

**ARTICLES OF ASSOCIATION OF FLUIDRA., S.A.**

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## CONTENTS

<b>CHAPTER I.- NAME, PURPOSE, TERM AND DOMICILE .....</b>	<b>5</b>
ARTICLE 1.- CORPORATE NAME: .....	5
ARTICLE 2.- CORPORATE PURPOSE .....	5
ARTICLE 3.- CORPORATE DOMICILE .....	5
ARTICLE 4.- TERM .....	6
<b>CHAPTER II.- CAPITAL AND SHARES .....</b>	<b>6</b>
ARTICLE 5.- CAPITAL AND SHARES .....	6
ARTICLE 6.- SHARE REPRESENTATION .....	6
ARTICLE 7.- NON-VOTING SHARES .....	6
ARTICLE 8.- STATUS OF SHAREHOLDER RIGHTS INHERENT IN SAID STATUS.....	7
ARTICLE 9.- CO-OWNERSHIP OF SHARES .....	7
ARTICLE 10.- USUFRUCT OF SHARES .....	7
ARTICLE 11.- PLEDGE OF SHARES .....	7
ARTICLE 12.- SEQUESTRATION OF SHARES .....	8
ARTICLE 13.- TRANSFER OF SHARES .....	8
ARTICLE 14.- CALLS FOR CAPITAL .....	8
<b>CHAPTER III.- CAPITAL INCREASES AND REDUCTIONS.....</b>	<b>8</b>
ARTICLE 15.- CAPITAL INCREASE .....	8
ARTICLE 16.- AUTHORISED CAPITAL.....	9
ARTICLE 17.- ABOLITION OF THE RIGHT OF PRE-EMPTIVE SUBSCRIPTION .....	9
ARTICLE 18.- CAPITAL REDUCTION .....	9
<b>CHAPTER IV.- DEBENTURES .....</b>	<b>9</b>
ARTICLE 19.- DEBENTURE ISSUES .....	9
ARTICLE 20.- CONVERTIBLE AND EXCHANGEABLE DEBENTURES.....	10
ARTICLE 21.- OTHER SECURITIES.....	10
<b>CHAPTER V.- COMPANY GOVERNANCE AND ADMINISTRATION .....</b>	<b>10</b>
ARTICLE 22.- COMPANY ORGANS .....	10
ARTICLE 23.- GENERAL MEETING.....	11
ARTICLE 24.- CATEGORIES OF GENERAL MEETINGS .....	11
ARTICLE 25.- CALLS TO GENERAL MEETINGS .....	11

ARTICLE 26.-	PLACE AND TIME OF THE MEETING .....	12
ARTICLE 27.-	CONSTITUTION.....	12
ARTICLE 28.-	RIGHT TO ATTEND.....	13
ARTICLE 29.-	REPRESENTATION AT MEETINGS .....	13
ARTICLE 30.-	RIGHT TO INFORMATION.....	14
ARTICLE 31.-	REMOTE VOTING.....	15
ARTICLE 32.-	PRESIDENCY OF THE MEETING.....	15
ARTICLE 33.-	DELIBERATION AND ADOPTION OF DECISIONS.....	15
ARTICLE 34.-	MEETING MINUTES .....	16
ARTICLE 35.-	BOARD OF DIRECTORS .....	17
ARTICLE 36.-	COMPOSITION OF THE BOARD OF DIRECTORS .....	17
ARTICLE 37.-	TERM OF OFFICE. DIRECTOR'S RULES. ....	17
ARTICLE 38.-	APPOINTMENT TO POSITIONS ON THE BOARD OF DIRECTORS .....	18
ARTICLE 39.-	POWERS OF THE BOARD OF DIRECTORS .....	18
ARTICLE 40.-	POWERS OF REPRESENTATION .....	19
ARTICLE 41.-	MEETINGS OF THE BOARD OF DIRECTORS.....	19
ARTICLE 42.-	CONDUCT OF MEETINGS .....	19
ARTICLE 43.-	EXERCISE OF OFFICE .....	20
ARTICLE 44.-	COMPENSATION FOR BOARD MEMBERS.....	20
ARTICLE 45.-	BOARD EXECUTIVE BODIES.....	21
ARTICLE 46.-	AUDIT COMMITTEE COMPOSITION, AUTHORITY AND OPERATIONS .....	21
<b>CHAPTER VI.- ANNUAL CORPORATE GOVERNANCE REPORT AND CORPORATE WEB PAGE..... 23</b>		
ARTICLE 47.-	ANNUAL CORPORATE GOVERNANCE REPORT .....	23
ARTICLE 48.-	CORPORATE WEB PAGE .....	23
<b>CHAPTER VII.- BALANCE SHEETS..... 23</b>		
ARTICLE 49.-	FISCAL YEAR.....	23
ARTICLE 50.-	ACCOUNTING RECORDS.....	23
ARTICLE 51.-	ANNUAL ACCOUNTS.....	24
ARTICLE 52.-	CONTENT OF ANNUAL ACCOUNTS .....	24
ARTICLE 53.-	ANNUAL REPORT.....	24
ARTICLE 54.-	ACCOUNT AUDITORS.....	24
ARTICLE 55.-	APPROVAL OF THE ANNUAL ACCOUNTS .....	25
ARTICLE 56.-	FILING OF THE ANNUAL ACCOUNTS.....	25

ARTICLE 57.-	APPLICATION OF ANNUAL RESULTS .....	25
ARTICLE 58.-	SUMS ON ACCOUNT OF DIVIDENDS .....	26
<b>CHAPTER VIII.- DISSOLUTION AND WINDING UP .....</b>		<b>26</b>
ARTICLE 59.-	CAUSES OF DISSOLUTION.....	26
ARTICLE 60.-	WINDING-UP .....	26
<b>CHAPTER IX.- INCOMPATIBILITIES .....</b>		<b>27</b>
ARTICLE 61.-	PROHIBITIONS AND INCOMPATIBILITIES .....	27

## **ARTICLES OF ASSOCIATION OF FLUIDRA, S.A.**

### **CHAPTER I.- NAME, PURPOSE, TERM AND DOMICILE**

#### **Article 1.- Corporate Name:**

The Company is called [*FLUIDRA, S.A.*] (the "**Company**").

#### **Article 2.- Corporate Purpose**

The Company's corporate purpose is:

- a) The manufacture, sale and distribution of any type of machinery, equipment, components and parts of machinery, instruments, accessories and specific products for swimming pools, irrigation and water treatment and purification in general, made of metal materials and with any type of plastic and its processed products.
- b) Trade, both domestic and foreign, in all types of merchandise and products, directly or indirectly related to paragraph a).
- c) Representation of commercial and industrial firms and businesses involved in manufacturing the products listed in paragraph a) of the present article, both domestic and foreign.
- d) Capital investment in all types of businesses and companies by purchase and subscription by any legal means, holding, management and administration of all kinds of securities, expressly excluding activities reserved to collective investment institutions and operations under the Securities Market Act.
- e) Consulting, managing and administering companies and businesses in which the Company holds stock.
- f) Any activity requiring a prior express administrative authorisation is excluded from the Company's corporate purpose.

#### **Article 3.- Corporate Domicile**

The corporate domicile is set at Avenida Francesc Macià, number 38, 16th floor, in Sabadell, which will be the centre of the Company's actual administration and management.

Without prejudice to the powers which the Articles of Association establish in favour of the General Meeting, the Board of Directors may transfer the corporate domicile within the same municipal boundaries, and establish, eliminate or transfer manufacturing, commercial, administrative or storage facilities, agencies, representative offices, delegations or branches anywhere within Spain and abroad.

#### **Article 4.- Term**

The term of the Company is for an indefinite period of time, and it began its activity on the date on which its act of incorporation was authorised.

### **CHAPTER II.- CAPITAL AND SHARES**

#### **Article 5.- Capital and Shares**

The share capital is one hundred twelve million six hundred twenty-nine thousand seventy (112,629,070) Euros. It is divided into one hundred twelve million six hundred twenty-nine thousand seventy (112,629,070) ordinary shares with a face value of one (1) Euro each. All shares have been fully subscribed and paid in and give their holders the same rights.

#### **Article 6.- Share Representation**

The shares are represented by means of book entries and become such by virtue of entry in the corresponding accounting records. They are regulated by the Securities Market Act and other complementary provisions.

Legal capacity for exercise of the shareholder's rights, including in the event of succession, is obtained by registration in the accounting records, which assumes legitimate ownership and entitles the registered owner to require that the Company acknowledge him as shareholder. Said legal capacity may be proven by presenting the appropriate certificates issued by the entity responsible for keeping the corresponding accounting records.

Should the Company realise any benefit in favour of the party appearing as owner according to the accounting records, it shall be relieved of the corresponding obligation, even if the party is not the real owner of the share, so long as it is done in good faith and without gross negligence.

In the event that the person who appears to have legal capacity in the accounting records holds said legal capacity by virtue of a trusteeship or some similar basis, the Company may require him to reveal the identity of the real owners of the shares, and the acts of succession and levy on them.

#### **Article 7.- Non-voting shares**

The General Meeting may authorise the issue of non-voting shares with a face value of no more than one-half the share capital paid in.

The owners of non-voting shares shall be entitled to receive a minimum dividend paid out for each non-voting share equal to the capital paid in for each non-voting share and agreed by the General Meeting; once the minimum dividend has been

given out, the holders of non-voting shares shall be entitled to the same dividend corresponding to ordinary shares.

#### **Article 8.- Status of shareholder Rights inherent in said status**

The share confers upon its owner the status of shareholder and implies acceptance by its holders of the present Articles of Association and the decisions validly adopted by the Company's governing bodies, and authorises him to exercise the rights deriving from his status, according to these Articles of Association and to the law.

Under the terms established by law, and except in the cases provided for in it, the share confers upon its holder, at a minimum, the following rights:

- a) To share in the distribution of corporate earnings and in the assets resulting from liquidation.
- b) Pre-emptive subscription in issues of new shares or debentures convertible to shares.
- c) To attend and vote in the General Meetings under the terms established in these Articles of Association, and to challenge the Company's decisions.
- d) The right to vote may not be exercised by the shareholder who is in arrears in paying in calls for capital nor with respect to any existing non-voting shares.
- e) Information, under the terms established by law.

#### **Article 9.- Co-ownership of shares**

Shares are indivisible. Co-owners of a share answer jointly to the Company for any obligations deriving from the status of shareholder and must designate one person who exercises in their name the rights deriving from their status as shareholder. The identity of said person must be reported, whenever appropriate, to the Company. Co-owned shares shall likewise be registered in the corresponding accounting records in the name of all co-owners. The same rule shall apply to other cases of co-ownership of rights to shares.

#### **Article 10.- Usufruct of shares**

In the event of usufruct of shares, the attribute of shareholder resides in the owner, but the usufructuary shall in any case be entitled to the dividends granted by the Company during the usufruct. The usufructuary is obligated to facilitate the owner's exercise of his rights. Relations between the usufructuary and the owner shall be governed by the instrument establishing the usufruct or, in its absence, the provisions of the Corporations Act and, complementarily, the Civil Code.

#### **Article 11.- Pledge of shares**

In the event of a pledge of shares, their owner shall be entitled to exercise the shareholder's rights.

The secured creditor shall be obligated upon establishment of the pledge to facilitate exercise by the owner of the rights deriving from his status as shareholder in the Company, which circumstance must be noted in the document establishing the pledge.

Should the owner of the shares fail to meet his obligation to pay in calls for capital, the secured creditor may meet this obligation by itself or enforce the pledge.

#### **Article 12.- Sequestration of shares**

In the event of a sequestration of shares, the provisions contained in the preceding article shall be observed if possible and if not incompatible with the specific nature of the sequestration.

#### **Article 13.- Transfer of shares**

Shares and the economic rights deriving from them, including that of pre-emptive subscription, are freely transferable by all means allowed by law.

Transfers of new shares may not become effective until the increase in capital has been recorded in the Companies Register.

#### **Article 14.- Calls for capital**

When there are partially paid-in shares, the shareholder must pay the unpaid portion, either in cash or non-cash, in the manner and by the deadline set by the administrative body.

The right to vote may not be exercised by the shareholder who is in arrears in paying in calls for capital.

In the event of transfer of shares with pending calls for capital, the buyer shall answer jointly for payment with all transferors preceding him. The liability of the transferors shall last three years from the date of the respective transfer.

### **CHAPTER III.- CAPITAL INCREASES AND REDUCTIONS**

#### **Article 15.- Capital increase**

The capital may be increased by issuing new shares or by raising the face value of existing shares, and in both cases the counter-value may consist of cash contributions, including the netting of receivables, non-cash contributions, or the



conversion of available profits or reserves. The capital increase may be made partly through new contributions and partly by drawing on available reserves.

If the capital increase is not fully subscribed by the deadline set for that purpose, the capital shall be increased in the amount actually subscribed, unless the decision provided otherwise.

#### **Article 16.- Authorised capital**

The General Meeting may authorise the administrative body to decide to increase the share capital, in one or more steps, up to a specified amount, on the occasion and in the amount it decides, and within the limits set by law. This authorisation may include the power to exclude the right of pre-emptive subscription.

The General Meeting may likewise authorise the administrative body to set the date on which the adopted decision to increase the capital is to be carried out, and to set its conditions in all aspects not provided for by the Meeting.

#### **Article 17.- Abolition of the right of pre-emptive subscription**

The General Meeting or, as the case may be, the Board of Directors that decides to increase the capital may decide to eliminate in whole or in part the right of pre-emptive subscription for reasons of corporate interest.

In particular, corporate interest may justify abolition of the right of pre-emptive subscription when it is necessary to facilitate (i) acquisition of assets by the Company (including shares or equity in companies) advantageous for pursuing the corporate purpose; (ii) the placing of new shares in capital markets allowing access to funding sources; (iii) raising funds by using investment techniques based on analysis of demand suitable for maximising the type of share issue; (iv) incorporation of an industrial or technological partner; and (v) in general, any operation advantageous to the Company.

#### **Article 18.- Capital reduction**

The capital may be reduced by means of a reduction in the face value of the shares, by their write-off or grouping to exchange them, and, in these cases, may be for the purpose of repaying contributions, remission of calls for capital, establishing or increasing reserves, or re-establishing the balance between capital and net assets.

### **CHAPTER IV.- DEBENTURES**

#### **Article 19.- Debenture issues**

The Company may issue debentures under the terms and limits indicated by law.

The General Meeting may authorise the administrative body to issue simple or convertible and/or exchangeable debentures. It may also authorise the Board to decide when to carry out the issue and to set other conditions not provided for in the Meeting's decision.

#### **Article 20.- Convertible and exchangeable debentures**

Convertible and/or exchangeable debentures may be issued at a fixed (determined or determinable) exchange ratio or at a variable exchange ratio.

The right of pre-emptive subscription of the convertible debentures may be eliminated according to the legal and statutory rules applicable to abolition of the right of pre-emptive subscription of shares.

#### **Article 21.- Other securities**

The Company may issue promissory notes, warrants or negotiable securities other than those envisioned in the preceding articles.

The General Meeting may authorise the Board of Directors to issue said securities. The Board of Directors may make use of said authorisation in one or more steps and for a maximum period of five years.

The General Meeting may also authorise the Board of Directors to decide when to carry out the issue and to set other conditions not provided for in the Meeting's decision, under the terms and conditions set by law.

The Company may also guarantee issues of securities by its subsidiaries.

### **CHAPTER V.- COMPANY GOVERNANCE AND ADMINISTRATION**

#### **Article 22.- Company organs**

The Company's governing organs are the General Meeting of Shareholders and the Board of Directors, which have the powers assigned to them, respectively by the present articles of association and which may be delegated in the manner and to the extent that they themselves determine.

Powers not attributed by law or statute to the General Meeting belong to the administrative body.

Legal and statutory regulation of the aforementioned organs shall be developed and completed, respectively, by the General Meeting's bylaws and the bylaws of the Board of Directors, which shall be approved by majority vote in a meeting of each of said bodies, constituted according to the provisions of law.

#### **SECTION I.- GENERAL MEETING**

### **Article 23.- General Meeting.**

The duly called and constituted General Meeting shall represent all shareholders, and they all shall be subject to its decisions, in relation to the matters for which it is responsible, including dissenters and those not attending the meeting, without prejudice to the right to contest established by law.

The General Meeting is regulated by the provisions of law, the Articles of Association, and the Rules and Regulations of the General Meeting which complement and develop the legal and statutory regulations in matters relating to its convocation, preparation, conduct and proceeding, as well as exercise of the shareholders' rights of information, attendance, representation and voting. The Rules and Regulations of the General Meeting must be approved by it at the proposal of the administrative body.

### **Article 24.- Categories of General Meetings**

General Meetings of shareholders may be ordinary or extraordinary.

The ordinary General Meeting must be held within the first six (6) months of each year, to audit the company's management, to approve when appropriate the accounts from the preceding year, and to decide on application of the results, without prejudice to its authority to deal with and decide upon any other matter appearing on the agenda. The ordinary General Meeting will be valid even if it has been called or is held at other times.

Any General Meeting not envisioned in the preceding paragraph shall be considered an extraordinary General Meeting and shall meet if called by the Company's Board of Directors at its own initiative or at the request of shareholders holding at least five percent of the share capital, stating in their request the matters to be dealt with in the Meeting.

### **Article 25.- Calls to General Meetings**

General Meetings shall be called by the Board of Directors by means of an announcement published in the Official Bulletin of the Companies Register and in one of the major daily newspapers in the province where the Company has its corporate domicile, at least one month in advance of the date set for the meeting.

The call announcement shall state whether the meeting is ordinary or extraordinary, the date and place of the meeting, and all matters to be dealt with and other issues which, if any, are to be included in the meeting, according to the provisions of the General Meeting's Rules and Regulations. It may also note the date on which the Meeting will meet at second call, if necessary. A period of at least twenty-four hours must elapse between the first and the second call.

Shareholders representing at least five percent of the share capital may ask that a supplement to the call of a General meeting of shareholders be published that

includes one or more items on the agenda. This right must be exercised by reliable notification that must be received at the Company's domicile within five days following publication of the call.

The call supplement must be published at least fifteen days in advance of the date set for the General Meeting.

Failure to publish the call supplement by the legally set deadline shall render the Meeting invalid.

If the duly called General Meeting is not held at first call, and the announcement did not stipulate the date for the second call, the latter must be announced with the same notification requirements as for the first, within fifteen days following the date of the Meeting not held, and eight days prior to the date of the meeting.

The administrative body must also call the Meeting:

- (i) when so requested by shareholders holding at least five percent of the share capital, stating in the request the matters to be dealt with at the Meeting. In this case, the Meeting must be called within twenty days following the date on which the administrative body would have been required by notary to call it. The administrative body must also include in the agenda the matter or matters referred to in the request; or
- (ii) when an offer to purchase is made on securities issued by the Company, in order to inform the General Meeting about the offer to purchase and to deliberate and decide on matters submitted for its consideration.

With regard to a court-ordered call of the General Meeting, the provisions of law are valid.

#### **Article 26.- Place and time of the Meeting**

The General Meeting will be held in the place indicated in the call, within the city where the Company is domiciled.

The General Meeting may decide to extend itself for one or several consecutive days, at the proposal of the Directors or of a number of shareholders representing at least one-fourth of the share capital participating in the Meeting. Whatever the number of its sessions, the General Meeting is considered one, and only one set of minutes is prepared for all sessions. The General Meeting may also temporarily adjourn in those cases and in the manner provided for by its Rules and Regulations.

#### **Article 27.- Constitution**

The ordinary or extraordinary General Meeting is validly constituted at first call when the shareholders present or represented hold at least twenty-five percent of the subscribed voting capital, and will be validly constituted at second call whatever the amount of participating capital.

However, in order for the ordinary or extraordinary General Meeting to be able to decide validly on issuing debentures, increasing or reducing the capital, the transformation, merger or splitting of the Company and in general any change in the Company's articles of association, at first call the participation of shareholders present or represented holding at least fifty percent of the subscribed voting capital will be necessary. At second call, twenty-five percent of said capital will be sufficient.

Shareholders entitled to attend who vote remotely in accordance with the provisions of Article 31 below will be considered present for purposes of constituting the General Meeting in question.

Absences occurring once the General Meeting is constituted will not affect its validity.

#### **Article 28.- Right to attend**

Shareholders may attend the General Meeting regardless of the number of shares they hold so long as, before the Meeting is held, the shareholder has been credentialed, which will be certified by the corresponding registered attendance card or the document which, according to law, certifies them as shareholders, indicating the number, category and series of the shares owned as well as the number of votes he may cast.

It shall be a requisite for attending the General Meeting that the shareholder has registered ownership of his shares in the corresponding account notes register five days prior to the date of the Meeting and is provided with the corresponding attendance card or with the document which, according to law, certifies him as a shareholder.

The members of the Board of Directors must attend the General Meetings, although the fact that any of them do not attend for any reason shall in no case prevent the valid constitution of the Meeting.

The President of the General Meeting may authorise attendance by the Company's executives, managers and technicians and other people interested in the proper functioning of corporate matters, and extend an invitation to those he may deem appropriate.

#### **Article 29.- Representation at Meetings**

Without prejudice to the attendance of the shareholding legal entities authorising him to act as representative, any shareholder entitled to attend may be represented at the Meeting by any person, whether a shareholder of the Company or not. The representation must be conferred in writing or by remote means of communication that duly ensure the identity of the represented and the representative, as determined by the administrative body, and specially for each meeting, under the terms and with the scope established in the Corporations Act and in the Meeting's Rules and Regulations.

The President of the General Meeting or persons designated by him shall be considered authorised to determine the validity of the representations conferred and compliance with the requirements for attendance at the Meeting.

The provisions of the foregoing paragraphs shall not apply when the representative is the spouse or a relative in the ascending or descending line of the represented person, nor when the representative holds a general proxy conferred in a certified document with authority to administer all assets which the represented person has within the country.

Representation is always revocable and the personal attendance of the represented person at the Meeting shall revoke the representation.

### **Article 30.- Right to information**

From the date of publication of the call of the General Meeting and until the seventh day prior to the date of the Meeting, inclusive, shareholders may ask the Board of Directors for information or clarifications they consider necessary regarding matters included on the agenda, or may present in writing the questions they deem relevant.

Furthermore, in the same manner and time, shareholders may ask for information or clarifications or formulate questions in writing regarding information accessible to the public that may have been provided by the Company to the National Securities Market Commission since the last General Meeting was held. The Board of Directors shall be obligated to provide the requested information in writing up until the date on which the General Meeting is held.

During the Meeting, shareholders may ask orally for information or clarifications they deem appropriate regarding the matters included on the agenda. The Board of Directors shall be obligated to provide that information at the time or, if this is not possible, must provide it in writing within seven days following the conclusion of the General Meeting.

The Directors are obligated to provide the information in writing up until the date on which the General Meeting is held, except in those cases in which:

- (i) public release of the requested information may, in the President's judgment, prejudice the Company's interests;
- (ii) the request for information or clarification does not refer to matters included on the agenda nor to information available to the public that may have been provided by the Company to the National Securities Market Commission since the date of the last General Meeting;
- (iii) the request for information or clarification should be considered unauthorised, meaning that it is related to information which (i) has been or is subject to any judicial or administrative sanction proceeding, (ii) is protected by commercial, industrial, industrial- or intellectual-property secrecy, (iii) affects the confidentiality of information and files of a personal nature, (iv) involves information whose release is prohibited by a confidentiality agreement made

by the Company, or (v) refers to any other matter which in the justified judgment of the President should not be released, without prejudice to that set forth in article 112 of the Spanish Corporation Act; or

(iv) legal or regulatory provisions or court decisions so state.

However, the exception indicated in subparagraph (i) above shall not be admissible when the request is supported by shareholders representing at least one-fourth of the capital.

### **Article 31.- Remote voting**

Shareholders entitled to attend may vote remotely on motions relating to items included on the agenda of any type of General Meeting by mail post by returning the attendance and vote card sent by the entity or entities responsible for keeping the account notes register, signed and completed for this purpose.

The vote cast by mail post shall be valid only when received by the Company before 12:0'clock midnight of the day immediately prior to the date set for the Meeting at first call. Otherwise, the vote shall be considered not to have been cast.

In accordance with the provisions of the General Meeting's Rules and Regulations, the Board of Directors may expand on the preceding provisions by setting rules, media and procedures adapted to the state of the art to implement the casting of votes and the issue of proxies by mail post, conforming if appropriate to the standards set for this purpose. The expanded rules adopted under the present paragraph shall be published on the Company's Web page.

Personal attendance by the shareholder or his representative at the General Meeting shall revoke the vote cast by mail post.

### **Article 32.- Presidency of the Meeting**

The General Meeting shall be presided over by the Chairman of the Board of Directors or, in his absence, by the Vice-Chairman, and in the absence of the Chairman and Vice-Chairman, by the member of the Board of Directors designated by the Meeting.

The President shall be assisted by a Secretary, a Deputy Secretary, or by both. The Secretary and, if he does not attend in person, the Deputy Secretary of the Board of Directors shall be Secretary of the General Meeting. Failing this, the person elected by those in attendance, who may not be a shareholder, shall act as Secretary, in which case he may speak but not vote.

### **Article 33.- Deliberation and adoption of decisions**

The President shall submit for deliberation the matters included on the agenda and shall lead discussions so that the meeting proceeds smoothly. For this purpose he shall enjoy appropriate authority to establish order and discipline and may order the

ejection of anyone disturbing the Meeting's normal progress and decide to temporarily suspend the session. The President, even when present at the session, may entrust guidance of the discussions to the Secretary or to the member of the Board of Directors that he deems appropriate.

Shareholders may request information under the conditions established at article 30 above.

Any shareholder may also participate at least once in the discussion of the items on the agenda, although the President, using his powers, is authorised to adopt measures for order such as limiting the time allotted to each speaker, setting turns, or closing off the list of speakers.

Once the matter has been sufficiently discussed, the President puts it to the vote. The President is responsible for setting the voting system he deems most appropriate and for directing the corresponding process, adapting if appropriate to the expanded rules set forth in the General Meeting's Rules and Regulations.

Each voting share present or represented at the General Meeting shall be entitled to one vote. The shareholder entitled to vote may exercise his right by post in compliance with the provisions of the General Meeting's Rules and Regulations.

The Meeting's decisions shall be taken by the favourable vote of a majority of the capital present or represented. This is without prejudice to those cases in which the law or the present articles of association stipulate a greater majority and, in particular, when shareholders are present who represent less than fifty percent of the subscribed voting capital; decisions relating to the matters referred to at Article 103 of the Corporations Act shall require the favourable vote of two-thirds of the share capital present or represented at the Meeting in order to be valid.

#### **Article 34.- Meeting Minutes**

The Meeting's minutes may be approved by the Meeting itself after it has been held, being signed by the President and the Secretary or, failing this, within fifteen days, by the President and two participants, one representing the majority and one the minority. The minutes approved in either of these ways shall be enforceable as of the date of their approval. Minutes shall be transcribed into the Company's journal or kept in any format allowed by law.

Certifications of the minutes shall be issued by the Secretary or Deputy Secretary of the Board of Directors with the signature of the Chairman or Vice-Chairman, as the case may be, and decisions shall be made public by the persons authorised to do so, as determined by the present Articles of Association and the Rules and Regulations of the Companies Register.

The administrative body may require the presence of a notary to certify the Meeting minutes, and it shall be obligated to do so whenever so requested five days prior to the date of the Meeting by shareholders representing at least one percent of the share capital. In both cases, the notarial certificate shall be considered as the Meeting minutes.



## **SECTION II.- THE ADMINISTRATIVE BODY**

### **Article 35.- Board of Directors**

The Company shall be administered by a Board of Directors.

The Board of Directors shall be governed by the laws applicable to it and by the present articles of association. The Board of Directors shall carry out and complete these provisions by means of appropriate Rules and Regulations for the Board of Directors, to be approved by the General Meeting.

### **Article 36.- Composition of the Board of Directors**

The Board of Directors shall be composed of a number of members not less than five (5) nor greater than fifteen (15), to 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, to the extent 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, taking into account the complexity of the group and the percentage of the executive members' participation in the Company's capital. 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 applicable at any time.

In the event that there is some outside member who cannot be considered to represent substantial shareholders or to be independent, the Company shall explain this circumstance and its connections with the Company or its executives and with 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..

### **Article 37.- Term of office. Director's rules.**

Board members shall hold their office for the period of time established by the General Meeting, which must be the same for all and may not exceed six years, at the end of which they may be re-elected one or more times for periods of the same maximum duration.

Appointments of directors shall expire when, upon completion of the term, the next General meeting is held or the legal term has past for holding the Meeting that is to approve the accounts for the preceding year.

Members appointed by co-option (who shall be designated so long as the vacancy occurs during the term for which the director was appointed) must have the appointment ratified at the first General Meeting held after the date of appointment.

Board members may not hold the office of director or executive in companies that are competitors of the Company, with the exception of offices they may hold, as the case may be, in companies of the Group, unless expressly authorised by the General Meeting, and without prejudice to the provisions of article 127-c of the Corporations Act.

Board members shall receive the compensation determined by the General meeting for holding said office, in accordance with the provisions of the Board of Directors' Rules and Regulations.

The Board member who completes his term or for any other reason ceases to hold his office may not be a director or hold executive positions in another entity having a corporate purpose similar to that of the Company for a period of two years. If it deems it appropriate, the Board of Directors may relieve the outgoing member of this obligation, or shorten its duration.

#### **Article 38.- Appointment to positions on the Board of Directors**

The Board of Directors shall appoint its Chairman and, as the case may be, one or more Vice-Chairmen, who shall stand in for the Chairman in the event of vacancy, absence or illness. It shall also appoint someone to the office of Secretary. In order to be appointed Chairman or Vice-Chairman, the person appointed must be a member of the Board of Directors; this shall not be necessary for the person appointed to serve as Secretary, in which case he shall have a voice but no vote.

The Board of Directors may also optionally appoint a Deputy Secretary who need not be a Board member.

#### **Article 39.- Powers of the Board of Directors**

The Board of Directors is responsible for the Company's representation and highest management and administration, in court or outside it, for all acts included in the corporate purpose described in these articles of association, and for all actions required by law, these articles of association and the Board of Directors' Rules and Regulations, and without prejudice to actions expressly reserved by them to the General Meeting.

#### **Article 40.- Powers of representation**

The Board of Directors has the authority to represent the Company, in court and outside it, and shall act as a body.

The Board's Secretary, and the Deputy Secretary, if any, has the representative powers necessary to make public and to seek registration of the decisions of the General Meeting and of the Board of Directors.

The power of representation of any executive bodies shall be regulated by the provisions of the delegation decision. In the absence of any indication to the contrary, it shall be understood that the power of representation is conferred jointly on the executive Board members and, in the event that the executive body is a delegated executive committee, on its Chairman.

#### **Article 41.- Meetings of the Board of Directors**

The Board of Directors shall ordinarily meet a minimum of six times a year, and in any case as often as required to perform its functions, following the schedule of dates and matters established at the start of the year; each Board member may propose other agenda items not initially provided for if said request is made no less than five days before the date set for holding the meeting. The Board may also meet at the initiative of the Chairman, whenever the latter deems it opportune for the proper functioning of the Company and when at least two of its members so request, in which case it shall be called by the Chairman to meet within fifteen days after the request.

Ordinary meetings shall be called by certified letter, fax, telegram or e-mail and shall be authorised by the signature of the Chairman or of the Secretary or Deputy Secretary by order of the Chairman. The call shall be issued at least three days in advance.

The call shall always include the agenda for the meeting and shall be accompanied by the relevant information, duly prepared and summarised.

Without prejudice to the foregoing, the Board of Directors shall be considered validly constituted, with no need for a call, if all its members, present or represented, unanimously agree to the meeting and to the items to be dealt with on the agenda.

#### **Article 42.- Conduct of meetings**

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

Decisions shall be taken by an absolute majority of those attending the meeting, except in those cases in which the law, the present articles of association or the Board of Directors' Rules and Regulations have set larger 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 collected according to law in a special book of Board minutes.

The minutes shall be approved by the Board of Directors itself, at the end of the meeting or subsequently.

#### **Article 43.- Exercise of office**

The members of the Company's Board of Directors shall discharge their office with the diligence of an orderly manager and loyal representative. Board members, and most especially independent members, shall at all times bring their strategic vision, as well as innovative concepts, criteria and measures for the Company's optimum development and business evolution.

Board members must also keep secret information of a confidential nature, even after leaving office.

#### **Article 44.- Compensation for Board members**

1. The Directors' remuneration shall consist of a fixed, specific annual emolument and of a fee for attending the meetings of the Board of Directors and of its delegational and consulting committees. The maximum amount of the remunerations which the Company may pay to the Directors as a whole for both items shall be determined for such purpose by the Shareholders' Meeting and shall remain in force until such time as the Shareholders' Meeting decides to modify it. The exact amount to be paid within that limit, the distribution thereof amongst the different Directors and the payment schedule shall be determined by the Board of Directors in the proportion which it freely determines. When determining the amount of remuneration to be received by each Director, the principle shall be applied whereby the amount is to reflect the actual professional performance of each of them.

2. Additionally, apart from the remuneration provided for in the preceding paragraph, the Company plans to establish remuneration systems which are indexed to the market value of the shares or which entail the delivery of shares or of stock option to the Directors. The application of such remuneration systems shall be decided on by the Shareholders' Meeting, which shall determine, as the case may be, the value of the shares to be taken as a reference, the number of shares to be delivered to each Director, the exercise price of the stock options, the duration of this remuneration system and any other conditions it deems appropriate.

3. The remuneration established in the preceding paragraphs derived from the Directors' membership on the Board of Director shall be compatible with the other

professional or employment items received by the Directors for any executive or advisory functions they may perform for the Company other than those relating to supervision and collective decision-making specific to their office as Directors, and which shall be subject to the legal regime applicable to them.

### **SECTION III.- BOARD EXECUTIVE BODIES**

#### **Article 45.- Board executive bodies**

The Board of Directors may designate within it an Executive Committee and one or more Executive Directors, without prejudice to any delegations of authority it may confer on any person; it may delegate to them, in whole or in part, temporarily or permanently, all powers that may be delegated according to law. In order to be valid, the delegation and designation of the members of the Board who are to occupy such posts shall require the favourable vote of two-thirds (2/3) of the members of the Board and shall not produce effect until they have been recorded in the Companies Register.

The Board may also establish other committees with consultative or advisory functions, and, on an exceptional basis, may attribute certain decision-making authorities to them.

In any case, the Board must establish an Audit Committee with powers to inform, oversee, advise and propose in matters for which it is responsible, as specified at article 46 below, and which are explained in the Board of Directors' Rules and Regulations. The Board may also establish an Appointment and Compensation Committee.

#### **Article 46.- Audit Committee Composition, authority and operations**

1. An Audit Committee will be set up within the Board of Directors in keeping with the following rules:
  - a) The Audit Committee shall be made up of three Board members, a majority of them non-executive, appointed by the Board of Directors.
  - b) The Chairman of the Audit Committee shall be elected from among said non-executive Board members and must be replaced every four years; they may be re-elected after an interval of one (1) year from the date their term ended.
  - c) Its members shall appoint one of their number to act as Secretary.

The members of the Audit Committee and especially its Chairman shall be designated in consideration of their knowledge and experience in the area of accounting, audit or risk management.

2. Without prejudice to any other duties that may be assigned to it at any time by the Board of Directors, the Audit Committee shall exercise the following basic functions:
- Inform the General Meeting of Shareholders regarding issues arising within it in matters for which it is responsible.
  - Propose to the Board of Directors for submission to the General Meeting of Shareholders the appointment of the external auditors referred to at article 204 of the Corporations Act, and their contractual conditions, the scope of their professional mandate, and, if appropriate, their dismissal or non-renewal.
  - Supervise internal audit systems.
  - Review the Company's accounts, ensure compliance with legal requirements and proper application of generally accepted accounting principles, with the direct cooperation of the external and internal auditors.
  - Be familiar with the financial reporting process and the Company's internal audit system, verify its adequacy and integrity, and review the designation or replacement of those responsible for it.
  - Maintain relations with the external auditors in order to receive information about those issues that may jeopardise their independence and any other issues associated with the audit process, as well as those other communications called for by audit legislation and in the technical audit standards.
  - Oversee compliance with the audit contract, ensuring that the opinion on the annual financial statements and the main contents of the audit report are written clearly and accurately, and assess the results of each audit.
  - Review the periodic financial information that the Board must submit to the markets and to its oversight bodies.
  - Oversee compliance with legislation regarding swaps. In particular it will ensure that information about said operations is communicated to the market in compliance with Order 3050/2004 of the Ministry of the Economy and Treasury of September 15, 2004.
  - Examine compliance with the Internal Rules of Conduct, the Rules and Regulations of the Board of Directors, and in general with the Company's rules of governance, and make the necessary proposals to improve them.
  - Receive information and, if appropriate, issue a report on the disciplinary measures it is intended to impose on members of

the Company's top management team.

3. The Audit Committee shall ordinarily meet quarterly to review the periodic financial information to be submitted to the stock-exchange authorities, and the information which the Board of Directors has to approve and include in its annual public documentation. It will also meet at the request of any of its members and whenever convened by its Chairman, who must do so whenever the Board or its Chairman asks that a report be issued or proposals adopted, and in any case whenever it is appropriate for the proper performance of its functions.
4. The Audit Committee shall prepare an annual report on its operations that will include, if deemed appropriate, proposals for improving the Company's rules of governance.

## **CHAPTER VI.- ANNUAL CORPORATE GOVERNANCE REPORT AND CORPORATE WEB PAGE**

### **Article 47.- Annual corporate governance report**

The Board of Directors will prepare an annual corporate governance report that will be discussed and approved together with the annual accounts for each financial year, with the content and structure called for by the legislation applicable at the time.

### **Article 48.- Corporate Web page**

The Company shall make available to the public on its Web page all relevant information relating to its corporate governance. The content and structure of the Company's Web page shall be adapted to legal provisions and other legislation relating to this area applicable at the time.

## **CHAPTER VII.- BALANCE SHEETS**

### **Article 49.- Fiscal year**

The fiscal year shall cover the time between January 1 and December 31 of each year.

### **Article 50.- Accounting records**

The Company must keep an orderly accounting, adequate for its business, that allows chronological monitoring of its operations, as well as the preparation of inventories and balance sheets.

The accounting books shall be registered with the Companies Register corresponding to the place of the Company's domicile.

#### **Article 51.- Annual Accounts**

Within a maximum of three (3) months from the close of the fiscal year, the administrative body must prepare the annual report and the proposal for application of the result, and, if appropriate, the consolidated Annual Accounts and annual report.

The Annual Accounts shall include the balance sheet, the profit and loss statement, and the notes on the annual accounts. These documents, which form a whole, must be clearly prepared and give a faithful image of the Company's assets, financial situation and results, in accordance with legal provisions, and must be signed by the Company's directors.

As soon as the General Meeting is called, any shareholder may obtain from the Company, immediately and free of charge, the documents that are to be submitted to the Meeting for approval and the report of the account auditors. The announcement of the Meeting shall expressly mention this right.

#### **Article 52.- Content of Annual Accounts**

The balance sheet shall include, duly separated, the assets and claims that constitute the Company's assets and the obligations forming its liabilities, specifying its stockholder equity. The structure of the balance sheet shall be adapted to that in the Corporations Act and other applicable legal provisions.

The profit and loss statement shall include, also duly separated, the year's revenues and expenditures, and must follow the structure called for by the Corporations Act and other applicable legal provisions.

The notes on the accounts shall complement, expand and comment on the information contained in the balance sheet and the profit and loss statement. The notes shall contain the information called for in the Corporations Act and other applicable legal provisions.

#### **Article 53.- Annual Report**

The annual report shall contain at least a faithful exposition of the evolution of the Company's business and situation, and, if appropriate, reports on events important to the Company occurring since the close of the fiscal year, the Company's foreseeable evolution, activities in the area of research and development, and acquisitions of its own stock under the conditions set by law.

#### **Article 54.- Account auditors**



The Annual Accounts and the annual report must be prepared by the account auditors, when there is an obligation to audit. The auditors shall have a minimum of one month from the moment that the Company turned over the accounts to them to prepare their report.

The persons who are to audit the annual accounts shall be appointed by the General Meeting before the end of the fiscal year to be audited, for a set period of time which may not be less than three years nor greater than nine from the date on which the first year to be audited begins.

The Meeting may appoint one or more natural or legal persons who shall act jointly.

When those designated are natural persons, the Meeting must appoint as many alternates as regular auditors.

The General Meeting may not remove auditors from office before the period for which they were appointed ends, unless there is just cause.

#### **Article 55.- Approval of the Annual Accounts**

The Annual Accounts and the annual report shall be approved by the ordinary General Meeting of shareholders, which shall decide regarding allocation of the year's results, according to the closed balance sheet.

#### **Article 56.- Filing of the Annual Accounts**

Within one month following approval of the Annual Accounts and the annual report, said documents shall be presented together with the other documentation required by the Corporations Act and together with the appropriate certification of said approval and application of the result for filing with the Companies Register in the manner prescribed by law.

#### **Article 57.- Application of annual results**

Once the legal reserve and other legally established provisions are covered, the Meeting may apply the amount from the liquid profits obtained each year that it deems appropriate to a voluntary reserve or to any other legally allowed use. The remainder, if any, shall be distributed among the shareholders as dividends, in the proportion corresponding to the capital they paid in, payment being made within the period of time set by the Meeting itself.

Dividends unclaimed after five years from the date indicated for collection shall prescribe in favour of the Company.

In general, once the provisions called for by law have been covered, dividends may be distributed only from the profits for the year or from freely available reserves, if the value of the Company's net worth is not or, as a result of the distribution will not be, less than the share capital.

Should there be losses from previous years that make this value of the Company's net worth less than the amount of the share capital, the profit shall be assigned to make up these losses. Likewise, the provisions of article 194 of the Corporations Act shall be kept in mind.

**Article 58.- Sums on account of dividends**

The General Meeting or the Board of directors may decide to distribute sums on account of dividends, with the limitations of and meeting the requirements set by the Corporations Act.

## **CHAPTER VIII.- DISSOLUTION AND WINDING UP**

**Article 59.- Causes of dissolution**

The Company shall be dissolved:

- a) By decision of the General Meeting of shareholders expressly called for that purpose and adopted in accordance with these articles of association; and
- b) In any of the other cases legally provided for by the Corporations Act.

**Article 60.- Winding-up**

Once the Company is dissolved, the winding-up period shall begin, except in cases of merger or complete division or any other complete transfer of assets and liabilities.

The same General Meeting deciding to dissolve the company shall set the bases for wind-up, which shall be conducted by an uneven number of receivers appointed for this purpose by the General Meeting.

Once the Company declares itself in liquidation, representation of the administrative body for making new contracts or contracting new obligations shall cease; the receivers shall assume the functions referred to at article 272 of the Corporations Act.

Winding-up, division of the Company's assets and cancellation of registration shall be conducted according to the Corporations Act and the Rules and Regulations of the Companies Register.

During the wind-up period, the General Meeting shall retain the same powers as during the Company's normal life and in particular shall have the power to approve liquidation accounts and the final liquidation balance sheet.

## **CHAPTER IX.- INCOMPATIBILITIES**

### **Article 61.- Prohibitions and incompatibilities**

Persons declared incompatible to the extent and under the conditions set by Law 12/1995 of 11 May, and other special laws, as well as those in violation of the prohibitions of article 124 of the corporations Act, are prohibited from holding and, if appropriate, exercising any office in the company