

**REPORT PREPARED BY THE BOARD OF DIRECTORS OF FLUIDRA, S.A.
IN RELATION TO THE PROPOSAL FOR AUTHORIZATION OF THE BOARD
OF DIRECTORS OF THE COMPANY TO INCREASE THE SHARE CAPITAL,
REFERRED TO IN ITEM SEVEN 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 increase the share capital pursuant to article 297.1.b) of the Corporate Enterprises Law, including the power to exclude the pre-emptive subscription right in accordance with article 506 of that Law, the approval of which is submitted to the Ordinary Shareholders' Meeting of FLUIDRA, S.A. (the "**Company**") in item seven of its agenda, all in accordance with the provisions of articles 286, 297.1.b) and 506 of Corporate Enterprises Law.

2. Legislative Framework

Article 297.1.b) of the Corporate Enterprises Law permits the Shareholders' Meeting, with the requirements established for amending the Bylaws, to delegate to the Board of Directors the power to carry out a capital increase, in one or more transactions, up to a certain amount, at the time and in the amount that it so decides, without consulting the Shareholders' Meeting in advance.

The Law establishes that these increases may not in any case be more than one-half of the company's capital at the time of the authorization and shall be carried out through monetary contributions within the maximum period of five years following the resolution of the Shareholders' Meeting.

In relation to the requirements established for amending the Bylaws, article 286 of the Corporate Enterprises Law establishes that the directors shall draft the full wording of the amendment which they propose and, for Public Limited Companies, a written report justifying that amendment.

Moreover, article 506 of the Corporate Enterprises Law establishes that where the Shareholders' Meeting delegates to the directors the power to increase the share capital, it may also attribute to them the power to exclude the pre-emptive subscription right in relation to the issues of shares that are the subject of delegation if the interest of the company so requires. The announcement of the call of the Shareholders' Meeting which includes the proposal to delegate to the directors the power to increase the share capital shall expressly state the proposal to exclude the pre-emptive subscription right, and following the call of the Shareholders' Meeting, the shareholders shall be provided with a report from the directors justifying the proposal to delegate that power.

This report fulfills the requirements mentioned above.

3. Justification of the proposed resolution

a) With regard to the power to increase the share capital

The proposed resolution submitted to the Shareholders' Meeting is justified by the advisability for the management body to have a mechanism, provided for in corporate legislation, which enables carrying out one or more capital increases in an agile manner, without subsequent call and holding of a new Shareholders' Meeting, observing the limits, terms and conditions that the Shareholders' Meeting decides.

The conditions imposed by the market on commercial companies and, especially, on listed companies, require their management body to be in a position to make use of the possibilities provided by the legislative framework to respond quickly and efficiently to needs that arise in the economic operations carried out by large enterprises at present. Those needs undoubtedly include that of providing the Company with equity through new capital contributions.

Therefore, it is often impossible to determine in advance what the Company's capital needs will be and then anticipate delays and cost increases naturally entailed by the need to ask the Shareholders' Meeting to approve a capital increase, making it difficult for the Company to be able to respond efficiently and quickly to market conditions. Due to this, the Board of Directors should be in a position to use the authorized capital mechanism provided by our legislation.

The use of the delegation established in article 297.1.b) of the Corporate Enterprises Law permits the Company to give the Board of Directors a quick and flexible instrument to more adequately meet the Company's needs in view of market circumstances.

On that basis, it has been deemed advisable to present to the Shareholders' Meeting a proposal to delegate to the Board of Directors the power to increase the share capital of the Company by a maximum nominal amount equal to one-half the capital stock (50%) at the time of this authorization (or of 20% of that total capital if the pre-emptive subscription right of the shareholders is excluded in the increase), which figure, therefore, respects the limits imposed by applicable legislation. For information purposes, it is placed on record that the Company's share capital at the date of the Shareholders' Meeting will be 112,629.070 euros.

The capital increases carried out pursuant to this delegation shall be executed through the issue and placement of new shares – with or without additional paid-in capital, which could be with or without vote, ordinary or privileged, including redeemable or of any other type permitted by applicable legislation – and the consideration for which will be monetary contributions.

Additionally, the proposal entails the request, where appropriate, of the admission to listing on secondary markets, official or unofficial, organized or otherwise, national or foreign, of the shares issued by the Company pursuant to the delegation, authorizing the Board of Directors to perform the formalities and steps necessary for the admission to listing, before the competent bodies of the different national or foreign securities markets.

b) With regard to the power to exclude the pre-emptive subscription right

In accordance with article 506 of the Corporate Enterprises Law, it has also been deemed appropriate, supplementing the previous proposal, to propose that the delegation to the Board of Directors for the capital increase should also include the attribution of the power to exclude, totally or partially, the shareholders' pre-emptive subscription right in relation to share issues carried out under the delegation, when the Company's interest so requires, all on the terms of said article.

The power to exclude the pre-emptive subscription right is supplementary to that of the capital increase, given that it provides the management body with the flexibility sought through the delegation of the power to increase the capital stock. Thus, apart from the justification of the cost savings which a capital increase with exclusion of the pre-emptive subscription right entails compared to a capital increase with rights (in particular, the cost of fees of the financial institutions participating in those securities issue), the exclusion of the pre-emptive subscription right is justified by (i) a principle of prudence and anticipation of potential circumstantial difficulties, (ii) planning criteria and, mainly, (iii) the need to reinforce the rapidity and flexibility of action and response of the Board of Directors in cases required by the volatility of current financial markets, permitting the Company to take advantage of the moments when market conditions are more favorable. Moreover, this measure of suppression of the pre-emptive subscription right is justified by the lower distortion in the listing of the Company's shares during the issue period, which is usually shorter than in an issue with rights.

In any case, it should be noted that the power to exclude the pre-emptive subscription right is a possibility that would be delegated by the Shareholders' Meeting to the Board of Directors and that it would fall to the Board, in view of the specific circumstances and complying with the legal requirements, to decide whether or not it is appropriate in each case. Thus, the delegation of this power does not mean that every capital increase carried out pursuant to the authorization would be executed with exclusion of the pre-emptive subscription right; capital increases may be carried out with pre-emptive subscription right and the Board of Directors shall analyze the advisability of exclusion that right on a case-by-case basis. Additionally, following the recommendations of good governance, the authorization requested limits the possibility of increasing the capital, where the preferred subscription right is excluded, to a maximum amount equal to twenty percent (20%) of the total share capital figure.

Lastly, it is also proposed to expressly authorize the Board of Directors to in turn delegate, pursuant to article 249 *bis* of the Corporate Enterprises Law, the powers referred to by the proposal on which this report is based.

4. Resolution proposed to the Shareholders' Meeting

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

“Item Seven: Authorization to the Board of Directors, with powers of delegation, to increase the share capital pursuant to article 297.1.b) of the Corporate Enterprises Law, for a maximum period of five years, by way of monetary contributions up to a maximum amount equal to half (50%) of the share capital (or up to a maximum amount of twenty percent (20%) of said capital figure, in the event that the increase excludes the shareholders' pre-emptive subscription rights), with the power to exclude the shareholders' pre-emptive subscription right.

Proposed resolution

To authorize and empower the Board of Directors, as broadly as required by law, so that, pursuant to article 297.a.b) of the Corporate Enterprises Law, it may increase the share capital without consulting the Shareholders' Meeting previously, in one or more transactions and at any moment within the period of five years following the date of this Shareholders' Meeting, up to the maximum nominal sum of one-half (50%) the share capital at the date of this authorization (the Company's share capital at the date of this authorization is Euros 112,629,070), or of twenty percent (20%) of that total capital figure in the event of exclusion of the shareholders' pre-emptive subscription right in the capital increase, which, therefore, observes the limits imposed by applicable legislation.

The capital increases covered by this authorization shall be carried out, in one or more transactions, through the issuance and placement on the market of new shares – with or without additional paid-in capital – the consideration for which will consist of monetary contributions. In relation to each increase, the Board of Directors shall have the power to decide whether the new shares to be issued will be ordinary, preferred, redeemable, without vote or any other type permitted by the Law. Moreover, the Board of Directors may establish, in relation to any aspect not stipulated, the terms and conditions of the capital increases and the characteristics of the shares, and may freely offer the new shares not subscribed in the period/s of exercise of the pre-emptive subscription right.

The Board of Directors may also establish that, in the event of incomplete subscription, the share capital shall only be increased by the amount of the subscriptions made, and amend the wording of the articles of the Bylaws relating to the share capital and number of shares. The shares issued under this authorization may be used to cover the conversion of convertible securities issued or to be issued by the Company or the companies of its group.

Moreover, in relation to the capital increases carried out under this authorization, the Board of Directors is empowered to exclude, totally or partially, the pre-emptive subscription right according to the terms of article 506 of the Corporate Enterprises Law.

The Company shall request, as appropriate, the admission to listing on secondary stock markets, whether official or unofficial, organized or otherwise, national or foreign, of the shares issued by the Company pursuant to this delegation, authorizing the Board of Directors to perform all the formalities and procedures necessary for that listing before the competent bodies of the different national or foreign stock markets. Moreover, the capital increase resolution shall expressly state, for the relevant legal purposes, that in the event the exclusion from listing of the Company's shares from listing is requested subsequently, it shall be done with the formalities required by applicable legislation and, in that case, the interest of the shareholders that object to or do not vote in favor of the resolution shall be guaranteed, and the requirements established in the Corporate Enterprises Law, the Securities Market Law and other related provisions or implementing regulations shall be met.

The Board of Directors is expressly authorized to in turn sub-delegate, pursuant to Section 1 of the article 249 bis of the Corporate Enterprises Law, the delegated powers to which this resolution refers."

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

Aniol, S.L., representada por Mr. Bernat Garrigós Castro

Mr. Óscar Serra Duffo

Mr. Bernat Corbera Serra

Mr. Richard Cathcart

Bansabadell Inversió Desenvolupament, S.A., duly represented by Mr. Carlos Ventura Santamans

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Dispur, S.L., duly represented Mrs.
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