

**REPORT PREPARED BY THE BOARD OF DIRECTORS OF
FLUIDRA, S.A. IN RELATION TO THE PROPOSAL FOR AUTHORIZATION
OF THE BOARD OF DIRECTORS TO ISSUE THE CONVERTIBLE AND/OR
EXCHANGEABLE SECURITIES REFERRED TO IN ITEM EIGHT OF THE
AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING CALLED ON
MAY 3, 2017, IN FIRST AND ONLY CALL**

in Sabadell, on March 30, 2017

1. Introduction

The purpose of this report is to justify the proposal for authorization of the Board of Directors, with powers of delegation, to (i) issue securities (including, in particular, debt securities, bonds and warrants) exchangeable for or with the right to acquire issued shares in the Company or in other companies, and/or convertible in or with the right to subscribe newly issued shares in the Company, pursuant to the general regime on the issue of debt securities, (ii) increase the capital by the amount necessary, and (iii) to exclude the pre-emptive subscription right, in accordance with articles 286, 297 and 511 of the Corporate Enterprises Law, and article 319 of the Companies Registry Regulations, the approval of which is submitted to the Shareholders' Meeting of FLUIDRA, S.A. (the "**Company**") in item eight on its agenda, all in accordance with the aforementioned Corporate Enterprises Law.

2. Justification of the proposal

a) With regard to the securities issue

The Board of Directors considers it highly advisable to use the delegated powers provided by legislation in force in order to be in a position at all time to raise, in the primary securities markets, the funds necessary to adequately manage the corporate interests.

The purpose of the delegation is to provide the Company's management body with the ability to act, as required by its competitive environment in which, frequently, the success of a strategic initiative or of a financial transaction or the possibility of raising financial resources depends on the ability to perform it quickly, without the delays and costs inevitably entailed by calling and holding a Shareholders' Meeting. Thus, the Company's Board of Directors will be authorized to obtain, when necessary, the level of resources necessary in a reduced period of time.

The issuance of convertible and/or exchangeable securities is one of the instruments available for financing companies through the raising of external resources. These securities have, on the one hand, the advantage of offering the investor the possibility of transforming its credits against the Company into shares, obtaining a potential return higher than the offered by other debt instruments, and on the other hand, they can permit the Company to increase its equity. These characteristics mean that the coupon of convertible and/or exchangeable debt securities is usually lower than the cost of nonconvertible fixed-income securities and bank debt, because the interest rate on the debt securities reflects the value of the investor's option to convert them into shares in the Company.

With that aim, pursuant to legislation in force, the proposed resolution is included on the agenda for approval by the Shareholders' Meeting. In the case of warrants, it is specifically established that the provisions of the law and treaties on convertible and/or

exchangeable debt securities shall apply, to the extent those provisions are compatible with the nature thereof.

The proposal specifically attributes to the Board of Directors the power to issue, in one or more transactions, convertible and/or exchangeable securities (including debt securities and bonds) and warrants which give the right to subscribe newly issued shares in the Company or to acquire issued shares in the Company or in other companies, and to decide, where appropriate, to increase the capital stock as necessary to cover the conversion or the exercise of the subscription right, provided this increase does not exceed the unused limit authorized at any given time by the Shareholders' Meeting pursuant to article 297.1.b) of the Corporate Enterprises Law.

In this respect, article 510 of the Corporate Enterprises Law establishes that the limit on the issue of debt securities established in article 405 of that Law does not apply to listed corporations. For this reason, the proposed resolution sets at Euro two hundred million (200,000,000 €) (or the equivalent in another currency) the maximum amount of issue for which authorization is requested. In order to calculate that limit, in the case of warrants, regard shall be had to the sum of additional paid-in capital and to the exercise prices of the warrants in the issues executed pursuant to this authorization.

The proposed resolution that is submitted for the approval of the Shareholders' Meeting also establishes the criteria for determining the bases and forms of conversion and/or exchange, although if the Board of Directors decides to make use of the authorization granted, it has the power to specify some of those bases and forms for each issue, within the limits and pursuant to the criteria established by the Shareholders' Meeting. Thus, the Board of Directors shall determine the specific conversion ratio and, for that purpose, when approving an issue of convertible and/or exchangeable securities subject to delegation under the authorization granted by the Shareholders' Meeting, it shall submit a report detailing the specific bases and forms of the conversion applicable to that issue, which shall also be the subject of the correlative auditor's report to which articles 414 and 511 of the Corporate Enterprises Law refer.

Specifically, the proposed resolution that is submitted to the approval of the Shareholders' Meeting provides that the securities issued pursuant thereto shall be valued at their nominal value (which may include outstanding interest accrued) and the shares at the fixed (determined or determinable) or variable exchange rate determined in the relevant resolution of the Board of Directors.

On this basis, the Board of Directors considers that it is granted a sufficient margin of flexibility to establish the value of the shares for purposes of the conversion according to market conditions and other applicable considerations.

In the case of warrants on newly issued shares, the rules on convertible debt securities stipulated in the proposal shall apply to the extent they are compatible with the nature of the warrants.

Moreover, as follows from article 415.2 of the Corporate Enterprises Law, the resolution to delegate to the Board of Directors the power to issue convertible securities establishes, for the purpose of their conversion, that the nominal value of the debt securities must not be below the nominal value of the shares, nor can the convertible debt securities be issued for a figure below their nominal value.

It is also stipulated that the securities issued pursuant to this delegation can be admitted to listing on the appropriate secondary market, whether official or unofficial, organized or otherwise, national or foreign.

Furthermore, at times it may be advisable to carry out securities issues pursuant to this proposal through a subsidiary, with the Company's guarantee. Consequently, it is considered of interest for the Shareholders' Meeting to authorize the Board of Directors to guarantee, in the Company's name, within the aforementioned limits, the issues of convertible and/or exchangeable securities or warrants, during the period of validity of the resolution, carried out by the subsidiaries, in order to give the Board of Directors the utmost flexibility to structure securities issues in the most appropriate manner in view of the circumstances.

All of the powers attributed to the Board of Directors in the event this resolution is approved shall be granted with express power of delegation, so as to favor even more the aim pursued of giving the greatest flexibility possible to the envisaged transactions.

b) With respect to the disapplication of the preferred subscription right

The Board of Directors considers that this power to exclude the pre-emptive subscription right, which supplements the right to issue convertible and/or exchangeable securities, is justified for several reasons.

Firstly, the Board of Directors considers that the disapplication of the pre-emptive subscription right normally permits a reduction in the financial cost and the costs associated to the transaction (especially including the fees of financial institutions that participate in the issue) in comparison to a securities issue with pre-emptive subscription right.

Secondly, with the power to exclude the pre-emptive subscription right, the directors are in a position to considerably increase the speed to act and respond required at times by current financial markets, permitting the Company to take advantage of moments when market conditions are most favorable.

Moreover, the suppression of the pre-emptive subscription right has a lower impact on the listing of the Company's shares during the issue period, which is usually shorter than in an issue with rights.

In short, the characteristics of financial markets and the speed and agility seen in them requires the Board of Directors to have flexible and appropriate instruments to adequately respond to the requirements of the corporate interest at any given time, and

this strategy should include that delegation to the Board of Directors to exclude the pre-emptive subscription right as appropriate.

In any case, according to article 511 of the Corporate Enterprises Law, if the Board of Directors decides to suppress the pre-emptive subscription right of the shareholders in any or all of the share issues potentially carried out under that delegation, it shall, at the time of adoption of the relevant resolution to issue shares, submit a report specifying the exact reasons of corporate interest which justify that measure, which shall be the subject of the correlative report by an auditor appointed by the Companies Registry, different from the Company's auditor, to which article 417 of the Corporate Enterprises Law refers. Those reports shall be made available to the shareholders and communicated at the first Shareholders' Meeting held after the resolution to issue the securities.

3. Proposed resolution of the Shareholders' Meeting

There follows a literal transcription of the full wording of the proposed resolution that is submitted for the approval of the Ordinary Shareholders' Meeting in relation to item eight on the agenda:

"Item Eight:

Authorization of the Board of Directors, with powers of delegation, for a maximum period of five years, to issue securities (including, in particular, debt securities, bonds and warrants) exchangeable for or with the right to acquire issued shares in the Company or in other companies, and/or convertible into or with a right to subscribe newly issued shares in the Company, up to a maximum of Euro two hundred million (200,000,000 €) or its equivalent in any other currency, and to guarantee issues of such securities made by other group companies. To establish the criteria to determine the basis and methods of conversion and/or exchange. Conferral on the Board of Directors of the power to increase the capital in the amount necessary and also to exclude the pre-emptive subscription right in the issue of such securities.

Proposed resolution

To authorize the Board of Directors, pursuant to the general provisions on the issue of debt securities and in accordance with articles 286, 297 and 511 of the Corporate Enterprises Law and article 319 of the Companies Registry Regulations, to issue securities according to the following terms:

1. *Securities subject to the authorization.- The securities to which this authorization refers are any kind of securities (including, in particular, debt securities, bonds and warrants) exchangeable for or with the right to acquire*

issued shares in the Company or in other group companies, and/or convertible into or with the right to subscribe newly issued shares in the Company.

2. *Period of the delegation.- The securities issues subject to authorization may be performed in one or more transactions within the maximum period of five years following the date of approval of this resolution.*
3. *Maximum amount of the authorization. - The total maximum nominal amount of the securities issues pursuant to this delegation shall be Euro two hundred million (200,000,000 €) or the equivalent in any other currency. For the purpose of calculating that limit, in the case of the warrants, regard shall be had to the sum of additional paid-in capital and the exercise prices of the warrants issued pursuant to this authorization.*
4. *Scope of the authorization.- This authorization extends, as broadly as required by law, to setting the different terms and conditions of each issue, including, merely for illustration purposes and without limitation: their amount, always within the total quantitative limit mentioned previously; the place of issue (Spain or another country), and the type of issue; the currency, national or foreign, and in case of foreign currency, the equivalent in euros; the denomination or form of the securities, in the case of bonds or debt securities, including subordinated debt securities, warrants (which, in turn, may be settled through the physical delivery of shares or, as the case may be, through payment of the difference), or any other denomination or form permitted by the law; the date or dates of issue; the number of securities and their nominal value which, in the case of convertible and/or exchangeable bonds or debt securities, may not be lower than the nominal value of the shares; in the case of warrants and other similar securities, the issue price and/or additional paid-in capital, the exercise price (which could be fixed or variable) and the procedure, period and other terms and conditions applicable to the exercise of the right to subscribe the underlying shares or, as the case may be, the exclusion of that right; the interest rate (fixed or variable) and the coupon payment dates and procedures; whether the shares are perpetual or redeemable and, in this latter case, the redemption period and maturity date or dates; the guarantees, types and reimbursement price, additional paid-in capital and lots; the form of representation, as securities or book entries; anti-dilution clauses; the procedure for placement and subscription, and rules applicable to the subscription; the range of values and subordination clauses, if any; legislation applicable to the issue; the authority to request the admission to listing, as appropriate, of the securities on secondary markets, organized or otherwise, official or unofficial, Spanish or foreign, subject to the requirements established by applicable legislation in each case; and, in general, any other condition of the issue, and, as the case may be, the appointment of the trustee of the syndicate of securities holders and the approval of the basic provisions governing the legal dealings between the Company and the syndicate of holders of the securities issued, in the event it is necessary or decided to create that syndicate.*

The delegation also includes the attribution to the Board of Directors of the power to decide in each case the conditions for redemption of the securities issued pursuant to this authorization, being able to use, to the extent applicable, the means for repurchase referred to in article 430 of the Corporate Enterprises Law or any others that may apply. Moreover, the Board of Directors is authorized, where it deems advisable, and conditional on obtaining the necessary official authorizations and, as appropriate, on the agreement of the Assemblies of the relevant syndicates or representative bodies of the holders of the securities, to modify the conditions of the securities issued and their respective terms and the interest rate, if any, accrued by the securities included in each of the issues pursuant to this authorization.

5. *Bases and forms of conversion and/or exchange.- For the case of issues of convertible and/or exchangeable securities (including debt securities or bonds), and for the purpose of determining the bases and forms of conversion and/or exchange, it is resolved to establish the following criteria:*
 - a) *The securities issued pursuant to this resolution will be exchangeable for shares in the Company or in any other company belonging or not to its group, and/or convertible in newly issued shares in the Company, according to a fixed or variable, determined or determinable, conversion and/or exchange rate, and the Board of Directors is authorized to determine whether they are convertible and/or exchangeable, and to determine whether they are mandatorily or voluntarily convertible and/or exchangeable, and if they are so voluntarily, whether at the election of their holder and/or of the Company, with the periodicity and during the period established in the resolution to issue securities.*
 - b) *The Board of Directors may also establish, where the securities to be issued are convertible and exchangeable, that the issuer reserves the right to choose, at any time, between the conversion in new shares or their exchange for issued shares in the Company, specifying the nature of the shares to be delivered at the time of the conversion or exchange, even being able to choose to deliver a combination of newly issued shares and preexisting shares in the Company, including settling the difference in cash.*
 - c) *For the purpose of the conversion and/or exchange, the securities shall be valued at their nominal value (including, as appropriate, outstanding interest accrued), and the shares at the fixed exchange rate established in the resolution of the Board of Directors in which this authorization is used, or at the variable exchange rate to be determined on the date/s indicated in the actual resolution of the Board of Directors, according to the stock market value of the shares in the Company on the date/s or in the period/s used as a reference in the same resolution, with additional paid-in capital or a discount, if any, although if a discount is established on the price per share, it cannot exceed 25% of the value of the shares taken as a reference in accordance with the provisions established previously.*

- d) *The share value, for purposes of the rate of conversion of debt securities into shares, may not in any case be below the nominal value of the shares. Additionally, according to article 415 of the Corporate Enterprises Law, debt securities convertible into shares may not be issued where the nominal value of the debt securities is below that of the shares.*
6. *Bases and forms of exercise of the warrants and other similar securities.- With regard to the issue of warrants, to which the provisions of the Corporate Enterprises Law relating to convertible debt securities apply by analogy, the Board of Directors is authorized to determine, on its broadest terms in relation to the bases and terms and conditions applicable to the exercise of the warrants, the criteria applicable to the exercise of the pre-emptive subscription right of newly issued shares in the Company or of acquisition of issued shares in the Company, derived from this type of securities issued pursuant to the delegation granted. The criteria established in paragraph 5 above shall apply to this type of issues, adjusted as necessary so that they comply with the legal and financial provisions regulating this type of securities.*
7. *Other delegated powers.- This authorization of the Board of Directors includes, for illustration purposes and without limitations, the delegation to it of the following powers:*
- a) *The power, in accordance with article 511 of the Corporate Enterprises Law, to exclude, totally or partially, the shareholders' pre-emptive subscription right, fulfilling the legal requirements established for that purpose. In any case, if it is decided to exercise the power to suppress the pre-emptive subscription right, the Board, when approving the issue and according to applicable legislation, will issue a report detailing the specific reasons of corporate interest that justify that measure, which will be the subject of a correlative report by an independent expert, in accordance with articles 414.2, 417.2 and 511 of the Corporate Enterprises Law.*
- b) *The power to increase the capital by the amount necessary to meet the requests of conversion and/or exercise of the pre-emptive subscription right. This power may only be exercised to the extent that the capital, which the Board of Directors increases to cover the issue of convertible securities or warrants in question, does not exceed the unused limit authorized at any given time by the Shareholders' Meeting in accordance with article 297.1.b) of the Corporate Enterprises Law, without prejudice to the application of the anti-dilution clauses and of adjustment of the conversion ratio. This authorization to increase the capital includes the power to issue and place in the market, in one or more transactions, the shares representing the capital needed to make the conversion and/or exercise the share subscription right, and to amend the wording of the articles of the Bylaws in relation to the capital stock figure and number of shares and to, as appropriate, render null the portion of that capital increase not needed for the conversion and/or exercise of the share pre-emptive subscription right.*

- c) *The power to develop and specify the bases and forms of conversion, exchange and/or exercise of the rights of subscription and/or acquisition of shares derived from the securities to be issued, taking into account the criteria established in paragraphs 5 and 6 above.*
 - d) *The delegation to the Board of Directors entails the broadest powers as may be required by law for the interpretation, application, execution and development of the resolutions to issue convertible or exchangeable securities or warrants, in one or more transactions, and the relevant capital increase, including the power to remedy and supplement the resolutions in any aspect necessary and for the fulfillment of as many requirements as may be legally required to fully execute them, and the Board is authorized to remedy omissions or deficiencies in those resolutions, as stipulated by any authorities, public officials or bodies, national or foreign, also being authorized to adopt as many resolutions and execute as many public or private documents as deemed necessary or advisable to adapt the resolutions to issue convertible or exchangeable securities or warrants and of the relevant capital increase to fulfill oral or written assessments by the Companies Registrar or, in general, by any other competent authorities, public officers or national or foreign institutions.*
8. *Admission to listing.- The Company shall request, as appropriate, the admission to listing on secondary markets, whether official or unofficial, organized or otherwise, national or foreign, of the debt securities and/or convertible and/or exchangeable bonds or warrants issued by the Company pursuant to this delegation, authorizing the Board of Directors, as broadly as required by law, to perform the necessary formalities and procedures for admission to listing before the competent bodies of the different national or foreign securities markets, subject to the provisions on the admission, continuation and, as appropriate, exclusion from listing.*
9. *Guarantee of issues of convertible and/or exchangeable securities or warrants by subsidiaries.- The Board of Directors is also authorized to guarantee, in the name of the Company, within the limits mentioned previously, the new issues of convertible and/or exchangeable securities or warrants carried out by the subsidiaries, during the validity period of this resolution.*
10. *Power of delegation.- The Board of Directors is expressly authorized to, in turn, delegate, pursuant to article 249 bis of the Corporate Enterprises Law, the powers referred to in this resolution.”*

And for the relevant legal purposes, the Board of Directors of the Company issues this report in Sabadell, on March 30, 2017.

Mr. Eloy Planes Corts

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