.		September 5th 2007

B.1.3. Fill in the tables below with the appropriate information about the members of the Board and their positions.

EXECUTIVE DIRECTORS

Name or company name of the director	Authority by which appointment made	Position on the company organisation chart
Eloy Planes Corts	N/A	CEO

Total number of Executive Directors:	1
% of the Board	11.11%

EXTERNAL DIRECTORS REPRESENTING CONTROLLING SHAREHOLDERS

Name or company name of the director	Authority by which appointment made	Name or company name of the significant shareholder represented or that proposed the appointment
Mr Juan Planes	N/A	DISPUR,S.L.
Mr Bernat Garrigós	N/A	ANIOL, SL.
Mr Oscar Serra Duffo	N/A	BOYSER, SL
Mr Bernardo Corbera Serra	N/A	EDREM, SL
Bansabadell Inversio Desenvolupament, SA	N/A	BANSABADELL DESENVOLUPAMENT, SAU

Total number of external directors representing controlling shareholders	5
% of the Board	55.55%

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the director	Profile
Mr Richard J. Cathcart	Born in Washington (USA) on 28 September 1944. He became an engineer with the United States air force. In 1996 he was appointed manager head of Pentair Water Businesses (Minneapolis, USA), within the company Pentair. From 2005 until the current year, 2007, he held the post of deputy chairman of the Board of Directors of Pentair (Minneapolis, USA),where he handled international operations and business development. Mr. Richard Cathcart has been appointed independent Director of Watts Water Technology Co in October 2007.
Mr Kam Son Leong	Born in Selangor (Malaysia), on 27 January 1955. Graduated in mechanical engineering from the University of Iowa in the United States. In the year 2000 he was appointed Chairman of the area of Asia and the Pacific of the company York International Corp. (Hong Kong). He performed said post until 2004, handling the strategies of financing, development and execution. Since 2005, he has been member in charge of mergers and acquisitions of the company JW Childs, Asia (Hong Kong). In the same year, he was appointed partner and member of the Board of Directors of Pro Logic, posts he continues to hold at present. In the year 2006, he entered the Board of Directors of the American company Rhei Pharmaceutical Inc. and its executive committee. Furthermore, in 2006 he was appointed member of the Board of Directors of the company Huajin, located in Beijing, China and of the company Vast Lava, in the British Virgin Islands. In the latter, he also became partner the same year. During 2007, he has joined the Board of Directors of Rhei China (Beijing, China) and has joined as partner and member the Board of Directors of HL Partners (British Virgin Islands).
Mr Juan Ignacio Acha-Orbea	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. From 1982 until 1986 he managed the company Chemical Bank, in Madrid and in New York. From 1986 until 1989, he carried out the post of Director of Variable Income and Investment Funds for the entity Bankinter. From 1989 until 2003 he was General Manager and Chairman of BBVA Bolsa, S.V. From 2003 until 2006 he formed part, as independent director, of the Board of Directors of the listed company TPI Páginas Amarillas. Furthermore, in the year 2003, he was appointed Chairman of the company Equity Contraste Uno, post which he continues to exercise at present.

Total number of independent Directors	3
% of the Board	33,33 %

OTHER EXTERNAL DIRECTORS:

NONE

If applicable, specify the changes that have occurred over the past year in the duties performed by each director:

Not applicable

B.1.4.: Explain, if applicable, the reasons why external directors representing controlling shareholders were appointed at the request of the shareholders who own less than 5% of the capital: Not applicable.

Specify whether any formal requests to attend board meetings have been ignored if such requests have been made by shareholders who own the same number or more shares as others and at whose request external directors representing controlling shareholders directors would have been appointed. If applicable, explain why these requests were ignored.

YES ☐ NO ☒

B.1.5: Specify whether any directors have resigned from their posts before the end of their mandate. Give the reasons that were given for doing so and through which means of communication. If such resignations were tendered in writing to the Board, set out the reasons given for doing so below.

NOT APPLICABLE

B.1.6. If applicable, specify the duties that are delegated to the CEO.

The current CEO, Mr Eloy Planes, has delegated all duties on a permanent basis that are delegable according to the Law.

B.1.7 If applicable, specify the members of the Board who act as directors in other companies that form part of the group if the listed company.

Name	Company	Position/Partner
Eloy Planes Corts	Astral Nigeria, Ltd.	Director
	Maghrebine Des Equipments D'eau, S.A.R.L.	Joint and several director
	Astral Service, S.R.L.	Sole director
	Astral Italia, S.P.A.	Sole director
	Astral Bazenove Prislusentsvi, S.R.O.	Joint and several director
	Astral India Private, Limited	Director
	Astral Pool Singapore, Pte Ltd.	Director
	Astral Piscine, S.A.S.	Sole director

Name	Company	Position/Partner
	Certikin International, Limited	Director
	AP Inmobiliere	Sole director
	Turcat Polyester Sanayi Ve Ticaret Anonim Sirketi	Director
	Cepex USA, Inc.	Director
	Zao Astral, SNG	Director
	Astral Pool Polska, S.A.	Director
	Astral Pool México, S.A. de C.V.	Director
	Inmobiliaria Tralsa, S.A.	Joint CEO
	Astral Scandinavia AS/	Director
	Magyar Astral Pool, Kft.	Joint and several director
	Astral Products, Inc.	Director
	Astral Pool Chile, Sociedad Anónima Cerrada	Director
	Manufacturas Gre, S.A.U.	Sole director
	ADBE Cartera, S.A.U.	Sole director
	Meip International, S.L.	Director
	Astal Pool Group, S.L.U.	Sole director
	Fluidra Services, S.A.U.	Director
	Prohogar, S.L.	Sole director
	Astral Pool Deutschland Gmbh	Joint and several director
	Astral Equipment Australia pty, Ltd.	Director
	Astral Pool Hellas	Director
	Astral Pool Balkans JSC	Director
	Moderne Wassertechnick AG (MTH)	Director
	Catpool, S.A. de C.V.	Director
	Astral UK, Limited	Director
	Marazul, Lda.	Sole director
	Gre Aqua and Pool, S.L.U.	Sole director
	SNTE Agua Group, S.A.U.	Sole director
	European Corner, S.A.U.	Sole director
	Astral Pool España, S.A.U.	Sole director
	Cepex Holding, S.A.U.	Sole director
	Neokem Grup, S.A.U.	Sole director
	Auric Pool, S.A.U.	Sole director
	Astral Pool, S.A.U.	Sole director
	Manufacturas Gre, S.A.U.	Sole director
	Astral Export, S.A.	Sole director
	Mercamaster Group, S.L.U.	Sole director
	Pool Supplier, S.L.U.	Sole director
	Inmobiliaria Swim 38, S.L.U.	Sole director
	Swimco Corp, S.L.	Sole director

Name	Company	Position/Partner

B.1.8. If applicable, provide details about the directors of the company who sit on the Board of Directors of other officially listed companies in Spain that do not belong to your group and about which the company has been officially notified: N/A

B.1.9. Specify and, if applicable, provide details about whether the company has established rules on the number of boards on which your directors may sit:

Yes No X

Explanation of the rules
It has not been anticipated to limit the number of boards on which the board members of Fluidra., S.A. may sit. However, Article 28.2 of the Board's Regulations states that if a board member provides professional services to other organisations whose corporate purpose is totally or partly similar to that of the Company, this intention must be made known to the Board of Directors, which may refuse to give its authorisation if there are good reasons for so doing. Article 28.1 of the Board's Regulations likewise states that the directors may not hold the post of administrator or director in businesses that compete with the Company. If applicable, however, such posts may be held in companies belonging to the group, unless expressly forbidden to do so by the General meeting, and without prejudice to the provisions of Article 127.3 in the LSA.

B.1.10. With regard to recommendation number 8 in the Unified Code of Corporate Governance, describe the company's general policies and strategies that may only be approved at plenary Board meetings.

	YES	NO
Investment and financing policies* unless they correspond to the General Shareholders' Meeting	x	
The definition of the group's corporate structure	x	
Corporate governance policies	x	
Policies on corporate liability	x	
The strategic or business plan, management goals and annual expenditure	x	
Policies on remuneration and the assessment of the performance of senior management	x	
Policies on risk management, the regular monitoring of internal information and control systems	x	
Policies on dividends and treasury stock, with particular regard to the thresholds of such	x	

B.1.11 Fill in the tables below with details about the aggregate remuneration of the Board members accrued over the year:

In the company that is the subject of this report:

Remuneration category	Figures in thousands of euros
Fixed remuneration	1036
Variable remuneration	467
Travelling expenses	-
Statutory business	-
Sock options and/or other financial instruments	-
Other	-
TOTAL:	1503

b) In other companies in which the directors sit on the board and/or in other companies in the group in which they perform senior management tasks:

Remuneration category	Figures in thousands of euros
Fixed remuneration	--
Variable remuneration	--
Travelling expenses	-
Statutory business	-
Sock options and/or other financial instruments	-
Other	-
TOTAL:	--

c)

Other benefits	Figures in thousands of euros
Advances	**-**
Loans granted	**-**
Pension Funds and Plans: Contributions	**-**
Pension Funds and Plans: obligations incurred	**-**
Life insurance premiums	**-**
Guarantees provided by the company to the directors	**-**

Total remuneration by category of director:

Category of director	By company	By group
Executive		707
External directors representing controlling shareholders		713
External Independent		83
Other External		-
Total		1503

d) In comparison with the profits derived from the parent company:

Total remuneration for directors (in thousands of euros)	1503
Total remuneration for directors/profits derived from the parent company (expressed in %)	4,6 %

B.1.12 Name the members of the senior management that are not executive directors, and state their total accrued remuneration over the year:

Total remuneration for senior management (in thousands of euros)	1,193,867

Name or company name	Post
Mr Jaume Carol	**General Manager for Operations**
Mr Antoni Rubio	**General Manager for Corporate and Financial Affairs**
Mr Pere Ballart	**Business Unit Manager**
Mr Amadeu Serra	**Business Unit Manager**
Mr Carles Franquesa	**Business Unit Manager**
Mr Javier del Campo	**Business Unit Manager**
Mr Ignacio Elburgo	**Business Unit Manager**
Mr Lluis Cortes	**Business Unit Manager**
Total remuneration for senior management (in thousands of euros)	1.255

B.1.13 In aggregate terms, state whether there are any guarantee or protection clauses in the case of dismissal or changes of control for senior management, including executive directors, of the company or the group. State whether the company or the group's governing bodies must be notified and/or approve such contracts:

Number of beneficiaries	**1**

	Board of Directors	General Meeting
Body that approves the clauses	**x**	

	YES	NO
Is the General Meeting informed about the clauses?		**x**

B.1.14 Describe the process for establishing the remuneration of the members of the Board of Directors and the related clauses in the articles of association:

Process for establishing the remuneration of the members of the Board of Directors and the related **clauses in the articles of association**
Article 44 of the Articles of Association makes the following provisions: Amount. Total annual remuneration for the Board for all items mentioned below shall be five per cent of the profits of the consolidated group, approved by the General Meeting, although the Board of Directors may reduce this percentage in any financial years it deems appropriate to do so. Items. Remuneration for Board members consists of a fixed monthly amount and a share in profits. The Board shall be responsible for distributing the corresponding amount between the foregoing items and among the Board members in the manner, time and proportion it freely determines. In determining the amount of pay to the directors, heed shall be taken of any observations made by the auditors of the Company. It shall likewise be ensured that the said remuneration is based on the actual performance of the directors, rather than just on the market performance of the industry in which the company operates or other similar circumstances In accordance with the provisions of Article 130 of the Corporations Act, profit-sharing remuneration may be collected by the Board members only after the legal and statutory reserve has been covered and the shareholders have been paid a minimum dividend of four per cent. Members of the Board of Directors shall also receive per diems for attending each meeting of the Company's administrative bodies and committees. The Board of Directors may set the amount of the per diems, which shall not exceed the amount determined as a fixed monthly allowance. Board members may also be remunerated with stock in the Company or another company in the group to which it belongs, options on same, or instruments linked to its price. When the remuneration involves Company shares, it must be approved by the General Meeting of Shareholders. This decision, if applicable, shall state the number of shares to be given, the price for the exercise of option rights, the value of the shares taken as reference, and the length of time for this form of remuneration. The Company is authorised to contract civil liability insurance for its Board members. Benefits accounting. The remuneration envisioned in this article shall be compatible with and independent of salaries, payment in kind, emoluments, reimbursements, pensions, contributions to social security systems, life insurance, stock or stock options or compensations of any kind established generally or individually for those members of the Board of Directors who perform executive functions, regardless of the nature of their relationship with the Company, whether occupational – ordinary or special upper-management – mercantile or provision of services, which relationships shall be compatible with the status of members of the Board of Directors. Article 25 of the Regulations of the Board of Directors makes the following provisions:

The total annual remuneration received by the Board for all concepts listed below will be five per cent of the consolidated net profit of the Group as approved by the Shareholders in General Meeting. Without prejudice to the foregoing, the Board of Directors may reduce this percentage when they deem appropriate.

The remuneration of the directors is comprised of a fixed monthly fee plus profit sharing. The Board of Directors shall determine the distribution of the two amounts and among the different directors in such a manner, time and proportion as it may freely determine

The amount of the said remuneration shall be determined based on the actual performance of the directors, taking into account any qualification mentioned by the auditors of the company that results in lower earnings, and not only on the market performance of the industry in which the company operates or other similar circumstances.

Under the provisions of Article 130 of the Spanish Corporations Act, Directors' fees received through profit sharing may only be distributed after all the obligations have been fulfilled with regard to allocations of legal and voluntary reserves and the distribution of a dividend to shareholders of at least 4%.

In addition to the foregoing remuneration described in section 2 above, the members of the Board of Directors shall receive a per diem for attending each meeting of the governing bodies of the Company and their respective committees. The Board of Directors may establish the amount of the allowance, which may not exceed the amount of the fixed monthly remuneration.

The directors may be remunerated through the assignment of shares in the Company or in any subsidiary or through stock options on such shares or through other instruments linked to their price. If shares are received, this remuneration shall be established by the Shareholders in the General Meeting. The corresponding resolutions shall designate, when appropriate, the number of shares, the exercise price of stock options, the value of shares used as a reference and the duration of this form of remuneration.

The Company is authorised to contract civil liability insurance to cover the directors.

Within the limits established in the Articles of Association, the Board of Directors shall ensure that the remuneration received by directors is in line with the market standards for companies of a similar size and activity and matches their dedication to the Company.

Likewise, the Board of Directors shall ensure that the amount received by external directors is sufficient to provide incentives for their dedication, but does not compromise their independence.

The Board of Directors shall provide an annual report on the remuneration policy in force and the plans for the coming year. This report shall be submitted to the Shareholders in the manner deemed appropriate by the Board of Directors in the Annual General Meeting.

The remuneration established in this article shall be compatible and independent of any salary, compensation, indemnities, pensions, Social Security contributions, life insurance, employee stock option plans, and any other type of remuneration established generally or individually for those members of the Board of Directors that also perform executive duties, regardless of the nature of their relationship with the Company, be it under a general employment contract or a special senior management contract, or under an independent agent relationship as may be compatible with the membership on the Board of Directors

State whether the following decisions are taken at plenary Board meetings:

	Yes	No
At the proposal of the company's most senior executive, appointments and dismissals of senior management, and the conditions of severance pay.	x	
The remuneration of directors and, in the case of executives, bonuses for carrying out their executive duties and other contractual conditions that must be respected.	x	

B.1.15 State whether the Board of Directors approves a detailed breakdown of retributions and specify the matters on which it has a say:

Yes x No ☐

	Yes	No
Amount of fixed expenditure, with a breakdown, if applicable, of expenses for Board and Committee members, and an estimate of the fixed annual remuneration to which they give rise.	x	
Remuneration items of a variable nature.	x	
Main characteristics of payment forecast systems, with an estimate of the amount involved or the annual equivalent cost.	x	
Conditions that must be met by the contracts of senior managers, such as executive directors.	x	

B.1.16 State whether a report on the remuneration policy for company directors is put to the vote by the Board at the General Meeting as a separate item on the agenda and for the purposes of consultation. If applicable, explain the aspects in the report that deal with the remuneration policy that has been passed by the Board for future application, the most

significant changes to such policies over the past year and a general summary of how the remuneration policy was applied during the year. Give details of the role played by the Remuneration Committee and state whether external advice has been sought and name the external consultants who have provided such services:

Yes x No □

Matters dealt with in the report on the remuneration policy
General principles of the remuneration policy
General principles of the remuneration policy for Board Members
Remuneration system for Executive Directors
Remuneration system for Non-executive Directors

Role played by the Remuneration Committee
Drawing up of the Remunerations Report

	Yes	No
Has external advice been sought?	x	
Name of external consultants	Garrigues	

B.1.17 If applicable, name the members of the Board who are Directors of Boards, senior managers or employees of other companies and who also hold significant shares in the listed company and/or other organisations in the group:

Name or company name of the Board member	Company name of the significant shareholder	Post

If applicable, describe any relevant relationships, other than those specified in the above section, that the members of the Board of Directors may have with any of the significant shareholders and/or organisations in the group:

Name or company name of the director concerned	Name or company name of the substantial shareholder concerned	Description of relationship
D. Juan Planes Vila	DISPUR, S.L.	Chairman
D. Eloy Planes Corts	DISPUR, S.L.	Member

D. Bernat Garrigós Castro	ANIOL, S.L.	CEO
D. Bernardo Corbera Serra	EDREM, S.L.	CEO
D. Oscar Serra Duffo	BOYSER, S.L.	Chairman
BANSABADELL INVERSIO I DESENVOLUPAMENT, S.A. represented by Mr. Carles Ventura Santamans	BANSABADELL INVERSIO I DESENVOLUPAMENT, S.A. represented by Mr. Carles Ventura Santamans	CEO

PENDING RESPONSE FROM NEW DIRECTORS

B.1.18. State whether any changes have been made to the Board's regulations over the past year:

Yes No X

B.1.19. Describe the procedures for the appointment, re-election, assessment and removal of directors. Provide details about the responsible bodies, the procedures to be followed and the criteria to be applied in each of the procedures.

Article 36 of the Articles of Association sets out the following:

The Board of Directors shall be composed of a number of members, which shall not be less than five (5) or greater than fifteen (15). The members shall be determined by the General Meeting.

The General Meeting of shareholders is responsible for setting the number of directors. For this purpose, it shall proceed directly to set said number by means of an express decision or indirectly by the filling of vacancies or the naming of new directors, within the maximum limit set in the preceding paragraph.

The General Meeting must ensure that, insofar as is possible, the number of outside or non-executive members on the Board is a substantial majority with respect to the number of executive members. The number of executive members must likewise be the minimum necessary and must take into account the group's complexity and the proportion of the Company's capital that is held by the executive members. Finally, the Meeting must ensure that the number of independent members represents at least one-third (1/3) of the total number of members.

The definitions of the various categories of members shall be those set forth in the corporate-governance recommendations that are applicable at any time.

In the event that there is any outside member who cannot be considered to represent the controlling shareholders or to be independent, the Company shall explain this circumstance and the relationship that this member has, whether that be with the Company, its executives or its shareholders.

The nature of each member must be explained by the Board before the General Meeting of Shareholders that is to appoint them or ratify their appointment.

Appointment of Directors:

- Pursuant to Article 17.1 of the Board's Regulations, directors shall be put forward (i) at the suggestion of the Appointments and Remuneration Committee, in the case of independent directors; and (ii) subsequent to a report by the Appointments and Remuneration Committee in the case of all other directors. Directors shall be appointed by the General Meeting or the Board of Directors in accordance with the provisions of the Public Limited Companies Act.

- With regard to external directors, Article 18 of the Board's Regulations sets out that the Board of Directors must endeavour to ensure that candidates are solvent, competent and have proven experience. These conditions will be strictly upheld in the case of calls to cover the position of independent director, as provided for under Article 6 of the Regulations.

Re-election of Directors:

- Article 19 of the Board's Regulations only establishes that before proposing the re-election of directors to the General Meeting, the Board shall assess the quality of work and the dedication the proposed candidates have displayed in their previous mandates. Pursuant to Article 22, the assessment shall be made in the absence of the candidates.

Assessment of Directors:

- Article 19 of the Board's Regulations establishes that before proposing the re-election of directors to the General Meeting, the Board shall assess the quality of work and the dedication the proposed candidates have displayed in their previous mandates. Pursuant to Article 22, the assessment shall be made in the absence of the candidates.

Removal of Directors:

- Article 21.1 of the Board's Regulations sets out that directors shall step down from their posts when the period for which they were appointed has terminated, or when the General Meeting so decides should it exercise its legal or statutory powers. This is in accordance with the terms and conditions set out in Article 132 of the Public Limited Companies Act.

B.1.20. State the circumstances in which directors must step down.

Pursuant to Article 21.2 of the Board's Regulations, the directors must place their posts at the disposal of the Board of Directors and formalise, if it deems this appropriate, the corresponding resignation in the following cases:

a) When they step down from the posts as executives that were related to their appointment as directors.

b) When involved in any legally established circumstances of incompatibility or prohibition.

c) When seriously warned by the Board of Directors due to having infringed their obligations as directors.

d) When their permanence on the Board might endanger or prejudice the interests, credit or reputation of the company or when the reasons for which they were appointed disappear (for example, when a external director representing controlling shareholders disposes of their participation in the company);

e) In the case of independent directors, they may not remain as such for a continuous period of more than twelve years, and therefore once such period has

elapsed, they must place their post at the disposal of the Board of Directors and formalise the corresponding resignation.

f) In the case of external directors representing controlling shareholders; (i) when the shareholder they represent sells in full their shareholding stake, and furthermore (ii) in the number which corresponds, when such shareholder reduces their shareholding stake to a level which requires a reduction in the number of external directors representing controlling shareholders.

- In addition, Article 21.3 sets out that in the case that a director steps down, whether due to resignation or any other reason, before the end of his mandate period, the reasons for doing so must be given in a letter that must be sent to all of the members of the Board.

The Board of Directors may only propose the removal of an independent director before the end of the statutory period if there is a good reason for doing so, which must be assessed by the Board subsequent to submitting a report to the Appointments and Remuneration Committee. It shall specifically be understood that a director may be justifiably removed should he fail to fulfil the duties inherent to his post or should he for any reason become involved in any of the circumstances that independent directors are barred from as described in the recommendations on good corporate governance that are in force at any time.

B.1.21. Explain whether the duties of chief executive of the company are assigned to the office of the Chairman of the Board of Directors. If so, state the measures that have been taken to limit the risks of accumulation of powers by a sole person:

Yes No X

Measures to limit risks

State and, if appropriate, explain whether rules have been established to empower one of the independent directors to call a meeting of the Board or to include new items on the agenda, to co-ordinate and express the concerns of the external directors and to direct the evaluation by the Board of Directors.

Yes X No

Measures to limit risks
Article 15.4 of the Regulations of the Board of Directors foresee that, in the event of the Chairman of the Board also being the chief executive of the Company (which does not arise in this case), the Board of Directors will empower one of the independent directors to be able to call a meeting of the Board or include new items on the agenda, and thus be able to co-ordinate and express the concerns of the independent directors and direct evaluation of the Chairman by the Board. Should one or several Vice-Chairmen of the Company have independent director status, the Board will empower any of them so they may perform the duties to which this section refers.

B.1.22. Are higher majorities required, other than those required by law in any decision making processes?

Yes No X

State how the resolutions by the Board of Directors are passed, stating at least the minimum attendance quorum and the type of majorities to adopt the resolutions:

- Pursuant to article 16.4 of the Regulations of the Board of Directors, all the decisions by the Board must be passed by an absolute majority, except in the cases in which the Law, the Articles of Association or those Regulations specifically establish other voting quorums, the resolutions will be passed by absolute majority of the parties attending the meeting. In the event of a draw in the votes, the Chairman will cast the deciding vote.
- Article 16.1 of the Regulations of the Board of Directors establishes that the Board will be validly constituted when attended by at least half plus one of its members, who are present or represented. The directors will do everything possible to attend the meetings of the Board and when unable to attend personally, will grant their representation in writing, specifically for each meeting, to another member of the Board, including the appropriate instructions and a notification to the Chairman of the Board of Directors.

B.1.23 Explain whether there are specific requisites, other than those concerning the directors, to be appointed as Chairman.

Yes No **X**

Description of the requisites

B.1.24 State whether the Chairman has a deciding vote:

Yes **X** No

Matters in which there is a deciding vote
In all matters in the event of a draw

B.1.25 State whether the Articles of Association or regulations of the Board establish any limit on the age of the directors.

Yes No **X**

Limit on the Chairman's age

Limit on the age of a CEO Limit on the age of a Director

B.1.26 State whether the Articles of Association or regulations of the Board establish a limited term of office for independent directors:

Yes No **X**

Maximum number of years of term of office	

B.1.27 If the number of female members of the board is scarce or null, explain the reasons and the initiatives adopted to correct that situation.

Explanation of the reasons and initiatives
No gender discrimination practices are carried out. The directors are chosen according to the opportunities that arise among external directors representing controlling shareholders and according to professional experience in the case of independent shareholders. It has been planned to deal with this issue in 2008.

In particular, state whether the Appointments and Remuneration Committee has established procedures so the selection procedures do not suffer from an implicit bias that hinders the selection of female board members, deliberately seeking female candidates who meet the required profile:

Yes ☐ No X

State the main procedures

B.1.28 State whether there are formal processes for the delegation of votes on the Board of Directors. If so, describe briefly.

Article 42 of the Articles of Association sets out the following:

The Board shall be validly constituted when one-half plus one of its members, present or represented, attends the meeting. Representation by proxy shall be made in writing through a letter addressed to the Chairman for each particular meeting and must be in favour of another Board member.

Decisions shall be taken by an absolute majority of those attending the meeting, except in those cases in which the law, these Articles of Association or the Regulations of the Board of Directors have set higher majorities. In the event of a tie, the Chairman's vote shall decide.

Minutes shall be kept of the meetings of the Board of Directors and shall be signed at least by the Chairman or the Vice-chairman and the Secretary or the Deputy Secretary, and shall be transcribed or compiled according to law in a special book of Board minutes.

The minutes shall be approved by the Board of Directors at the end of the meeting or at a subsequent one.

Article 16.1 of the Regulations of the Board of Directors sets out the following:

Meetings of the Board of Directors shall be validly constituted when at least one half plus one of its members is present or represented. The directors shall make every endeavour to attend all Board meetings and when unable to do so shall designate a proxy in writing. Such proxies shall be members of the Board, specifically designated for one meeting only and issued with instructions for the meeting. The Chairman of the Board of Directors shall be notified of such circumstances.

B.1.29 State the number of meetings the Board of Directors has held during the financial year. If applicable, also state the number of times the Chairman has not attended Board meetings:

Number of Board meetings	9
Number of Board meetings not attended by the Chairman	Ø

State the number of meetings of the different committees of the Board held during the year:

Number of meetings of the Executive or Delegate Committee	1
Number of meetings of the Audit Committee	1
Number of meetings of the Appointments and Remuneration Committee	1
Number of meetings of the Appointments Committee	Ø
Number of meetings of the Remunerations Committee	Ø

B.1.30 State the number of meetings the Board of Directors has held during the financial year without it being attended by all its members. The calculation will consider representation without specific instructions as non-attendance:

Number of non-attendances by directors during the financial year	Ø
% non-attendance out of total votes during the financial year	Ø

B.1.31. State whether the consolidated individual annual accounts presented to the Board for approval are previously certified:

YES NO X

B.1.32. Explain, if any, the mechanisms established by the Board of Directors to avoid the individual and consolidated accounts prepared by it being presented to the General Meeting of Shareholders with qualifications in the auditor's report.

There are none.

B.1.33. Is the Secretary to the Board a director?

No, the Secretary to the Board is not a director.

B.1.34. Explain the procedures for the appointment and severance of the Secretary to the Board, stating whether his appointment and removal are reported by the Appointments Committee and approved by the plenary Board meeting:

Appointment and severance procedure
Article 5.1 of the Regulations of the Board of Directors establishes that it will be the remit of the Board to appoint and renew the positions on it. Pursuant to Article 10 of the Regulations of the Board of Directors and in order to safeguard independence, impartiality and professionalism of the Secretary, his appointment and severance will be reported by the Appointments and Remuneration Committee and approved by the plenary meeting of the Board. The current Secretary to the Board was appointed by the meeting of the Board of Directors held on September 17th 2007 at the same time as the Remunerations and Appointments Committeen was created. His curriculum vitae, which proves his objectivity and professionalism, are included in the Information Prospectus of the Public Offer for the Sale of Shares by Fluidra, S.A. on October 11th 2007.

	YES	NO
Does the Appointments Committee report on appointments?	X	
Does the Appointments Committee report on severance?	X	
Does the Meeting of the Board approve the appointment?	X	

Does the Meeting of the Board approve severance?	X	

Is the Secretary to the Board specifically entrusted with the recommendations of good governance?

YES X NO

Remarks
Article 10.3 of the Regulations of the Board of Directors establishes that the Secretary, among other duties, shall specifically ensure that the actions by the Board take into account the recommendations on the good governance of the Company.

B.1.35 State, if any, the mechanisms established by the Company to ensure the independence of the auditor, the financial analysts, merchant banks and rating agencies.

To ensure the independence of the auditor:

- Article 46 of the Articles of Association establish that the Audit Committee must propose the appointment of the external accounts auditors to the Board of Directors for submission to the General Meeting of Shareholders, as well as their conditions of hiring, the scope of their professional mandate and, as appropriate, their revocation or non-renovation.
- Article 54 establishes that auditors will be appointed by the General Meeting of Shareholders before the end of the period to be audited, for a specific period of time that may not be less than three years or exceed nine. Moreover, the Meeting may appoint one or several individuals or corporations to act jointly. The General Meeting of Shareholders may not revoke the auditors before the end of the period for which they were appointed, unless there is a fair reason.
- Moreover, the Regulations of the Board of Directors of the Company, and more specifically Article 13, establishes that:
    - Information must be received regularly from the external auditor on the audit plan and the results of execution and verify that senior management takes its recommendations into account.
    - A change of auditor must be reported to the Spanish Securities Commission (CNMV) as a relevant fact, accompanied by a declaration on the eventual existence of disagreements with the outgoing auditor and their subject matter, if any.
    - One must ensure that the Company and auditor abide by the regulations in force on the provision of services other than auditing and, in general, the other regulations established to ensure the independence of auditors.
    - In the event of an external auditor resigning, the circumstances giving rise to this are examined.

In addition, the policy established by the Company to ensure the independence of financial analysts and merchant banks is, on the one hand, that all public information about the Company concerning the presentation of financial statements, press releases, relevant facts and public presentations should be provided to these agents, without there being any preferential treatment for any of them and always through the same channels of communication. On the other hand, there is no commitment or fixed and formal contractual relation to work with any specific merchant banking company. Fluidra has not requested evaluation by any rating agency.

B.1.36. State whether during the financial year, the Company has changed external auditor. If so, identify the incoming and outgoing auditor.

The external auditors were not changed by the Company in 2007.

B.1.37. State whether the firm of auditors performs other work for the company and/or its group other than those of auditing. If applicable, state the fees paid for that work and the percentage in terms of the overall fees that were billed.

Amounts for work other than auditing (thousands of euros) * includes fees for Market listing	670,000	110,000	780,000
Amount of 2007 auditing fees (thousands of euros)	306,812	814,501	1,121,313
Total	976,812	924,501	1,901,313
Amount for work other than auditing/total amount billed by the auditing firm in %	69%	12%	41%

B.1.38. State whether the audit report on the Annual Accounts of the previous financial year has reservations or qualifications. If appropriate, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

YES NO X

B.1.39 State the number of years the current auditing firm has uninterruptedly performed the auditing of the annual accounts of the Company and/or Group. Likewise, state in percentage terms the number of years the current auditing firm has been responsible for auditing the accounts.

	Company	Group
Number of uninterrupted years	1+ the current year	5 + the current year

	Company	Group
Number of years audited by the current auditing firm/number of years the company has been audited (%)	100%	100%

B.1.40 State the shares held by members of the Company's Board of Directors in the capital of firms that carry out the same, similar or complementary activities to those that are the corporate object of both the company and its group, and that have been reported to the Company. Likewise, state the posts held or duties performed at those companies:

Name or company name of Director	Name of the subject company	% share	Post or duties
Mr Juan Planes Vila	DISPUR, S.L.	72,445%	CHAIRMAN
Mr Oscar Serra Duffo	---		
Mr Bernat Corbera Serra			
Mr Bernat Garrigós Castro	Aniol, S.L.	0.6937%	CEO
BanSabadell Inversió Desenvolumpament, S.A.	Companyia d'Aigües de Sabadell, S.A.	5.68%	---
Mr Juan Ignacio Acha-Orbea Echevarría	---		
Mr Kam Son Leong	---		
Mr Richard J. Cathcart	---		
Mr Eloy Planes Corts	DISPUR, S.L.	4,724%	Member

B.1.41. State and, if appropriate, specify whether there is a procedure for the directors to be able to obtain external advice:

YES X NO

Details about the procedure
Pursuant to Article 21 of the Regulations of the Board of Directors, all the directors, in order to be aided in exercise of their duties, may obtain the necessary advice from the Company to perform their duties. To that end, the Company will provide the adequate channels that, under special circumstances, may include external advice at the Company's expense. In any case, the commission must necessarily concern the specific problems that are of a certain nature and complexity that arise in the performance of duties. The decision to hire must be reported to the Chairman of the Company and may be vetoed by the Board of Directors if the following is accredited: a) That it is not necessary for the full performance of the duties with which the external directors are entrusted. b) That its cost is not reasonable with regard to the importance of the problem and the assets and revenue of the company. c) That the professional advice obtained may be adequately dealt with by experts and technicians in the Company.

B.1.42 State, and if appropriate, specify whether there is a procedure for directors to obtain the necessary information to prepare the meetings of the governing bodies with sufficient time in advance:

YES X NO

Details about the procedure
Article 23 of the Regulations of the Board of Directors establishes the following mechanism: 1. Directors may request information on any matter for which the Board is responsible and to this end may examine the books, records, documents and other documentation. The right to information includes investees, whenever this is possible. 2. The request for information must be addressed to the Secretary of the Board of Directors, who will convey it to the Chairman of the Board and the appropriate contact at the Company. 3. The Secretary will advise the director of the confidential nature of the information requested and received and of his duty to maintain confidentiality under the terms in the Regulations of the Board. 4. The Chairman may refuse to provide information if he considers (i) that it is not necessary for

the full performance of the duties with which the director is entrusted or (ii) that its cost is not reasonable in view of the importance of the problem and the assets and revenue of the Company.

B.1.43 State and, if appropriate, specify whether the company has established rules that oblige the directors to notify, and if appropriate resign, in cases in which they may damage the credibility and reputation of the company:

YES X NO

Explain the rules
Article 26 of the Regulations of the Board of Directors establishes, among other obligations of directors, that they must notify the Appointments and Remuneration Committee of their other professional obligations, in case they interfere with the dedication required. Article 28 of the same Regulations establishes that directors may not hold office as administrators or executives of companies that compete with the Company, with the exception of the posts they might hold, if applicable, in a company in the group. Likewise, although they may provide professional services to firms that have a corporate object that is totally or partially similar to that of the company, they must previously inform the Board of Directors, which may provide justified refusal to authorise such activities. Article 34.2 of the same Regulations establishes the obligation of directors to inform the Company of posts held on the Board of Directors of other listed companies and, in general, of facts, circumstances or situations that may be relevant to their management activities. Likewise, all directors must inform the Company in cases in which they may damage the credibility and reputation of the company and, in particular, they must inform the Board of criminal cases in which they are charged as accused, as well as the subsequent result of such proceedings. Lastly, that same article establishes that, in the event of a director being prosecuted, or a court order being handed down to take trial proceedings against him for any of the offences stated under Article 124 of the Stock Company Act, the Board shall examine the case as soon as possible and, depending on the specific circumstances, will decide whether or not it is appropriate for the director to remain in office.

B.1.44 State whether any member of the Board of Directors has notified the company that he has been prosecuted or had trial proceedings ordered against him, for any of the offences pursuant to Article 124 of the Stock Company Act:

YES NO X

B.2.1 List all of the committees pertaining to the Board of Directors and their members:

I. EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Type
Mr Eloy Planes Corts	Chairman	Executive director
Mr Oscar Serra Duffo	Member	External directors representing controlling shareholders
Mr Bernardo Corbera Serra	Member	External directors representing controlling shareholders
Bansabadell Inversió Desenvolupament, S.A.U.	Member	External directors representing controlling shareholders
Mr Juan Ignacio Acha-Orbea Echevarría	Member	Independent director
Mr Bernat Garrigós Castro	Non-member secretary	External directors representing

		controlling shareholders

II. AUDIT COMMITTEE

Name	Position	Type
Mr Juan Ignacio Acha-Orbea Echevarría	Chairman	Independent director
Bansabadell Inversió Desenvolupament, S.A.U.	Secretary	External directors representing controlling shareholders
Mr Juan Planes Vila	Member	External directors representing controlling shareholders

III. APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
Mr Richard J. Cathcart	Chairman	Independent director
Mr Bernat Garrigós Castro	Member	External directors representing controlling shareholders
Mr Kam Son Leong	Member	Independent director

B.2.2 State whether the Audit Committee is responsible for carrying out the following:

	Yes	No	Comments
Supervising the drawing up and integrity of the company's and, if applicable, the group's financial statements. Ensuring that regulations are complied with, that the scope of consolidation is abided by and that accounting standards are properly applied.	X		KPMG reviews the December and June closes, and the March and September closes are audited internally.
Regularly reviewing internal control and risk management systems in order to ensure that the main risks are properly identified, managed and made known.	X		The first stage in risk identification has been completed (defined in the Prospectus). There are Committees/Departments that monitor risk and in 2008 it has been decided to continue working on the Risk Policy and on the definition of Systems so that they can be monitored and controlled.
Ensuring that internal auditing systems are objective and efficient. Proposing the selection, appointment, re-election and dismissal of the head of the internal auditing department. Proposing the budget for this department. Receiving regular information about the department's activities. Checking that senior management takes the conclusions and recommendations in reports into account.	X		- Proposed at the first Board meeting after the company was listed. - Regular updates about activities are given (at each Audit Committee meeting). - Monthly meetings are held with the Chairman to inform him of the most significant issues and there is a follow-up process for these meetings.
Establishing and monitoring a system		X	The Corporate Liability Committee has set

whereby employees are able to supply confidential or anonymous information about irregularities that they have detected in the company, which have potentially serious consequences, particularly with regard to financial and accounting practices.			this as a target for 2008, but a final decision is yet to be made. It has been included as an item on the agenda of the next Committee meeting (March 2008).
Presenting the Board with proposals for the selection, appointment, re-election and replacement of the external auditor and suggesting amendments to the auditor's contract.		X	In the 2007 tax year, the external auditor was appointed for one year at the general Shareholders' Meeting held on 01/08/07 as the company was not yet listed.
Receiving regular information from the external auditor about its auditing policy and the results of its application. Checking that senior management takes the auditor's recommendations into account.	X		KPMG supplies regular information about its activities.
Ensuring the objectivity of the external auditor.	X		See answer in B.1.35
Encouraging auditor to take responsibility for all of the audits that are carried out in the companies that make up the group, if applicable.	X		KPMG carries out all of the audits in the group except in the cases of Astral Magyar, Astralpool Hellas and Astral Middle East, which are audited locally.

B.2.3. Describe the rules governing the organisation, functions, and responsibilities of each of the Board committees.

The Board of Directors may appoint one or more Delegate Directors. Moreover, it may delegate, totally or partially, temporarily or permanently, all the powers which are subject to delegation pursuant to Law. In order to be valid, the delegation and appointment of the members of the Board to occupy such posts will require the favourable vote of two thirds of the members of the Board. Such posts will not come into effect until they have been recorded in the Company Registry.

Delegate Committee:

Without prejudice to the delegation of powers in favour of one or more delegate directors and powers of attorney that may be granted to any individual, the Board of Directors, in the same way as described in the point above, may appoint a Delegate Committee that will be made up of five directors. In as far as is possible, the Delegate Committee shall reflect the make-up of the Board in terms of the quality and balance between executive, external directors representing controlling shareholders and independent directors.

Audit Committee:

An Audit Committee has been set up within the Board of Directors. It is made up of a minimum of three directors, non-executives and who are appointed by the Board of Directors.

The Audit Committee will exercise, notwithstanding any other duties it might be assigned by the Board of Directors from time to time, the following basic duties:

- Inform in the General Shareholders' Meeting of matters raised therein by the shareholders in matters that fall within the scope of their responsibility.
- Propose to the Board of Directors the appointment of the external accounts auditors referred to in article 204 of the Spanish Public Limited Liability Companies Act, as well as their contracting conditions, the scope of their professional mandate and, where applicable, their revocation or non-renewal, which shall subsequently be submitted to the General Shareholders' Meeting.

- Supervise the internal auditing systems.
- Review the accounts of the Company, ensure the fulfilment of the legal requirements and the correct application of the generally accepted accounting principles, with the direct collaboration of the external and internal auditors to do so.
- Supervise the policy on control and risk management involved in the achieving of the corporate objectives.
- Be familiar with the processes for financial information, the internal control systems of the Company, verify the suitability and integral nature of the same and review the appointing or replacing of those responsible.
- Take care of and supervise the relationships with the external auditors.
- Supervise compliance with the auditing agreement, 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.
- Examine the fulfilment of the Internal Code of Conduct, of these Regulations and, in general, of the rules of management of the Company, and make the proposals necessary for their improvement.
- Receive information and, where applicable, issue reports on the disciplinary measures which they intend to impose on members of the senior executive team of the Company.

Furthermore, the following corresponds to the Audit Committee:

- In relation to the information and internal control systems:

  (a) Supervise the preparation process and integral nature of the financial information regarding the Company and, where applicable, the group, reviewing the fulfilment of the regulation requisites, the appropriate delimiting of the scope of consolidation of the accounts and the correct application of the accounting criteria.

  (b) Review periodically the internal control and risk management systems, so that the main risks are identified, handled and recognised suitably.

  (c) Ensure the independence and efficacy of the internal auditing function; propose the selection, appointment, re-election and removal of the head of the internal auditing service; propose the budget of the service; receive periodical information on its activities; and verify that the senior executive team takes into account the conclusions and recommendations of their reports.

  (d) Establish and supervise a mechanism which enables the employees to communicate confidentially and, if deemed appropriate, anonymously, any irregularities of potential transcendence, especially financial and accounts information, which they might notice within the Company.

- In relation to the external auditor:

  (a) Raise before the Board the proposals of the selection, appointment, re-election and replacement of the external auditor, as well as the conditions of their contracts.

  (b) Receive regularly from the external auditor information regarding the auditing plan and the results of the execution thereof, and verify that the senior executive team takes into account its recommendations.

  (c) Ensure the independence of the external auditor and, to such end: (i) that the Company informs 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, should these have existed, of their content; (ii) that it is ensured that the Company and the auditor respect prevailing norms on the provision of services other than those on auditing and, in general, all other established norms in order to ensure the independence of the auditors; and (iii) that in the event of the

resignation of the external auditor, that 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 policy and risk management:

(a) Identify the various different types of risk (operational, technological, financial, legal, reputation-related) which the Company faces, including the financial or economic, contingent liabilities and other risks beyond the balance sheet.

(b) Identify the establishing of the level of risk the Company considers acceptable.

(c) Identify the measures envisaged in order to mitigate the impact of the risks identified, should they materialise.

(d) Identify the information and internal control systems to be used to control and manage said risks, including contingent liabilities and other risks beyond the balance sheet.

- In relation to the obligations inherent in listed companies:

Inform the Board of Directors, prior to the latter adopting the corresponding decisions regarding:

(a) The financial information which, due to it being listed, the Company must make public periodically. The Audit Committee must ensure 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 participations 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 connected operations, unless this duty of prior reporting has been attributed to another Committee for supervision and control.

(d) Any operations that involve or may involve conflicts of interest.

The Audit Committee shall be held accountable for its activities and be answerable for its work at the first plenary meeting of the Board of Directors that is held after it has met. The Audit Committee shall likewise keep minutes of its meetings, a copy of which must be sent to all of the members of the Board. The Audit Committee shall draw up an annual report, in which it shall highlight the main incidents that have occurred, if any, in relation to the performance of its normal duties. Furthermore, whenever the Audit Committee deems fit, it shall include proposals in its report to improve the Company's governance regulations. The Audit Committee's report shall be attached to the Company's annual report on corporate governance and shall be made available to shareholders and investors on the Company's website.

Appointments and Remuneration Committee:

An Appointments and Remuneration Committee has also been set up within the Board of Directors. It is made up of a minimum of three external directors, the majority of whom are independent and who are appointed by the Board of Directors.

The Appointments and Remuneration Committee, notwithstanding any other duties which might be assigned to it by the Board of Directors, will carry out the following basic duties:

- Formulate and review the criteria to be followed for the composition of the management team of the Company and its subsidiaries and for the selection of candidates.

- Evaluate the competence, knowledge and experience necessary on the Board, define, as a result, the duties and aptitudes necessary in the candidates to cover each

vacancy, and evaluate the time and dedication needed in order for them to carry out their duties properly.

- Inform, and raise before, the Board of Directors of the appointments and removals of senior executives and managers that the chief executive proposes, in order for the Board to appoint them.
- Inform the Board on matters of gender diversification and qualifications of directors, as set forth in article 6.2 of the Board of Directors' Regulations.
- It will propose to the Board of Directors: (i) the remuneration policy for the directors and senior executives; (ii) the individual remuneration of the senior executives and any other conditions of their agreements; (iii) the contract policies and basic conditions of the senior executives agreements of the Company.
- Examine or organise, so that it is suitably understood, the succession of the Chairman and of the chief executive and, where applicable, make proposals to the Board so that such succession takes place in an orderly, well-planned manner.
- Ensure the observance of the payment policy established by the Company and the transparency of payments.

The Committee must give an account of its activity and be answerable for the work carried out before the first plenary session of the Board of Directors subsequent to its meetings. Furthermore, the Committee must record Minutes of its meetings, of which it will send copies to all members of the Board.

The Committee must consult the Chairman and chief executive of the Company, especially when dealing with matters relating to the executive directors and senior executives.

The Board of Directors must discuss the proposals and reports presented to it by the Committee.

B.2.4. State, if applicable, the advisory powers and, if applicable, powers that have been delegated to each of the committees: SEE THE ABOVE POINT

B.2.5. State, if applicable, whether there are regulations to which the Board's committees are subject, and if so, where they are available for consultation and any amendments made to them during the financial year. Likewise, state whether any non-mandatory annual reports have been issued concerning the activities of each committee.

The Committees are subject to the Regulations for Boards of Directors that are published by the CNMV and that can also be found on the Company's website.

The Company voluntarily compiled two separate annual reports on the Audit Committee and on the Appointments and Remuneration Committee.

B.2.6. State whether the make-up of the executive committee reflects the Board Member's responsibilities according to their posts:

Yes.

C TRANSFER PRICING

C.1 State whether subsequent to a favourable report by the Audit Committee or any other body entrusted to draw one up, the Board reserves the right to approve the transactions that the Company carries out with its directors, significant shareholders or shareholders represented by the Board, or individuals related to them at its plenary sessions:

√□ Yes □ No

C.2 Describe any relevant transactions that entail a transfer of resources or obligations between the Company or its subsidiaries, and the Company's significant shareholders:

Name or company name of the significant shareholder	Name or company name of the company or organisation in the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
Constralsa	Grupo Fluidra	Contractual	Payment of Rent	838
Constralsa	Grupo Fluidra	Contractual	Sale of Fixed Assets	4,850
Iberspa	Grupo Fluidra	Commercial	Purchases	8,623
Iberspa	Grupo Fluidra	Contractual	Other Expenses	750
Iberspa	Grupo Fluidra	Commercial	Sales	798
Interpool Ibérica	Grupo Fluidra	Commercial	Purchases	901
Pf Inmobiliere	Grupo Fluidra	Contractual	Sale of Fixed Assets	1,300

- We reported the transactions with related organisations that were of a significant amount (above 0.1% of the sale of merchandise and finished products: approximately €650,000).
- The sale of fixed assets corresponded to the sale of four properties (three in Spain and one in France) for a sale price of €6,150,000 at market conditions, and for which the Group made a profit of €3,691,000.
- The transaction listed as Other Expenses for a total of €750,000 corresponds to the purchase of part of a transferred business' client portfolio.

C.3 Describe any relevant transactions that entail a transfer of resources or obligations between the Company or its subsidiaries, and the Company's administrators or directors:

Name or company name of the administrators or directors	Name or company name of the company or organisation in the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
Various	Fluidra	Contractual	Board Remuneration	764
Various	Fluidra	Contractual	Delegate Committee Remuneration	72
Various	Fluidra	Contractual	Reembursement Board expenses	23
CEO	Fluidra	Contractual	CEO Remuneration	667

C.4 Describe any relevant transactions that the Company performed with other companies belonging to the group, provided they are not cancelled out in the consolidated financial statements and that they do not form part of the Company's normal scope of business operations:

Company name of the organisation in the group	Brief description of the transaction	Amount (thousands of euros)
-	-	-

C.5 State, if applicable, any circumstances in which company directors were involved that may constitute a conflict of interest, pursuant to the provisions of Article 127.3 of the Limited Companies Act.

□ Yes √□ No

- To be consistent with the information estated in the paragraph C.2 above this paragraph does not report transactions that do not exceed significant amounts (i.e. above 0.1% of the sale of merchandise and finished products: approximately €650,000).

Name or company name of the director	Description of the circumstance of the conflict of interest

Pending the completion of the notification and acknowledgement of receipt process.

C.6 Describe the mechanisms in place to detect, determine and resolve possible conflicts of interest between the Company and/or its group and its directors, managers and significant shareholders.

. In accordance with the provisions in the Regulations of the Board of Directors, members must notify the Board of Directors of any cases of conflict of interest and refrain from attending or intervening in deliberations that affect affairs in which they may have a personal interest.

It is also considered that a director has a personal interest when a matter affects any of the following individuals: spouse or person with whom there is a similar relationship; ascendants, descendents and siblings and their respective spouses or persons with whom there is a similar relationship; and individuals, companies or organisations over which any of the persons mentioned above may have a significant influence.

In the case of directors that are corporate entities, it shall be understood that they are individuals related to the following: shareholders who find themselves in any of the situations described in Article 4 of Act 24/1988 on Stock Markets, of 28 July; de facto or de jure directors, receivers and proxies with general power of attorney for directors who are corporate entities; the companies and their shareholders that belong to the group, as defined in Article 4 of Act 24/1988 on Stock Markets, of 28 July; the individuals that are considered to be related to proxies and directors that are corporate entities. The Directors may not use the Company's name or act in their capacity as Directors to carry out transactions on their own behalf or for related individuals.

Directors may not directly or indirectly carry out professional or trading transactions with the Company unless prior notice has been given of a possible conflict of interest and the Board approves the transaction.

Transactions that are part of the Company's ordinary business and that are of a habitual and recurring nature may be carried out providing the Board of Directors has issued a general authorisation to do so.

In accordance with Article 10 of the Internal Regulations on Conduct, the following is set out with regard to conflicts of interest:

- **Independence**: Liable Persons are to behave at all times with freedom of opinion, with loyalty to the Company and its shareholders and independently of own or outside interests. In consequence, they are to abstain from giving priority to their own interests at the expense of those of the Company or those of certain investors at the expense of others.
- **Abstention**: They are to abstain from intervening in or influencing the taking of decisions that might affect the persons or entities with which there is a conflict and from accessing the Relevant Information that affects said conflict
- **Notification**: Liable Persons are to notify the Company's Legal Director about any possible conflicts of interest in which they find themselves by reason of their activities outside of the Company, their family relationships, their personal wealth or for any other reason, namely with regard to:

(i) The Company or any of the companies that form part of the Aquaria Group.
(ii) Significant suppliers or customers of the Company or of Aquaria Group companies.
(iii) Entities that are in the same type of business or are competitors of the Company or of any of the Aquaria Group companies.
Any doubt as to the possibility of a conflict of interest should be referred to the Company's Legal Director. The final decision will lie with the Audit Committee.
It shall be considered that there is a conflict of interest when the Liable Person is subject to any of the following circumstances with regard to the entities to which this article refers:
(i) She/he is a director or senior manager.
(ii) She/he is an owner of a significant holding (this being understood, for the case of companies listed on any official Spanish or foreign stock market, those referred to in Article 53 of the LMV and in any legislation that expands on this act, and, in the case of non-listed national or foreign companies, any direct or indirect holding that exceeds twenty per cent of its issued share capital).
(iii) She/he is linked by a family relationship up to the second degree by marriage or up to the third degree by blood relationship with their directors, owners of significant holdings in their share capital or senior managers.
(iv) She/he maintains important contractual relationships, whether directly or indirectly.

At the close of every financial year we send a letter to all of the members on the Board of Directors and the Steering Committee, and to the CEO, his spouse and close family in order to ask them about shares, posts or duties that they perform or activities that they carry out in other companies that have the same, similar or complementary corporate object of the Company, or about the shares that they hold in related companies.

Any queries regarding a possible conflict of interest should be addressed to the Company's Director of the Legal Department. Final decisions are made by the Audit Committee.

C.7. Is more than one of the Group's companies listed in Spain?

YES NO X

D RISK CONTROL SYSTEMS

D.1 General description of the risk policy of the company and/or its group. Provide details and assess the risks covered by the system. Justify the adequacy of these systems with regard to the profile of each kind of risk.

In order to prepare the Prospectus, Fluidra performed a process of identification of its most significant risks that might affect the business, the turnover or financial situation of Fluidra and the Fluidra Group. We attach a summary of what these are, how they are evaluated and covered and controlled by the system.

Risk Type	Risk Factor	Supervisory Commission	Risk mitigation control

Listing	Risk factors for the securities offered and/or admitted to trading (volatile listing)	Corporate Financial Management	Monitoring of daily listing and liquidity.
Business	Expansion strategy (Pool and Water): - Water Consolidation - Pool Growth - Growth through Acquisitions	Executive Committee	Monthly monitoring meetings for identifying risks and opportunities and seeking corrective measures to mitigate them, if possible.
Business	Dependence of production centres and logistics centre and difficulties in transferring manufacturing to other centres	Executive Committee	Monthly monitoring meetings identifying risks and seeking corrective measures to mitigate them, if possible, or seeking investment alternatives to double production and distribution. Moreover, maintenance of a minimum safety stock.
Business	Key staff, whose loss might damage the business	General Management, Human Resources Department	Motivation and retention policies for key staff and identification of personnel with potential in the event of replacement.
Business	Goodwill arising from acquisitions (€142.8M)	Financial Department	Monitoring the progress of expected profit against real amounts from acquisitions made by the Fluidra Group.
Business	Foreign exchange rate risks	Financial Department	- Coverage contracts for purchases and currency options (although the risk is not fully neutralised) - Close monitoring of the exchange rate of the € against other currencies.
Business	Protection and breach of industrial and intellectual property rights	General Operations Manager, General Managers of Holding and Legal Department of Fluidra	Close monitoring by the Management and Legal Department that assign the necessary resources to monitor and protect our industrial and intellectual property rights from breach by third parties. If risks are identified, the Legal Department at Fluidra is alerted to defend it against potential conflicts that might arise.
Sector-related	Seasonal and adverse weather conditions	Executive Committee	Continue to encourage business, markets and customers who aid to combat seasonal factors and

			introduce products on the market that decrease the negative effects of adverse weather conditions.
Sector-related	Competition	Executive Committee	Monthly monitoring meetings for identifying risks and seeking corrective measures to mitigate them, if possible.
Sector-related	Investment in technological changes	R&D Department Products Committee	Constant analysis of the market and customer needs to be ready to detect the appearance of new technological products to manufacture them.
Sector-related	Volatile raw materials prices	Executive Committee	Close monitoring by the Management of the price evolution of the main raw materials used by the Group. Seeking alternatives in cases when it is possible to establish agreements with providers to mitigate the potential risk of short-medium-term price variation.
Sector-related	Change in economic cycle (discretional expenses)	Executive Committee	Constant analysis of the market and customer needs to be prepared to combat the appearance of new products and trends. Diversification of products and markets.
Sector-related	General economic conditions of the markets (protection measures, state restrictions, tax withholdings or changes in tax regulations, labour regulations, difficulties in providing staff and management in global operations or changes in political or economic conditions, particularly on emerging markets)	Executive Committee	Close monitoring by the Management of changes in general economic conditions, identifying risk, alerting the Legal Department at Fluidra to defend/solve potential conflicts that might arise.
Sector-related	Guarantees and liability claims	Management Legal Department	Insurance policies have been taken out and resources have been assigned to mitigate this risk. Legal contracting policy of purchases and sales that already contains mitigation of that risk.
Sector-related	Low entry barriers (large consumption pools and	Executive Committee	Monthly monitoring meetings for identifying risks and

	industrial waste water treatment)		seeking corrective measures to mitigate them, if possible
Sector-related	Highly regulated sector	Management Legal Department of Fluidra	Close monitoring by the Management of the environmental and other regulations applicable to the activities carried out by the Fluidra Group and the potential future changes that might arise. Identification of risks and alerting the Legal Department of Fluidra to seek solutions, if possible.
Organisational structure	Existence of a shareholding control core	-	A Shareholders' Agreement exists and has been reported to the CNMV.
Organisational structure	Conflict of interests with majority shareholders	Audit Committee	Annual review of the transactions that have been performed with related companies, which are analysed conceptually by amount.
Organisational structure	Conflict of interests in related-party operations	Audit Committee	Annual review to check that transactions with related companies have been performed at market prices

However, as an objective for 2008, work will continue on the development of a Risk Policy and on the definition of systems for controlling them. Likewise, acceptable risk levels and measures to mitigate riks in the event of their materialising will be established.

D.2 State whether any of the different types of risks have materialised (operational, technological, financial, legal, reputation, tax, etc.) that affect the company and/or its group:

□ Yes √□ No

If affirmative, state the circumstances that have given rise to these and whether the control systems established have worked.

Risk materialised in the financial year	Circumstances that gave rise to it	Operation of the control systems
-	-	-

D.3 State whether there is any committee or other governing body responsible for establishing and monitoring these control devices:

√□ Yes □ No

If affirmative, detail what their duties are.

Name of the Committee or	Description of duties

Body	
Audit Committee	- Review of conditions that apply to Fluidra by related parties to determine whether or not the conditions comply with the arm's length principle.
Body Responsible for the Fulfilment of Regulations	- Fulfilment of regulations on obligations as a listed company. - Risk management related to that listing.

However, as an objective for 2008, work will continue on the development of a Risk Policy and on the definition of systems for controlling them. Likewise, acceptable risk levels and measures to mitigate riks in the event of their materialising will be established.

D.4 Identification and description of the processes to comply with the various regulations that affect the company and/or its group.

On the date of issue of this report, no incidents had been detected and most critical processes had been implemented. Critical processes are understood to mean all those that have a significant bearing on the Company.

The processes are described in detail in the Regulations of the General Shareholders' Meeting, the Regulations of the Board of Directors and the Internal Regulations on Conduct, about which comments have been made in Section B of this report.

GENERAL SHAREHOLDERS MEETING

E.1 State, and if applicable describe, whether the quorum required to hold a General Shareholders' Meeting differs in any way to the provisions set out in the Limited Companies Act (LSA).

YES x NO

	Difference in % of the quorum compared to Art. 102 of the LSA for general budget meetings	Difference in % of the quorum compared to Art. 103 of the LAS for special budget meetings
Quorum required for the 1st call	N/A	N/A
Quorum required for the 2nd call	N/A	N/A

Description of differences
NOT APPLICABLE

E.2 Explain the system for adopting corporate resolutions. Describe any differences with regard to the system provided for in the Limited Companies Act (LSA):

YES **X** NO

Describe how the system differs to that in the LSA.

	Different supermajority to that provided for in Art. 103.2 of the LSA	Other instances of a supermajority
% established by the organisation for adopting agreements		
Describe the differences		

E.3 List any of the shareholders' rights at general meetings that are different to those provided for in the LSA.

N/A

E.4 If applicable, state the measures adopted to encourage shareholders to attend the general meetings.

N/A

E.5 State whether the post of chairman for the General Shareholders' Meeting is held by the Chairman of the Board of Directors. If applicable, provide details about the measures in place to insure the objectivity and smooth running of the General Meeting:

X YES NO

Describe the measures
According to Article 16 of the Regulations of the General Shareholders' Meeting, it shall be chaired by the chairman of the Board of Directors or, in his absence, by the Vice-chairman, and in the absences of both, by a member of the Board of Directors that the General Meeting designates. Measures for guaranteeing the objectivity and smooth running of the General Meeting: The Regulations of the General Shareholders' Meeting were approved at the meeting held on September 5th 2007. A set of measures were included in these regulations to ensure the objectivity and smooth running of General Meetings. These Regulations are available on the Company's website.

E.6 Describe, if any, the amendments made over the year to the regulations that govern General Shareholders' Meetings.

N/A

E.7 Provide attendance figures for the general meetings held over the year to which this report refers:

	Attendance figures				
Date of General Meeting	**% physically present**	**% by proxy**	**% Distance voting**		**Total**
			Electronic votes	**Other**	
12-01-07	100%				
12-04-07	100%				
09-05-07	100%				
30-06-07	100%				
05-09-07	100%				
27-09-07	100%				

N/A

E.8 Give a brief description of the agreements adopted at the general shareholders' meetings held over the year to which this report refers and the percentage of votes cast for the adoption of each vote.

Date of General Meeting	Agreements adopted		% of votes
12-01-07	Stepping down of Director – Appointment of new Director		100%
12-04-07	Distribution of 2006 dividends		100%
09-05-07	Replacement of the Board of Director's Secretary		100%
30-06-07	Approval of accounts for the 2006 financial year		100%
05-09-07	**First.-**	Standardisation of share type to a single class, with the consequent statutory amendment.	100%
	Second.-	Change to the Company's share representation system by making physical certificates book entries with the consequent statutory amendment.	
	Third.-	Amendment of Articles 6, 7 and 8 of the Articles of Association relating to the transfer of shares.	
	Fourth.-	Application for stock market listing and granting of power of attorney to the Board of Directors.	
	Fifth.-	Proposal to draw up a Public Offer of Sale of the Company's shares on behalf of the shareholders through the Board of Directors.	
	Sixth.-	Proposal to grant a green shoe purchase option and, if applicable, securities loans.	
	Seventh.-	Stepping down of current directors, setting the number of members on the Board of Directors and the appointment of new directors.	
	Eighth.-	Definition of the directors' duties.	
	Ninth.-	Change in the Company's name and the consequent amendment to Article 1 of the	

		Articles of Association.	
	Tenth.-	Approval of the amended text of the Articles of Association.	
	Eleventh.-	Approval of the Regulations governing General Shareholders' Meetings.	
	Twelfth.-	Recording of the Board of Director's Regulations.	
	Thirteenth.-	Recording of the Internal Regulations on Conduct practices with regard to the Stock Market.	
	Fourteenth.-	Approval of a share delivery plan and the authorisation to the Board of Directors to make a derivative acquisition of own shares directly or through companies in the group in the performance of the plan.	
	Fifteenth.-	Authorisation to the Board of Directors make a derivative acquisition of own shares to cover the employee tranche.	
	Sixteenth.-	Authorisation to the Board of Directors make a derivative acquisition of own shares to directly or through companies in the group.	
	Seventeenth.-	Granting of powers for the interpretation, performance, notarisation and registration of the above agreements.	
27-09-07	Authorisation to change the company name to Fluidra World Wide Services		100%

E.9 State whether any of the articles of association set out a minimum number of shares as a requirement to attend the General Shareholders' Meeting:

Negative reply

No. of shares required to attend a General Meeting	Minimum of one share

E.10 Describe and justify the policies followed by the Company with regard to voting by proxy at the General Shareholders' Meeting.

All shareholders who are entitled to attend General Meetings may vote by a proxy, who does not necessarily have to be a shareholder, at the General Meetings. Votes cast by proxy must be done so in accordance with the requisites and formalities set out in the law, in Article 29 of the Articles of Association and in Article 12 of the Regulations of the General Shareholders' Meeting.

All votes cast by proxy shall be certified by means of the attendance card or a letter, which in both cases must bear the original signature of the person represented. The document that certifies voting by proxy must contain the following information: the date of the General Meeting and its agenda, the identity of the person represented and the proxy (in the case that no proxy is specified, it shall be understood that voting rights have been granted to either the chairman of the Board of Directors, the managing director or the secretary of the Board of Directors), the number of shares the shareholder has and instructions as to how the proxy should vote for each of the items that are on the agenda.

Should public requests be made to be represented by proxy, in addition to the items mentioned in the paragraph above, the document that designates the proxy must contain an indication as to how the proxy should vote if precise instructions are not provided.

Voting by Proxy may also be granted via the following means of distance communication:

(i) In writing by post, by sending the Company an attendance card and the vote that must have been obtained from and issued by the organisation or organisations responsible for recording the entry of shares in the corresponding register. Such votes must be duly signed and filled out. Other written means may be used that is approved by the Board of Directors, and that prior permission to so has been obtained. If such other means are used, it must be possible to check the identity of the shareholder who votes by proxy in this way.

(ii) By other electronic distance means of communication, providing the electronic document that is used to vote by proxy has an electronic signature that is legally recognised, or any other type of electronic signature that the Board of Directors is willing to accept. Prior permission must have been obtained to vote in this manner as proper guarantees must be ensured on the authenticity and identification of the shareholder who votes by proxy in this way.

Proxy voting that is granted by means of distance communication must reach the Company before midnight on the day prior to which it has been arranged for the first call of the General Shareholders' Meeting to be held.

E. 11 State whether or not the Company is aware any policies of institutional investors to participate or in Company decisions:

Negative reply

E.12 State the address and access route to the contents the corporate governance regulations of your Website.

www.fluidra.com

Go to the SHAREHOLDERS AND INVESTORS section and a CORPORATE GOVERNANCE submenu will appear.

F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of compliance with the recommendations given in the unified code of good governance.

In the event of failure to comply with any such recommendations, explain the recommendations, standards, practices or criteria applied by the company.

1. The articles of association of listed companies should not limit the maximum number of votes that can be issued by the same shareholder or contain other restrictions that prevent the company from being taken over through the purchase of its shares on the market.

See epigraphs: A.9 , B.1.22, B.1.23 and E.1, E.2.

Complies x Explain ☐

2. When the parent company and the subsidiary are listed, they must both publicly define the following in detail:

a) Their respective activity areas and possible business relations between them, as well as those of the listed subsidiary with the other companies in the group;

b) **The mechanisms laid down to solve possible conflicts of interests as they arise.**

See epigraphs: C.4 and C.7

Complies ☐ Complies partially ☐ Explain ☐ Not applicable x

3. Although it is not expressly required in mercantile legislation, they should submit the transactions that involve a modification to the company's structure for approval by the General Shareholders Meeting, especially the following:

a) The change of listed companies into holding companies through "subsidiarisation" or the incorporation into entities dependent on essential activities carried out until then by the company itself, even though the said company maintains full control over them;

b) The acquisition or transfer of essential operating assets when there is an actual modification of the corporate purpose;

c) The transactions whose effect is equivalent to that of the company's liquidation.

Complies x Complies partially ☐ Explain ☐

4. **The detailed proposals of the agreements to be adopted by the General Shareholders Meeting, including the information referred to in recommendation 28, should be published with the publication of the announcement of the call to the meeting.**

Complies x Explain ☐

5. **In the General Shareholders Meeting, the matters that are substantially independent must be voted separately so that shareholders can exercise their voting preferences separately. And the said rule should be applied, in particular:**

a) On the appointment or ratification of the members of the board, which should be voted individually;

b) **In the case of modifications to the articles of association, each article or group of articles that is substantially independent.**

See epigraph: E.8

Complies x Complies partially ☐ Explain ☐

6. The companies should allow the division of the vote so that the financial brokers legitimated as shareholders but acting on behalf of different clients can issue their votes in accordance with the instructions given by the said clients.

See epigraph: E.4

Complies x Explain ☐

7. **The board should carry out its functions on the basis of a unified purpose and independence, giving the same treatment to all the shareholders and following the company's interest, understood as maximising the company's economic value in a sustained manner.**

It should also ensure that, in its relations with the stakeholders, the company observes legislation and regulations; fulfils its duties and contracts in good faith; observes the uses and good practices of the sectors and territories in which it operates; and observes the additional principles of corporate liability it has voluntarily accepted.

Complies x Complies partially ☐ Explain ☐

8. **As the core of its mission, the board should adopt the company's strategy and the organisation required for its implementation, as well as supervising and controlling the management's fulfilment of targets and observance of the company's corporate interest and purpose. Accordingly, in its plenary session, the board reserves the power to adopt the following:**

a) The company's general strategies and policies, in particular:

i) The strategic or business plan, as well as management targets and annual budgets;

ii) The investment and finance policy;

iii) The definition of the structure of the group of companies;

iv) The corporate governance policy;

v) The corporate liability policy;

vi) The salary policy and appraisal of senior management performance;

vii) The risk management and control policy, as well as the regular monitoring of internal information and control systems.

viii) **The dividend policy, as well as the treasury stock policy and, in particular, its limits.**

See epigraphs: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

i) **On the proposal of the company's chief executive, the appointment and removal of senior managers, as well as their severance clauses.**

See epigraph: B.1.14.

ii) The salaries for the members of the board, as well as, in the case of executives, the additional payment for their executive functions and other conditions to be observed in their contracts.

See epigraph: B.1.14.

iii) **The financial information which, due to its status as a listed company, it has to publish on a regular basis.**

iv) The investments or transactions of all kinds which, owing to their high amount or special characteristics, are of a strategic nature, unless their approval corresponds to the General Shareholders Meeting;

v) The creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered as tax havens, as well as whatsoever

other similar transaction or operation which, owing to its complexity, could undermine the group's transparency.

c) **The transactions completed by the company with members of the board, important shareholders or shareholders represented on the board or with related individuals ("related transactions").**

However, this authorisation by the board should not be considered necessary for the related transactions that meet the following three conditions:

1. They are carried out by virtue of contracts whose terms and conditions are standardised and applied generally to many clients;

2. They are carried out at prices or rates generally established by the person acting as the supplier of the good or service in question;

3. Their amount does not exceed 1% of the company's annual revenue.

It is recommended that the board should approve the related transactions after a favourable report has been issued by the Audit Committee or, where applicable, any other party to which that function has been commissioned; and, besides not exercising or delegating their right to vote, the members of the board who are affected should leave the meeting room while the board deliberates and votes on the matter.

It is recommended that it should not be possible to delegate the powers attributed to the board here, except for those mentioned in paragraphs b) and c), which may be adopted in emergencies by the Delegate Commission and subsequently ratified by the board in its plenary session.

See epigraphs: C.1 and C.6

Complies x Complies partially □ Explain □

9. The board should have the necessary size for effective, participatory operation, which means that it should not have fewer than five or more than fifteen members.

See epigraph: B.1.1

Complies x Explain □

10. The external directors representing controlling shareholders and independent directors should represent a broad majority of the Board and the number of executive directors should be the required minimum, taking into account the complexity of the corporate group and the percentage of interest of the executive directors in the company's capital.

See epigraphs: A.2, A.3, B.1.3 and B.1.14.

Complies x Complies partially □ Explain □

11. **If there is an external director who cannot be considered as either an external director representing controlling shareholders or an independent director, the company should explain the said circumstance and his association either with the company or its managers, as well as with its shareholders.**

See epigraph: B.1.3

Complies x Explain □ Not applicable □

12. **Among the external directors, the ratio between the number of external directors representing controlling shareholders and the independent directors should reflect the proportion between the company's share capital represented by the external directors representing controlling shareholders and the rest of the share capital.**

This criterion of strict proportionality could be reduced as the weight of the external directors representing controlling shareholders is greater than that which would correspond to the total percentage of the share capital they represent:

1. In companies with a high level of capitalisation, when the shares that are legally considered as significant are zero or low-level, but where shareholders exist, with blocks of shares of high absolute value.

2. When it is a question of companies in which there is a plurality of shareholders represented on the Board who are not related between them.

See epigraphs: B.1.3 , A.2 and A.3

Complies x Explain □

13. The number of independent directors should represent at least one third of the total number of directors.

See epigraph: B.1.3

Complies x Explain □

14. **The nature of each director must be explained by the Board before the General Shareholders Meeting that is to carry out or ratify his appointment, which should be confirmed or reviewed annually, as appropriate, in the annual report on corporate governance, with prior confirmation by the Appointments Committee. The said report should also explain the reasons why external directors representing controlling shareholders have been appointed at the request of shareholders whose holding is less than 5% of the share capital; and reasons should be given for the rejection, where applicable, of formal requests for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose request external directors representing controlling shareholders have been appointed.**

See epigraphs: B.1.3 and B.1.4

Complies x Complies partially □ Explain □

15. **When the number of female directors is zero or almost zero, the board should explain the reasons and the initiatives adopted to correct the said situation; in particular, the Appointments Committee should ensure that, when new vacancies arise:**

a) The selection process does not involve implicit bias that prevents the selection of female directors

b) The company should deliberately look for and include among potential candidates women that comply with the professional profile being sought.

See epigraphs: B.1.2, B.1.27 and B.2.3.

Complies Complies partially x Explain □ Not applicable □

No gender discrimination practices are carried out. The directors are chosen according to the opportunities that arise among external directors representing controlling shareholders and according to professional experience in the case of independent shareholders. It has been planned to deal with this issue in 2008.

16. **As the person responsible for the effective operation of the Board, the Chairman should ensure that the directors receive sufficient information beforehand; stimulate debate and the active participation of the directors during the board's sessions, safeguarding his free standpoint and opinion; and organise and coordinate with the chairmen of the relevant commissions the regular assessment of the board, as well as that of the CEO or chief executive, where applicable.**

See epigraph: B.1 42

Complies x Complies partially ☐ Explain ☐

17. **When the Chairman of the Board is also the company's chief executive, one of the independent directors should be empowered to request the call to meeting of the Board or the inclusion of new matters on the agenda; coordinate and echo the concerns of the external directors; and direct the Board's assessment of its Chairman.**

See epigraph: B.1.21

Complies ☐ Complies partially ☐ Explain ☐ Not applicable x

18. **The Secretary of the Board should make sure, in particular, that the board's actions:**

a) Comply with the content and spirit of legislation and the corresponding regulations, including those adopted by the regulating bodies;

b) Comply with the company's articles of association and with the regulations of the General Shareholders Meeting, the Board and other company regulations;

c) **Take into account the recommendations on good governance laid down in the unified code accepted by the company.**

And, in order to safeguard the Secretary's independence, impartiality and professionalism, his appointment and removal must be reported by the Appointments Committee and approved by the Board in its plenary session; and the said appointment and dismissal procedure must be laid down in the Board regulations.

See epigraph: B.1.34

Complies x Complies partially ☐ Explain ☐

19. The board should meet as regularly as necessary to carry out its functions effectively, following the schedule of dates and business laid down at the beginning of the year, where each director may propose other business for the agenda not considered initially.

See epigraph: B.1.29

Complies x Complies partially ☐ Explain ☐

20. **The non-attendance of the directors should be reduced to essential cases and quantified in the annual corporate governance report. And if representation is essential, it must be designated with instructions.**

See epigraphs: B.1.28 and B.1.30

Complies x Complies partially □ Explain □

21. When the directors or the Secretary express concern for any proposal or, in the case of the directors, for the company's progress and the said concern is not resolved by the board, it should be recorded in the minutes of the meeting at the request of the person expressing the said concern.

Complies x Complies partially □ Explain □ Not applicable □

22. In its plenary session, the board should assess the following once a year:

a) The quality and efficiency of the board's operations;

b) Based on the report issued by the Appointments Committee, the functions carried out by the Chairman of the Board and the company's chief executive;

c) The running of its Committees, based on the reports they issue.

See epigraph: B.1.19

Complies x Complies partially □ Explain □

23. **All the directors should be able to exercise the right to compile any additional information they consider necessary on business that falls within the remit of the Board. And, unless the articles of association or the regulations of the board lay down otherwise, they should address their requirement to the chairman or secretary of the board.**

See epigraph: B.1.42

Complies x Explain □

24. **All the directors have the right to obtain the advice they need for the fulfilment of their functions from the company. The company should lay down the appropriate ways of exercising this right, which, under special circumstances, could include external advisory services on the company's account.**

See epigraph: B.1.41

Complies x Explain □

25. **The company should establish a guidance programme to provide new directors with rapid and sufficient knowledge of the company, as well as its rules on corporate governance. They should also offer directors programmes for updating their knowledge when circumstances so recommend.**

Complies x Complies partially □ Explain □

26. The company should require the directors to devote the time and effort necessary for carrying out their function effectively and, consequently:

a) The directors should report to the Appointments Committee on their other other professional duties in case they interfere with the required devotion;

b) **The companies should lay down rules on the number of boards on which their directors can sit.**

See epigraphs: B.1.8, B.1.9 and B.1.17

Complies x Complies partially □ Explain □

27. The proposal for the appointment or re-election of directors raised by the Board to the General Shareholders Meeting, as well as their provisional appointment by co-optation, should be approved by the board:

a) **At the proposal of the Appointments Committee, in the case of independent directors.**

b) After a report issued by the Appointments Committee, in the case of the other directors.

See epigraph: B.1.2

Complies x Complies partially □ Explain □

28. The companies should publish the following information about their directors on their website and keep the said information up-to-date:

a) Professional and biographical profile
b) Other boards on which they sit, whether the companies are listed or not;
c) Indication of the category of director to which they belong, where applicable, indicating, in the case of the external directors representing controlling shareholders, the shareholder they represent or with whom they are related.
d) Date of their first appointment as a director of the company, as well as of the subsequent appointments; and
e) The shares they own in the company and the stock options over the said shares.

x Complies □ Explain

29. The independent directors should not remain as such for a continued term of more than 12 years.

See epigraph: B.1.2

Complies x Explain □

30. **The external directors representing controlling shareholders should present their resignation when the shareholder they represent sells all his shares in the company. They should also present their resignation, in the corresponding number, when the said shareholder lowers his shares in the company to a level that requires a reduction in the number of his external directors representing controlling shareholders.**

See epigraphs: A.2, A.3 and B.1.2

Complies x Complies partially □ Explain □

31. **The Board of Directors should not propose the removal of any independent director before the fulfilment of the statutory term for which he has been appointed, except when there is just cause, understood as such by the Board after a report issued by the Appointments Committee. In particular, just cause shall be understood as applicable when the director is in breach of the duties inherent to his post or has entered into any of the circumstances laid down in epigraph 5 of section III on definitions in this code.**

The removal of independent directors resulting from takeover bids, mergers or other similar corporate transactions that represent a change to the company's share capital structure

could be proposed when the said changes to the structure of the board are brought about by the criterion of proportionality indicated in Recommendation 12.

See epigraphs: B.1.2, B.1.5 and B.1.26

Complies x Explain □

32. **The company should establish rules that oblige the directors to report and, where applicable, resign in cases that can damage the company's reputation and credit and, in particular, oblige them to inform the board of the criminal cases in which they appear as an accused party, as well as their subsequent procedural events.**

If a director is tried or a sentence is issued against him for the commencement of a hearing for any of the crimes laid down in article 124 of the Spanish Public Limited Companies Act, the Board should examine the case as soon as possible and, in view of the specific circumstances, decide whether or not it is fitting for the director to continue in his post. And, the Board should give a reasoned account of all the events in the Annual Corporate Governance report.

See epigraphs: B.1.43, B.1.44

Complies x Complies partially □ Explain □

33. **All the directors should clearly express their opposition when they consider that any proposed decision submitted to the Board may be contrary to the company's interests. And this should apply especially to the independent directors and other directors not affected by the potential conflict of interest in the case of decisions that may damage the shareholders not represented on the Board.**

When the Board adopts significant or reiterated decisions on which the director has formulated serious reservations, the said director should draw the corresponding conclusions and, if he decides to resign, explain the reasons in the letter referred to in the following recommendation.

The scope of this recommendation also includes the Secretary of the Board, even though he does not have the status of director.

Complies x Complies partially □ Explain □ Not applicable □

34. **When, either due to resignation or any other reason, a director abandons his post before the end of his mandate, he should explain the reasons in a letter sent to all the members of the Board. And, without prejudice to the said resignation being notified as a relevant event, the reason for the resignation should be accounted for in the Annual Corporate Governance report.**

See epigraph: B.1.5

Complies □ Complies partially X Explain □ Not applicable □

According to internal standards, there is no obligation to include the reason for the resignation in the Annual Report.

35. The salary policy approved by the Board should indicate at least the following:

a) The amount of the fixed components, with a breakdown, where applicable, of the expenses for participation in the board and its commissions and an estimate of the annual fixed salary resulting therefrom;

b) Variable salary concepts, including, in particular:

i) Classes of directors to which they are applied, as well as an explanation of the relative importance of the variable salary concepts with regard to the fixed salary concepts.

ii) Results assessment criteria on which any right to payment in shares, stock options or any variable component is based;

iii) Fundamental parameters and basis of any annual premium system (bonus) or other benefits not paid in cash; and

iv) An estimate of the absolute amount of the variable salary payments arising from the proposed salary plan in accordance with the level of fulfilment of the hypotheses or objectives taken as reference.

c) Main characteristics of the company pension plans (e.g. top-up schemes, life insurance policies and similar), with an estimate of their amount or equivalent annual cost.

d) Conditions to be observed in the contracts of those who exercise senior management functions as executive directors including:

i) Term;

ii) Terms of notice; and

iii) Any other clauses related to contracting premiums, such as severance payments or golden parachutes for early termination or cancellation of the contractual relations between the company and the executive director.

See epigraph: B.1.15

Complies x Complies partially □ Explain □

36. The payments made through shares in the company or companies in the group, stock options or instruments referenced to the value of the share, variable payments associated with the company's performance or company pension plans should be limited to the executive directors.

This recommendation will not cover the provision of shares when it is conditioned to the directors maintaining them until their resignation as a director.

See epigraphs: A.3, B.1.3

Complies x Explain □

37. **The salary payments of the external directors must be the amount necessary for compensating the devotion, qualification and responsibility required by the post; but not so high as to compromise their independence.**

Complies x Explain □

38. **The salary payments related to the company's results should take into account the possible exceptions included in the external auditor's report, which may reduce the said results.**

Complies □ Explain □ Not applicable X

39. In the case of variable salary payments, the salary policies should incorporate the necessary technical precautionary measures to ensure that the said salary payments are related to the professional devotion of the beneficiaries and do not result simply from the general evolution of the markets or the company's activity sector or other similar circumstances.

Complies ☐ Explain ☐ Not applicable X

40. **The Board should submit a report on the directors' salary policy to vote at the General Shareholders Meeting, as a separate, consultative matter on the agenda. The said report should be made available to the shareholders either separately or in any other way the company considers appropriate.**

The said report should focus particularly on the salary policy approved by the Board for the present year, as well as, where applicable, the policies anticipated for future years. It shall include all the matters referred to in Recommendation 35, except for circumstances that may suppose the revelation of sensitive commercial information. It shall underline the most significant changes in the said policies with regard to that applied during the past year to which the General Shareholders Meeting refers. It shall also include an overall summary of how the salary policy was applied during the past year.

The Board should also report on the role played by the Remunerations Committee in the preparation of the salary policy and, if external consultancy services are used, on the identity of the external consultants providing the service.

See epigraph: B.1.16

Complies ☐ Complies partially ☐ Explain X

Not applicable last year. Applicable this year.

41. **The Report should give details of the individual salaries paid to directors during the year and include:**

a) The individualised breakdown of the salary of each director, which shall include, where applicable:

i) The allowances for attendance or other fixed payments as a director;

ii) The additional remuneration as chairman or member of one of the board's committees;

iii) Any payments for profit sharing or premiums and the reason why they were made;

iv) Contributions in the director's favour to fixed-contribution pension schemes; or the increase of the director's consolidated rights in the case of contributions to fixed-benefit plans;

v) Any severance payments agreed or paid in the case of the termination of his functions;

vi) The payments received as a director of other companies in the group;

vii) Payments for carrying out the senior-management functions of the executive directors;

viii) Any other salary concepts other than the above, regardless of their nature or the entity of the group making the payment, especially when they are considered as related transactions or their omission distorts the fair view of the total salary payments received by the director.

b) The individualised breakdown of the shares, stock options or any other instrument referenced to the value of the share eventually awarded to directors, with details on the following:

i) Number of shares or options awarded during the year and the terms and conditions of their exercise;

ii) Number of options exercised during the year, indicating the number of shares affected and the price of the exercise;

iii) Number of pending options at the end of the year, indicating their price, date and other exercise requirements;

iv) Whatsoever modification during the year to the conditions for exercising the options already awarded.

c) Information about the ratio during the said past year between the salary obtained by the executive directors and the results or other measurements of the company's performance.

Complies ☐ Complies partially ☐ Explain X

Not applicable last year. Applicable this year.

42. When there is a Delegate or Executive Committee (hereinafter called "Delegate Committee"), the participation structure of the various categories of directors should be similar to that of the Board itself and its secretary should be the Secretary of the Board.

See epigraphs: B.2.1 and B.2.6

Complies x Complies partially ☐ Explain ☐ Not applicable ☐

The Vice-secretary of the Board performs the duties of Secretary on the Delegate Committee.

43. The Board should always be aware of the matters dealt with and the decisions adopted by the Delegate Committee and all the members of the Board should receive a copy of the minutes of the meetings of the Delegate Committee.

Complies x Explain ☐ Not applicable ☐

44. **The Board of Directors should constitute not only the Audit Committee required by the Stock Exchange Act, but also one or two separate Committees: the Appointments Committee and the Remuneration Committee.**

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remuneration Committee or Committees should be recorded in the regulations of the Board and include the following:

a) The board should appoint the members of these Committees, bearing in mind the know-how, skills and experience of the directors and the missions of each Committee; it should deliberate on its proposals and report; and it should report on its activities and

respond for the work carried out during the first plenary session of the Board after its meetings.

b) The said Committees should be made up exclusively of a minimum of three external directors. The above is understood as without prejudice to the attendance of executive directors or senior managers when so agreed expressly by the members of the Committee.

Their Chairmen should be independent directors.

d) They should be able to seek external consultancy services when they consider it necessary for their functions.

e) Minutes should be recorded of their meetings and a copy of the said minutes should be sent to all the members of the Board.

See epigraphs: B.2.1 and B.2.3

Complies x Complies partially □ Explain □

45. The supervision of compliance with the internal code of conduct and the rules of corporate governance should be the responsibility of the Audit Committee, the Appointments Committee or, if they exist separately, the Corporate Governance or Fulfilment Committees.

x Complies □ Explain

46. The members of the Audit Committee and, in particular, its chairman should be appointed on the basis of their know-how and experience in bookkeeping, audits and risk management.

x Complies □ Explain

47. The listed companies should have an internal audit function which, under the supervision of the Audit Committee, should monitor the correct functioning of the internal control and information systems.

xComplies □ Explain

48. The person responsible for the internal audit function should present his annual work plan to the Audit Committee; he should inform it directly of the incidents occurring during its development; and, at the end of each year, submit an activities report.

x Complies □ Complies partially □ Explain

49. The risk management and control policies should identify at least:
a) The different types of risk (operative, technological, financial, legal, reputational, etc.) facing the company, where the financial or economic risks should include the contingent liabilities and other off-balance-sheet risks.
b) The level of risk considered acceptable by the company;
c) The measures laid down to reduce the impact of the risks that are identified should they occur;
d) The internal control and information systems that will be used to control and process the said risks, including the contingent liabilities or off-balance-sheet risks.

See epigraph: D

□ Complies x Complies partially □ Explain

During the year, the risks affecting the company's business, sector and organisational structure have been identified. Furthermore, different Committees have been identified to ensure the monitoring of the risks and report on the materialisation of any risk and find corrective measures for the causes generating the said risks.

However, as a goal for 2008, work is to continue on the development of a risk plan and the definition of systems for controlling risks, establishing the acceptable risk level and the measures considered for their reduction should they materialise.

5. The Audit Committee should be responsible for the following:

1. In relation to the internal control and information systems:
a) Supervising the preparation process and integrity of the financial information related to the company and, where applicable, the group, reviewing compliance with the standard requirements, the appropriate definition of the consolidation perimeter and the correct application of the bookkeeping criteria.
b) Regularly reviewing the internal control and risk management systems so that the main risks can be identified, processed and appropriately publicised.
c) Ensuring the independence and effectiveness of the function of the internal audit; proposing the selection, appointment, re-election and dismissal of the person responsible for the internal audit service; proposing the budget of the service; receiving regular information on its activities; and ensuring that senior management takes into account the conclusions and recommendations put forward in its report.
d) Setting up and supervising a mechanism that enables employees to communicate any significant irregularities, especially those related to finance and bookkeeping, and to do so in a confidential manner.
2. In relation to the external auditor:
a) Raising the selection, appointment, re-election and substitution proposals concerning the external auditor to the Board, as well as the terms and conditions of his contract.
b) Regularly receiving information from the external auditor on the audit plan and the results of its implementation and ensuring that senior management takes into account the corresponding recommendations.
c) Guaranteeing the independence of the external auditor and, accordingly:
i) The company should report the change of auditor to the Spanish National Securities Market Commission as a relevant event and accompany the said report with the declaration on the existence of disagreements with the departing auditor and, where applicable, the corresponding content.
ii) It should be ensured that the company and the auditor observe current standards on the provision of services other than auditing services, the limits to the auditor's business concentration and, in general, the other standards established to guarantee the independence of auditors;
iii) In the case of the resignation of the external auditor, it should examine the circumstances leading to the said resignation.
d) In the case of groups, it should favour the group's auditor assuming the responsibility for the audits of the companies in the group.
See epigraphs: B.1.35, B.2.2, B.2.3 and D.3

□ Complies x Complies partially □ Explain

The points which, during the year 2007, could not be implemented and which will be corrected during 2008 are as follows:

- The Remuneration and Appointments Committee is in the process of setting up a mechanism to enable employees to serve confidential notice of any irregularity they may discover; and
- For the year 2007, the external auditor was appointed for the duration of one year by virtue of the agreement adopted by the General Shareholders Meeting on 01/08/07 owing to the fact that it was not a listed company. With regard to 2008, information shall also be provided on the

selection, appointment, re-election and substitution proposals concerning the external auditor, as well as the terms and conditions of his contract.

51. The Audit Committee should be able to call any of the company's employee or manager and also have them appear without the presence of any other manager.

x Complies □ Explain

52. The Audit Committee should report to the Board before the Board adopts the corresponding decisions on the following matters indicated in Recommendation 8:

a) The financial information which, due to its status as a listed company, must be published by the company on a regular basis. The committee should ensure that the interim accounts are prepared under the same bookkeeping criteria as the annual accounts and, accordingly, consider the appropriateness of a limited review by the external auditor.
b) The creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered as tax havens, as well as whatsoever other similar transaction or operation which, owing to its complexity, could undermine the group's transparency.
c) The related transactions, unless the preliminary report function has been attributed to another control and supervision Committee.
See epigraphs: B.2.2 and B.2.3

x Complies □ Complies partially □ Explain

53. The Board of Directors should seek to present the accounts to the General Shareholders Meeting without any reservations or qualifications in the audit report and, in whatsoever exceptional case, both the Chairman of the Audit Committee and the auditors should clearly explain to the shareholders the content and scope of the said reservations or qualifications.
See epigraph: B.1.38

x Complies □ Complies partially □ Explain

Historically, we have had consolidated audit reports without reservations or qualifications. The external auditors stand before the Audit Committee before the presentation of the Annual Accounts to the Board of Directors to explain the conclusions drawn from their audit.

54. Most of the members of the Appointments Committee (or the Appointments and Remuneration Committee, if there is only one Committee) should be independent directors.

See epigraph: B.2.1

Complies x Explain □ Not applicable □

55. Besides the functions indicated in the above recommendations, the following responsibilities should correspond to the Appointments Committee:

a) Assessing the skills, know-how and experience required of the Board and, consequently, defining the functions and skills required of the candidates to cover each vacancy; and assessing the time and devotion necessary for them to carry out their task correctly.

b) Examining or organising, as considered appropriate, the succession of the Chairman and the chief executive and, where applicable, making proposals to the Board so that the said succession occurs in an orderly and well-planned manner.

c) Reporting the appointments and resignations of senior executives as proposed to the Board by the chief executive.

d) Reporting to the Board on matters of gender diversity as per Recommendation 14 of this code.

See epigraph: B.2.3

Complies x Complies partially ☐ Explain ☐ Not applicable ☐

56. **The Appointments Committee should consult the company's Chairman and chief executive, especially with regard to business concerning the executive directors.**

And any director should be able to ask the Appointments Committee to consider potential candidates for the vacancy of director if they consider them to be ideal.

Complies x Complies partially ☐ Explain ☐ Not applicable ☐

57. **Besides the functions indicated in the above recommendations, the following responsibilities should correspond to the Remuneration Committee:**

a) Proposing to the Board of Directors:

i) The salary policy for directors and senior managers;

ii) The individual salaries of the executive directors and the other terms and conditions of their contracts.

iii) The basic terms and conditions of the senior managers' contracts.

b) Ensuring the observance of the salary policy laid down by the company.

See epigraphs: B.1.14, B.2.3

Complies x Complies partially ☐ Explain ☐ Not applicable ☐

58. **The Remuneration Committee should consult the company's Chairman and chief executive, especially with regard to business concerning the executive directors.**

Complies x Explains ☐ Not applicable ☐

G. OTHER INFORMATION OF INTEREST

If you consider that there is any important principle or aspect regarding the corporate governance practices applied by your company which have not been covered in this report, please explain below.

Negative reply.

More specifically, indicate whether your company is subject to any corporate governance legislation other than Spanish law, and if so, include any information that is mandatory and different from that requested herein.

Negative reply.

Binding definition of independent director:

Indicate whether or not any of the independent directors has or has had any relationship with the company, its significant shareholders or managers which, if sufficiently significant or important, would have meant that the director could not be considered as independent in accordance with the definition laid down in section 5 of the unified code of good governance:

Negative reply.

This Annual Report was approved at the meeting held on March 25th 2008 by the Board of Directors.