

**EXPLANATORY REPORT PREPARED BY THE BOARD OF  
DIRECTORS OF FLUIDRA, S.A. IN RELATION TO ASPECTS  
OF THE MANAGEMENT REPORT CONTAINED IN ARTICLE  
116 BIS OF THE SECURITIES MARKET ACT**



**EXPLANATORY REPORT PREPARED BY THE BOARD OF DIRECTORS OF FLUIDRA, S.A. IN RELATION TO ASPECTS OF THE MANAGEMENT REPORT CONTAINED IN ARTICLE 116 BIS OF THE SECURITIES MARKET ACT**

In accordance with Article 116 bis of the Securities Market Act 24/1988 of July 28th, introduced by the Act 6/2007 of April 12, the Board of Directors of Fluidra, S.A. has prepared an explanatory report on those aspects of the Management Report that are provided for in the aforementioned Act. This report will be submitted to the shareholders' approval at the Company's general meeting.

**a) Share capital structure, including securities which are not traded on a regulated European market, stating the various classes of shares, the rights and obligations conferred by each class of share, and the percentage of share capital they represent, as appropriate.**

As at December 31st 2009 the share capital of Fluidra, S.A. (hereinafter called "Fluidra") amounted to 112,629,070 Euros is divided into 112,629,070 ordinary shares of the same class and series, with a nominal value of one euro each, fully subscribed for and paid up. The shares confer the same rights on their holders.

**b) Restrictions on the transferability of shares.**

The Company's Articles of Association do not impose any restrictions on the transferability of shares.

Article 6 of the Articles of Association provides that the Company's shares are represented by means of book entries. Shares may be transferred by any means permitted by law, depending on the nature of the shares, and subject to the legal requirements applicable to the transfer of shares represented by book entries.

Notwithstanding the foregoing, in accordance with Article 81.2. LMV and Article 4 of the Internal Code of Conduct, those persons that hold insider information are to refrain from preparing or performing, directly or indirectly, on their own behalf or on behalf of a third party, any transaction on the Company's negotiable securities or financial instruments. In addition, those subject to the Internal Code of Conduct of Fluidra are to refrain from buying or selling the Company's negotiable securities or financial instruments during the following periods of restricted action:

- (i) during the fifteen days prior to the estimated date of publication of quarterly, six-monthly and annual interim results that the Company is required to submit to the Comisión Nacional del Mercado de Valores ("CNMV") and to the Stock Exchanges' Governing Bodies up until their general publication;
- (ii) upon receiving information on proposals for the distribution of dividends, capital increases or reductions, or the issue of convertible Company shares, up until their general publication; and
- (iii) upon receiving any other relevant information, as defined in the Internal Code of Conduct, until such information is disclosed or made available to the public.

In accordance with the provisions of Article 5.3 of the Internal Code of Conduct, negotiable securities cannot be sold by the Persons Subject to the Internal Code of Conduct of Fluidra on the same day that the purchase is completed.

**c) Significant direct or indirect shareholdings.**

Below is a list of significant interests held in the share capital of Fluidra, which have been notified to the Company for an amount equal to or greater than 3% of the share capital or voting rights as at December 31st 2009:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights.*	% of total voting rights
DISPUR, S.A	13.658.188	0	12,127
Don Juan Planes Vila	10.000	1.658.188	12,136
EDREM, S.L.	15.204.914	0	13,500
Don Bernat Corbera Bros	99.213	15.204.914	13,588
BOYSER, S.R.L	15.905.405	0	14,122
ANIOL, S.L.	10.140.918	0	9,004
Don Robert Garrigós Ruiz	0	10.140.918	9,004
BANC SABADELL INVERSIÓ I DESNVOLUPAMENT, S.A.	0	10.891.053	9,670
GRUPO CORPORATIVO EMPRESARIAL DE LA CAJA DE AHORROS Y M.PIEDAD DE NAVARRA	8.371.574	0	7,433
CAJA DE AHORROS Y M. PIEDAD DE NAVARRA	0	8.371.574	7,433
BESTINVER GESTIÓN SA SGIIC	0	5.633.267	5,002
AVIVA INTERNATIONAL, HOLDING LIMITED (AIHL)	0	3.386.650	3,007
Don Albert Costafreda Jo	0	3.477.399	3,087

\* Through:

Name or company name of the indirect shareholder	Name or company name of the direct shareholder	Number of direct voting rights	% of total voting rights
Don Juan Planes Vila	DISPUR, S.L.	1.658.188	12,127
Don Bernat Corbera Bros	EDREM, S.L.	15.204.914	13,500
Don Robert Garrigós Ruiz	ANIOL, S.L.	10.140.918	9,004
BANC DE SABADELL	BANC SABADELL INVERSIÓ I DESNVOLUPAMENT, S.A.	10.891.053	9,670
CAJA DE AHORROS Y MONTE DE PIEDAD DE NAVARRA	GRUPO CORPORATIVO EMPRESARIAL DE LA CAJA DE AHORROS Y M.PIEDAD DE NAVARRA	8.371.574	7,433

#### d) Restrictions on voting rights.

There are currently no statutory or company by-law restrictions on the exercise of voting rights.

#### e) Shareholder agreements.

Fluidra is aware of the existence of a shareholder agreement entered into by its majority shareholders, i.e. Dispur, S.L., Aniol S.L., Boyser, S.L., Edrem S.L. and Bansabadell Inversió Desenvolupament, S.A.U. on September 5th 2007, in order both to define their control over Fluidra with regard to their voting rights and to syndicate a number of share transfers between them. The shareholder agreement is for a maximum term of 7 years from the date of admission to listing of Fluidra's shares, but the provisions relating to the syndication of votes are valid for a period of 4 years from the above-mentioned date.

The most significant provisions of the shareholder agreement are listed below:

- (i) Syndication of votes: The parties to the shareholder agreement undertake to exercise their voting rights in Fluidra's general meetings in the direction set by the syndicate body designated in the agreement, under the name of 'assembly'.

Any resolution adopted by the assembly requires the affirmative vote of syndicated shareholders representing 50% or more of the voting rights of syndicated shares. Notwithstanding the above, certain resolutions require a reinforced majority (70%) or unanimity (a specially reinforced majority).

A reinforced majority (i.e. the affirmative vote of at least 70% of the voting rights of syndicated shares) is required to pass resolutions in the following areas among others: (i) amendments to the articles of association resulting in a capital increase or reduction, except those requiring a specially reinforced majority as set out below; creation of shares without voting rights; modifying the nominal value of the shares; replacing or altering the Company's corporate objects, etc.; (ii) changes to the management system, or in the number, appointment, removal or membership of Board members; (iii) issue of bonds and any other debt instruments or securities that can be converted into shares; (iv) creation of stock option plans for Fluidra directors or employees; and (v) authorising the Company to carry out transactions with its own shares, up to a maximum limit of 2%.

A specially reinforced majority (i.e. unanimity of the voting rights of syndicated shares) is required to pass resolutions in the following areas among others: (i) amendments to the articles of association resulting in a capital increase of more than 10% of Fluidra's share capital on the date immediately preceding the date of the capital increase; (ii) transformation, merger, spin-off, etc.; (iii) exclusion from public listing of Fluidra's shares; and (iv) approval of transactions with Fluidra's own shares above the 2% limit.

- (ii) Restrictions on the transfer of shares: The agreement prevents shareholders from selling or otherwise transferring the shares covered by the agreement for a period of 4 years from the date of admission to listing of Fluidra's shares, subject to certain exceptions to this limitation.

On expiry of the said 4-year period and until the termination of the agreement, the non-transferring syndicated shareholders have a right of first refusal in the event of sale of the shares subject to the agreement.

- (iii) Membership of governing bodies: The agreement includes a clause relating to the number of members and the membership of some of Fluidra's governing bodies.
- (iv) Non-competition: The agreement imposes a non-compete obligation on syndicated shareholders, whereby these undertake not to compete with Fluidra during a period of 4 years from the date of admission to listing of Fluidra's shares, unless they receive prior written consent from Fluidra.

**f) Rules applicable to the appointment and removal of the members of the management body and amendments to the articles of association.**

- Appointment and removal of the members of the Board of Directors

Members of the management board are appointed by the General Meeting or, on a temporary basis, by the Board of Directors, as provided for by the Spanish Companies Act and the Articles of Association.

Article 17.1 of the Regulations of the Board of Directors provides that directors are appointed (i) upon proposal by the Appointments and Remuneration Committee in the case of independent directors, and (ii) upon submission of a report by the Appointments and Remuneration Committee in the case of other directors; by the Shareholders in General Meeting or by the Board of Directors in accordance with the requirements of the Spanish Companies Act.

With respect to external directors, Article 18 of the Regulations of the Board of Directors of the Company requires the Board of Directors to ensure that all external directors have excellent track records, skills and experience, and that special care is taken when covering the independent director positions as provided for in Article 6 of these Regulations.

The period of time for which Directors are appointed may not exceed six years. Directors may be re-elected once or more times for successive terms of equal length.

According to Article 19 of the Regulations of the Board of Directors of the Company, the Board of Directors must evaluate, with the interested parties' abstention, the quality of the work and commitment of the proposed directors during their previous term of office before making any recommendations to the Shareholders in General Meeting in relation to the re-appointment of Directors.

Article 21.1 of the Regulations of the Board of Directors requires that Directors be removed upon expiration of the term of office for which they were appointed or when so ordered by the

Shareholders in General Meeting, in exercise of the powers granted to them by law or by the Articles of Association.

In accordance with Article 21.2 of the Regulations of the Board of Directors, directors are required to offer their resignation to the Board of Directors and, if the Board considers it appropriate, resign from their post in any of the following cases: a) Upon termination of any executive employment linked to their appointment as directors; b) When affected by any of the causes of incompatibility or legal prohibition established by law; c) If they are severely reprimanded by the Board of Directors for having breached their obligations as directors; d) If their remaining on the Board is likely to pose a risk or harm the best interests, credit rating or reputation of the Company or when the reasons for which they were initially appointed no longer apply; e) The maximum term for independent directors is 12 consecutive years, after which time they shall resign their positions; f) In the case of representatives of major shareholders (i) when the shareholder in question sells its equity stake; and similarly (ii) If the number of shares held by the relevant shareholder is reduced to the extent that the number of Directors representing major shareholders must also be reduced.

Article 21.3 of the Regulations of the Board of Directors provides that any director resigning for any reason prior to the expiration of their term of office shall provide all members of the Board with the reasons for their resignation in writing.

The Board of Directors shall propose the removal of an independent director prior to the expiration of their term of office for just cause, as reflected in a report prepared by the Appointments and Remuneration Committee. Particularly, just cause shall be understood to exist if the director fails to comply with the obligations inherent in his position or is subject to any of the causes of incompatibility described in the definition of independent director as established in the applicable recommendations of good corporate governance.

- Amendments to the Articles of Association

In accordance with Article 5 of the Regulations of the Company's General Meeting of Shareholders, the General Meeting, among others, has the power to amend the Articles of Association.

**g) Powers delegated to members of the Board of Directors and, in particular, those relating to the power to issue or buy back shares.**

Mr Eloy Planes Corts, a director, has been given all of the powers conferred on the Board by the Articles of Association, except for those which cannot be delegated by Law.

Furthermore, the Company's Ordinary General Meeting of Shareholders held on June 5th 2009 authorised the Board of Directors to carry out, according to the article 75 and other linked articles of the Spanish Companies Act, directly or indirectly, the derivative acquisition of its own shares, with express authorisation of reducing the share capital to amortize own shares, granting to the Board of Directors the necessary faculties for the execution of the agreements taken by the General Meeting of Shareholders in this respect, leaving without effect the authorisations agreed by the Company's General Meeting held in May 30<sup>th</sup>. 2008 and also authorised the Board of Directors to use its own shares to comply and execute the retribution plan designed for members of management.

The Board of Directors agreed in his meeting held in April 24<sup>th</sup>. 2009 authorise to the Managing Director, Mr. Eloy Planes Corts, to carry out the derivative acquisition of its own shares up to a maximum number of shares that can not reach the 4% of the share capital of the company.

**h) Significant agreements entered into by the Company and which come into force or are amended or terminated as a result of a change of control of the company following a public takeover bid, and its effects, except where the disclosure of such agreements may cause serious harm to the company. This exception will not apply where the company is legally obliged to publicise this information.**

The Company has not entered into any agreements that come into effect or are amended or terminated as a result of a public takeover bid.

**i) Agreements entered into between the company and directors, managers or employees that are entitled to compensation if they resign or are dismissed unfairly or if their employment relationship is terminated as a result of a public takeover bid.**

Except for the Managing Director and General Managers, the Company has not made any arrangements other than those provided for in the Workers' Statute or the Senior Management Decree 1382/1985, which provide for the payment of compensation where a senior manager resigns or is dismissed unfairly, or where the employment relationship is terminated as a result of a public takeover bid.

In the case of the Managing Director and General Managers, has been granted a compensation package for an amount greater than that provided for by the above-mentioned regulations, including among others, in the event of unfair dismissal.

March 25th 2010

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