



AUDIT COMMITTEE REPORT ON INDEPENDENCE OF THE AUDITOR AND ADDITIONAL SERVICES

1. Introduction

In compliance with the provisions of article 529m 4 f) of the Redrafted Text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July (as amended by Law 31/2014 of 3 December) and in accordance with article 13 of the Regulations of the Board of Directors of Fluidra, S.A. ('the **Company**'), the Audit Committee ('the **Committee**') shall issue, prior to issuing the account audit report, an annual report expressing its opinion on the independent nature of the account auditors or auditing companies, including, in all cases, statements on additional services rendered.

This report complies with this obligation.

2. Basis for the report

The Committee bases its report on the following background and information:

- (i) With the aim of guaranteeing the independence of the external auditor, the Committee has monitored both the Company and the external auditor throughout the 2017 financial year to ensure that they complied with current regulations on the provision of non-account audit services.
- (ii) For the purposes of complying with one of its own responsibilities, the Committee requested that the auditor provide them with information on any matter that may, in his opinion, put the auditor's independence at risk. It requested information on any non-account audit work the auditor had carried out for the Company, on the total fees for all items - including these additional services - and on the procedures, systems and mechanisms that the auditors use to guarantee compliance with regulations in this respect. In all cases, the information referred to the audit Company itself, as well as to the individual members of the audit team so that the independence of the auditor could be thoroughly assessed.
- (iii) The external auditor attended the Committee Meeting held on 26th February 2018 in order to:
 - point out the conclusions drawn from the work carried out on the reviewed financial statements and the auditor's opinion on the individual and consolidated financial statements for the Fluidra Group at 31st December 2017;

- present the Committee with a list of work commissioned and that verifies that no work other than audit or audit-related work has been carried out. The total fees contracted or accrued amount to 949,775 euros. Additional information related to these additional services is attached as **Annex I**;
- present the auditor's letter confirming its independence to the Company. The letter (attached as **Annex II**) is signed by Alfredo Eguiagaray (Partner at EY) and was issued in accordance with the provisions of Law 22/2015 of 20 July on Accounts Auditing ('**Law on Accounts Auditing**')

The aforementioned declaration of independence also states that the auditor was not involved in any situation of conflict of interest as listed in the Law during the 2017 financial year.

(iv) In addition to the above, the Committee has verified:

- the auditor's business concentration levels as established by the Law on Accounts Auditing. In this case, the total amount of 949,775 euros invoiced by the external auditor during the 2017 financial year does not represent a significant percentage of the account auditor's total annual income;
- that the rotation obligation of the audit partner signing the financial statements does not apply.

3. Conclusions

Based on the above, the Committee hereby reasonably concludes the following:

- (v) During his work in the 2017 financial year, the auditor fully complied with the applicable regulations on independence established in current auditing regulations.
- (vi) In relation to the work carried out as part of additional services provided during the financial year in question:
 - (a) it is understood that, in accordance with the Law on Auditing, this did not generate any situations of conflict of interest;

- (b) in accordance with the Law on Auditing, it does not represent a significant percentage of the aforementioned account auditor's total annual income; and
 - (c) the fees have been reasonably justified and they are not understood to exceed reasonable market prices.
- (vii) The rotation obligation of the audit partner signing the financial statements is not applicable at the current time.
- (viii) There are no aspects that can reasonably be believed to contravene accounts auditing regulations in terms of the auditor's independence or the rendering of non-audit services.

Annex I

Non-audit services provided to the Company

In 2017, the external auditors and the firm's international associated companies provided the following non-auditing services:

- (i) In Spain, 'assurance' services that consisted of performing agreed procedures in relation to the information prepared by Fluidra Group companies on the calculations prepared in order to justify compliance with financial ratios as per the COFIDES, S.A. syndicated financing agreement.
- (ii) In Spain, a review and evaluation of the content of section F of the Annual Corporate Governance Report (FIICS).
- (iii) In Spain, a report on the agreed procedures for the Annual Packaging Declaration.
- (iv) In Spain, assurance services that consisted of completing agreed procedures relating to the information gathered by Fluidra Group companies on calculating a royalty.
- (v) In Spain, a special report on compiling the pro forma financial information included in the equivalent document.
- (vi) In Israel, an audit on validating calculation of the financial year's corporation tax.

The fees paid to EY, a global organisation, for the different services provided to Group Companies in 2017 included the following concepts:

Audits.....	EUR 716,275
Audit-related services.....	EUR 233,500
Total.....	EUR 949,775

Appendix II

**Auditor's letter (document
attached)**



Building a better
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26th February 2018

To the attention of the Fluidra, S.A. Audit Committee

Dear Sirs,

With reference to the individual and consolidated annual accounts for Fluidra, S.A. (henceforth, the Company) for the financial year ending 31st December 2017, and in compliance with the provisions of International Standard on Auditing (ISA) 260 (Redrafted) 'Contact with those charged with governance' for the auditors of Public Interest Entities (PIEs), as defined in Article 15 of Royal Decree 1517/2001 of 31 October (revised by Royal Decree 877/2015 of 2 October) approving the Regulations included in the Redrafted Text of the Law on Account Auditing, as well as the provisions of section 4 of article 529m of the Redrafted Text the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July (modified by the fourth final provision of Law 22/2015 of 20 July on Account Auditors) regarding the roles of the Audit Committee, we advise you of the following:

- (a) The team responsible for the audit, the account auditor or the auditing Company and, where applicable, other people who are part of the auditing firm and, where applicable, other firms within the network and any other applicable extensions, have complied with applicable independence requirements in compliance with the provisions of Law 22/2015 of 20 July on Accounts Audits and EU Regulation 537/2014 of 16 April.
- (b) With the aim of facilitating evaluation within the framework of our independence, the fees charged to the Company and any related companies with a control relationship during the period covered by the annual accounts, the auditing services and other non-auditing services provided by Ernst & Young, S.L. and other firms in its network are indicated below:

Services rendered	Fees (thousands of euros)	
	<u>Company*</u>	<u>Related Companies</u>
Audit services	152,500	563,775
Other audit-related services	227,500**	6,000**
• Total for audit and audit-related services	380,000	569,775
• Total fees	380,000	<u>569,775</u>

* Fees for services provided with reference to the Fluidra, S.A. individual and consolidated annual accounts audit.

** This includes mainly the following services: a report on the review and evaluation of the content of section F of the Financial Information Internal Control System (FIICS), a special report on compilation of pro forma financial information included in the equivalent document, reports on agreed procedures and a report on the validation of the financial year's corporation tax in Israel.



- (c) The Company has internal policies and procedures designed to provide reasonable assurance that the audit Company and its personnel and, where applicable, other people subject to independence requirements (including network Company personnel) remain independent when required by applicable regulations. These procedures include those aimed at identifying and evaluating risks that may arise from circumstances linked to audited entities, including those that may generate reasons for incompatibility and/or those that may require safeguard measures needed in order to reduce the risks to an appropriately low level.

As such, in our professional opinion and with reference to the aforementioned audit, no circumstances that independently or jointly pose a significant risk to our independence and, therefore, require safeguard measures, or circumstances that may cause incompatibilities, have been identified.

This information is issued for informative purposes and for the use of the Company's Audit Committee only. It may be neither distributed nor used for any other purpose.

Yours faithfully,

ERNST & YOUNG, S. L.

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Alfredo Equiagaray

