

**ANNEX TO THE ANNUAL CORPORATE GOVERNANCE REPORT OF FLUIDRA, S.A.
FOR THE BUSINESS YEAR 2012**

Act 2/2011, dated 4 March, on sustainable economy (Sustainable Economy Act) modifies Act 24/1998, dated 28 July, on the securities market (Securities Market Act) and introduced a new chapter VI called the "Annual Corporate Governance Report", which includes a new article 61bis that regulates the annual corporate governance report (ACGR). Amongst other novelties, this article includes a new section in the annual corporate governance report that describes the main characteristics of the internal systems for risk management and control with regard to reporting financial information.

Furthermore, the Sustainable Economy Act has overturned article 116bis of the Securities Market Act that established the obligation to include certain additional information in the directors' report.

Given that the format of the annual corporate governance report has not yet been regulated, for this business year, we have used that established in circular 4/2007, dated 27 December, currently in force issued by the Spanish Securities Commission (CNMV). Thus, this annex includes the additional information required by the Sustainable Economy Act that is not included in the aforementioned format and is set out in the following paragraphs.

1. Information regarding securities that are not traded on a regulated EU market, with an indication (where appropriate) of the different classes of shares and, for each class of shares, the rights and obligations conferred [as well as the percentage of the share capital represented by the company's treasury stock and any significant variations]. (Article 61bis 4 to 3 of the Securities Market Act).

There are no other securities issued that are traded on a non-EU market.

The company's treasury stock at the end of the business year is 380.101 shares, which represent 0,337% of the share capital.

The disposal of the aforementioned shares resulted in a loss of 2.441 thousand euros.

According to the Royal Decree Statute 1362/2007 no material changes on treasury stock have been produced during the business year.

2. Any restrictions on the transfer of securities and any restriction of voting rights (art. 61bis 4b of the Securities Market Act).

There are no statutory restrictions on the transfer of the securities representing the share capital or the exercise of voting rights other than those envisaged by law.

In this respect, according to article 13 of the Articles of Association, the shares and economic rights that result from them, including pre-emptive subscription rights, are freely transferable by all of the means accepted by Law.

The transfer of new shares shall not come into effect until the capital increase has been registered with the Companies Registry.

Furthermore, article 83.1 of the Capital Companies Act and article 8c of the Articles of Association state that voting rights may not be exercised if a shareholder is in arrears with the payment of share capital, or if shares do not give the right to vote.

3. Information regarding the rules applicable to the modification of the Articles of Association (article 61 bis4b of the Securities Market Act).

The procedure for the modification of the Articles of Association must be in accordance with the provisions of articles 285 and the following of the consolidated text of the Capital Companies Act, which requires the approval of the AGM, with the quorum and majorities envisaged in articles 194 and 201 of the aforementioned Act. Furthermore, any modifications must be set out in the directors' report, which must be made available to the shareholders. Article 27 of the Articles of Association includes the principle contained in article 194 of the consolidated text of the Capital Companies Act and establishes that, in order for the General Meeting (ordinary or extraordinary) to be able to validly make any modification to the Articles of Association, it is necessary for the shareholders that hold at least fifty percent of the subscribed share capital with voting rights to attend the first call (in person or by proxy). At the second call, 25 percent of this capital shall be sufficient.

Amongst other powers of the General Meeting, Article 5 of the General Meeting Regulations expressly provides for the modification of the Articles of Association.

Article 25 of the General Meeting Regulations regulates the procedure for voting on proposed resolutions by the AGM and, in the case of modifications to the Articles of Association, establishes that each article or group of articles that is substantially independent should be voted on separately.

4. Information regarding significant agreements that the company has entered into and that enter into force are modified or concluded in the event of a change to the control of the company due to a takeover bid, and their effects, except when its disclosure is seriously damaging to the company. This exception will not be applicable when the company is legally bound to release this information. (Article 61bis 4c 4 of the Securities Market Act).

Not applicable

5. Information regarding agreements between the company and its directors, executives or employees that establish an indemnity should they resign or be unfairly dismissed or if the labour relationship should end as a result of a takeover bid. (Article 61bis 4c 5 of the Securities Market Act).

The company has signed agreements with its directors that include guarantee clauses. There are seven beneficiaries of this type of clause, as authorised by the Board of Directors.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE INTERNAL CONTROL SYSTEM FOR FINANCIAL INFORMATION (ICSFI)

F.1. The organisation's Control Environment

F.1.1. The bodies and/or functions responsible for: (i) the existence and maintenance of a suitable and effective ICSFI; (ii) its implementation; and (iii) its supervision.

Fluidra S.A. and its subsidiaries (hereinafter, Fluidra) has officially set out how ICSFI practices should be handled to deliver the most useful and effective results in the Regulations of the Board of Directors.

The Board of Directors has entrusted Fluidra's CFO with the responsibility of implementing and updating the ICSFI.

Insofar as the supervision of the ICSFI is concerned, article 13.3 of the Regulations of the Board of Directors specifically designates the Audit Committee with the responsibility of supervising the ICSFI and the process of drawing up and filing regulated financial information. The Audit Committee is given support by the personnel who conduct internal audits in the discharge of its responsibilities.

F.1.2. In specific relation to the drawing up of the financial information, the following features, if available:

- **Departments and/or mechanisms responsible for: (i) designing and reviewing the company's organisational structure; (ii) defining clear lines of accountability and the distribution of tasks and functions; and (iii) ensuring that the organisation has a body with the powers to put the proper procedures in place to inform the whole of the company about financial matters.**

Fluidra has internal processes that establish the levels of authorisation necessary to modify its organisational structure. The CEO is ultimately responsible for approving the set-up of the structure and its review with the support of the Appointments and Remuneration Committee. The Appointments and Remuneration Committee is made up of three Board members, two of whom are independent members.

Fluidra's internal organisational chart is posted on the corporate intranet and covers posts held in the main business areas from the CEO down to the general managers of each area.

Specifically, for the purposes of drawing up the regulated financial information, the Group Accounting Manual (GAM) sets out the current basic lines of accountability in the process, policies, required documentation and the schedule to be followed. Fluidra also has an organisational chart broken down by areas and departments (including the departments involved in the preparation, analysis and supervision of the financial information), in which details are given of hierarchical relationships.

- **Code of conduct, approving body, scope of dissemination and disclosure, principles and values included (with an indication of whether specific mention is made in the business transaction records and the financial information reported), and the body responsible for analysing incidents of non-compliance and proposing corrective actions or penalties.**

One of Fluidra's commitments is to seek ways of channelling its efforts so that operations are conducted in an environment of ethical professional practices. On the one hand, it does so by implementing mechanisms designed to prevent and detect frauds or malpractice committed by employees that could be subject to penalties, fines

or harm the group's image and, on the other hand, by emphasising the importance of ethical values and integrity amongst its employees.

Fluidra has a code of conduct, hereinafter "Code of Ethics", the first version of which was approved by the Board of Directors at a meeting held on 16 December 2008. Fluidra has now reviewed its Code of Ethics so that it can add changes to it that reflect the modifications made to the legal framework to which it is subject, particularly with regard to the accountability of the Board of Directors and the Audit Committee. The revised version of the Code of Ethics was approved by the Audit Committee on 28 February 2012 and was subsequently disclosed to the Board of Directors.

All of the group's employees must comply with the Code of Ethics. Updates and modifications to the Code of Ethics are made by Fluidra's Audit Committee. The Code of Ethics is available to all employees on the corporate website.

Broadly speaking, the values included in the Code of Ethics are mainly there to ensure maximum transparency in Fluidra's business dealings. It is thus actively engaged in creating an environment of trust for its customers, suppliers, shareholders, employees, public and private institutions, and society in general. The Code of Ethics is based on the 10 principles set out in the UN's Global Compact and is intended to outline the most relevant ethical rules and forms of conduct that should be followed in internal and external relations. It also lists forms of conduct not permitted by law, which are updated on a regular basis.

The general ethical principles covered by Fluidra's Code of Ethics specifically affect the ICSFI in terms of the values related to integrity and professional rules of conduct, the lines of action that to a greater or lesser extent are related to the reliability of financial information and compliance with the regulations in force.

Fluidra has a Committee for the Promotion of the Code of Ethics whose main mission is to promote its dissemination and application throughout the group and provide a communications channel for all employees so that they can send in queries and report any breaches in the Code.

The Audit Committee acts on suggestions made by the Committee for the Promotion of the Code of Ethics to propose corrective actions and impose penalties.

The training given on the Code of Ethics consisted of its distribution to all managers, who then undertook the task of explaining it to the employees they supervise. During 2013 it is going to be carried out an online training of the Ethical code.

Whenever new employees join Fluidra, they are all given the Code of Ethics, which they must promise to follow in compliance with the company's internal policies.

- **Whistleblower channel, which enables employees to report financial and accounting irregularities to the Audit Committee in the strictest confidence, in addition to any possible breaches of the Code of Ethics and irregular activities observed in the organisation.**

Fluidra has an internal whistleblower channel through which all employees are able to address their queries and questions. They can be sent through two communication channels: by email or by post.

The role of the Committee for the Promotion of the Code of Ethics is to deal with the queries and complaints received. Its aim is to monitor and control the degree to which the principles set out in the Code of Ethics are complied with.

The Committee for the Promotion of the Code of Ethics regularly reports to the Audit Committee on any breaches of the Code of Ethics identified, the corrective actions proposed and any disciplinary measures that may have been taken, for their approval.

All communications between the Committee for the Promotion of the Code of Ethics and Fluidra's employees are strictly confidential, in compliance with the restrictions set out in Organic Law 15/1999, of 13 December, on Personal Data Protection. All of the members of the Committee for the Promotion of the Code of Ethics are authorised to have access to all information relating to queries and notifications received from the group through the procedure for handling queries and notifications. The Committee for the Promotion of the Code of Ethics is responsible for selecting and prioritising any notifications received.

- **Regular training programmes and refresher courses for all staff involved in preparing and reviewing financial information, and assessing the ICSFI. All such staff is given basic training in the standards used for accounting, audits, internal controls and risk management.**

Fluidra has set up FluidrAcademy in order to promote training. The goal of FluidrAcademy is to build up a range of corporate training courses that deal with cross-disciplinary and business related contents in order to promote the transfer of internal skills and the relations between Fluidra's professionals. It has also been designed to encourage internal training by running courses related to Fluidra's main functional and business areas. These courses are taught by internal trainers whenever possible and full advantage is thus taken of the knowledge of the company's employees.

For aspects related to the preparation of financial information, Fluidra's GAM includes the four basic core themes in accounting and financial competences:

- a) Training in new IFRS and GAAP accounting rules. Each year, the financial teams from each division, the heads of central services and the personnel from internal audits receive training in the changes and/or new interpretations of the International Financial Reporting Standards (IFRS), as well as on Spanish GAAP accounting and tax rules.
- b) GAM online training courses. These courses are currently being developed. There will be seven modules related to the most critical areas in preparing financial information. They are intended for the staff in all of the companies in the group who are responsible for preparing the financial statements and are compulsory for them.
- c) Training in the group's accounting principles. An online course is being designed for foreign subsidiaries and newcomers to the organisation that will concentrate on the most commonly used entries in the company's year-end accounts.
- d) Training in subsidiaries. Additionally, the training given in Fluidra's subsidiaries abroad will be conducted by means of on-site visits by teams from the divisions and services based at headquarters. They will review reporting statements, the different information required by headquarters, and the criteria used to determine slow-moving inventory and bad debt, amongst others. All newcomers will be sent on a one-week induction course at headquarters.

In order to improve knowledge about accounting and finance, and the integrity and reliability of the information flow between Fluidra's different business areas, training sessions called "Finance for non-financiers" are run regularly.

Finally, with regard to the audit and internal control areas, the directors of finance and internal audits are responsible for identifying the needs of their teams in terms of training and they propose training courses to cover any specific needs that may arise.

F.2. Risk assessment of financial information

F.2.1. Main characteristics of the risk identification process examined, including errors and fraud, with regard to:

- **Whether the process exists and is documented.**
- **Whether the process covers all of the financial information required (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.**
- **Whether there is a process for identifying the scope of consolidation, based, amongst other aspects, on the possible existence of complex corporate structures, holding companies or companies with a special purpose.**
- **Whether the process takes other types of risk into account (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect financial statements.**
- **The governing body of the entity that supervises the process.**

The process for identifying risks of error in financial information followed by Fluidra is systematic and has been documented. Fluidra places special emphasis on identifying risks of material errors and fraud by determining the goals of the controls conducted on financial information for each of the risks identified. This process for identifying risks is undertaken and documented by Fluidra's CFO and is supervised by the Audit Committee, with assistance from the team of internal auditors.

The process is designed in such a way that the factors that can materially affect the financial statements are regularly analysed based on a number of criteria that include quantitative and qualitative factors. Thus, relevant areas/locations are identified in terms of the transactions that can have a material effect on the financial statements.

The scope of the areas identified is reviewed by Fluidra's CFO and is ultimately supervised by the Audit Committee.

If during a business year there are cases of (i) circumstances previously not identified that show signs of possible errors in the financial information, or (ii) substantial changes in Fluidra's operations, the CFO will assess whether such risks should be added to those already identified.

Following meetings with the general division managers and the Legal Department, the CFO will regularly update the part of the corporate structure that governs the scope of accounting and tax consolidation, which will subsequently be reviewed by the internal auditors and ultimately by the Audit Committee.

As set out in the Regulations of the Board of Directors, the Audit Committee is responsible for regularly reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and made known.

F.3. Control activities

F.3.1. Financial information review and authorisation procedures, the description of the ICSFI to be released to the securities markets, the designation of the people responsible for these procedures and the documentation describing the workflow of activities and controls (including those related to the risk of fraud) of the various types of transactions that could materially affect the financial statements, including the accounting close procedure and the specific review of the relevant judgements, estimations, valuations and forecasts.

The GAM describes the goals to be reached in accounting close procedures and in the preparation of the financial information for all areas. The control activities are reported by means of check lists. This ensures that all controls associated with the reporting, valuation, presentation and breakdown of the various types of transactions have been properly performed. This likewise ensures that critical balance sheets that have a material impact on the financial statements are drawn up according to regulations. The control activities identified and officially reported focus on the activities directly related to balance sheets and transactions that can materially affect the financial statements. They have also been designed to mitigate the risk of fraud.

Amongst others, special care has been taken to ensure the check lists cover the following areas:

- Accounting closes and financial reporting
- Sales and accounts receivable
- Goodwill
- Intangible assets with a definite or indefinite useful life
- Fixed assets
- Inventory
- Purchases and accounts payable
- Financial debt

Specifically, the accounting closing procedure and the review and authorisation of the financial information reported to the markets are subject to a detailed schedule of closing activities that is duly distributed to all divisions through the GAM. Each subsidiary is then responsible for reporting its financial information in line with a standard format to the Department of Finance, which is responsible for the consolidation process and drawing up the consolidated annual accounts. These are in turn approved by the CFO for their subsequent presentation to and control by the CEO, the internal auditors, the Audit Committee and the Board of Directors.

The specific review of relevant judgements, estimates, valuations and forecasts is conducted at a basic level through Fluidra's existing controls, whether those put in place for its routine transactions or those used in the process of preparing financial information that are listed in the GAM. Depending on the degree of judgement and estimation applied and the potential impact on the financial statements, any aspects that are of particular relevance in the preparation of financial information are subsequently discussed and reviewed. The reviews are subject to a hierarchical order that goes from division finance managers and general managers, through to the CFO, the CEO, the Audit Committee and the Board of Directors.

When external experts are called in to assess judgements, estimates, valuations and forecasts they discuss and disclose their findings to the CFO, once their work has gone through a number of control and monitoring procedures.

Specifically, the main judgements and estimates subject to review in a business year are discussed in the notes to the consolidated annual accounts.

F.3.2. Internal policies and procedures for controlling information systems (such as secure access, tracking changes, implementing changes, operational continuity and the division of functions) to which the company's relevant processes are subject in relation to the drawing up and publication of financial information.

Fluidra uses information systems to ensure that its operations are properly recorded and controlled. As part of the process for identifying risks of error in its financial information, Fluidra's CFO decides which systems and applications are relevant in preparing it. The systems and applications identified include both those directly used to prepare the financial information and the interfaces with the system, of which the link between sales/accounts receivable and purchases/accounts payable can be highlighted.

The policies and procedures used by Fluidra's information systems cover physical and cyber security with regard to access (restricted access is used to ensure the proper division of functions), procedures for checking the design of new systems or modifications to existing ones, and the continued operation of systems (or the set-up of alternative systems and applications) should unforeseen events occur that affect their operation. Amongst other aspects, these policies are designed to guarantee the following:

- Secure access to both data and applications
- Changes made to applications are tracked
- Applications operate properly
- Data are available and applications are in working order
- Functions are divided appropriately

a) Secure access

A number of measures have been taken at different levels to prevent unauthorised access to both data and applications.

Access to applications, operating systems and databases is controlled through the use of usernames and passwords. Access to data is restricted to user profiles but a matrix for dividing functions to ensure that they are not incompatible has not been developed.

b) Tracking changes

A change management methodology has been developed and implemented that establishes the precautions and validations needed to limit the risk of this process. Since July 2012, a new methodology is applied called 'change request'.

Its main aspects include the following:

- Approval by business areas
- Tests are conducted as a preliminary step to production
- Specific environments for development tasks and testing
- Backtracking procedures
- Division of functions as the development team does not have access to production.

c) Operations

To ensure that operations are properly performed, the interfaces between the systems involved in preparing financial information are monitored.

Additionally, there is an internal Help Desk that users can contact should they detect any type of incident, have a query or wish to request training. The Help Desk also controls the efficiency of the performance of the information systems.

d) Availability and continuity

The company has a data processing centre (central and backup) that ensures information systems are available in cases of contingencies. Further backup is given through a disaster recovery plan (DRP) that sets out the tasks and steps to be followed to restore the systems in case of failure. The DRP is tested under real conditions once a year.

Additionally, a backup is made of data and applications daily that is temporarily kept in a safe place. There is a specific procedure for restoring these data even if full tests are not regularly run. However, partial procedures for restoring the information are carried out regularly.

e) Segregation of duties

A number of profiles have been defined to set the functions to which each user should have access on the information systems. These profiles are used to prevent a user from having more privileges than are strictly necessary. The definition of these profiles is currently under review.

F.3.3. Internal control policies and procedures designed to supervise the management of activities outsourced to third parties, as well as those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect the financial statements.

Fluidra, within its annual procedure to determine the scope of the ICSFI, identifies in what locations and financial areas there are:

- Activities outsourced to third parties.

At the time of establishing a collaborative agreement with a contractor, ensure competition, accreditation, technical and legal expertise and independence of the third party. During fiscal 2012, Fluidra has not outsourced activities that may materially affect to the financial statements.

- Assessment, calculation or valuation entrusted to independent experts

Fluidra uses experts that support work to assessments, judgments or accounting estimates, only when they are enrolled in the relevant professional associations, or have an equivalent accreditation, declare their independence and are of recognized companies in the market.

Specifically for 2012, experts have been used in jobs related to business combinations. Fluidra follows procedures to ensure competence, accreditation and independence of the third contract and also has ensured the validity of the data used by the third party and has reviewed and revised key assumptions and assumptions considered in the conclusions of the third party.

F.4. Information and communications

F.4.1. Description of how accounting policies are kept up to date (by accounting areas or departments) and any queries or disagreements about their interpretation resolved. How smooth communications are maintained with the organisation's heads of operations and any updates made to the manual of accounting policies passed on to all of its business units.

Amongst other functions, the CFO is responsible for keeping the accounting policies that apply to the group up to date. Thus, the CFO is responsible for updating the GAM, which includes the group's accounting criteria and its accounting plan, as well as an analysis of any changes to regulations/accounting standards that may have an impact on Fluidra's financial information.

The GAM is updated once a year. The last update was issued in December 2011. In the updates, both the accounting criteria based on the EU-IFRS regulations that apply and the group's accounting structure are reviewed to ensure traceability between the individual accounting plans of the group's subsidiaries and the Fluidra's accounting plan, which serves as the basis for drawing up the various reports containing the financial information to be provided to external bodies.

Once the GAM has been updated, it is sent to all of the organisation's directors of finance by email.

The CFO is also responsible for resolving any queries about the accounting treatment of any transactions that those responsible for Fluidra's financial information may have.

F.4.2. Methods of collecting and preparing the financial information in homogeneous formats to be applied and used by all of the group's units for inclusion in the main financial statements and the notes, as well as the information required for the ICSFI.

All of the companies that are included in the group's consolidated financial statements at the 2011 closing follow a single, homogeneous reporting model. Most of them (around 75% of turnover) use the same corporate accounting system for collecting and preparing financial information. Fluidra ensures that the remaining 25%, which have not yet implemented this information system, use homogeneous formats for preparing financial information through mechanisms that reflect those used in the integrated tool. The financial information reported by all subsidiaries covers that required in the main financial statements and their notes. Fluidra's Department of Finance is responsible for obtaining the information required from all of the subsidiaries, based on which any consolidation adjustments that may be required are made to obtain consolidated figures and it supplements the financial information with the notes to the consolidated financial statements.

To ensure that figures reported by subsidiaries are reliable, they must submit a monthly report of the various pieces of information that make it possible to conduct analyses of any variations in equity items and results obtained with regard to the monthly budget, for which a number of items from the balance sheet and the income statement are compared, which provides greater details about the local operations reported.

F.5. Performance monitoring

F.5.1. This takes in the monitoring activities undertaken by the Audit Committee, as well as those conducted by a subsidiary if it has internal auditors whose powers include supporting the Committee in its supervision of the internal control system, including the ICSFI. Likewise, information will be given about the scope of the assessment of the ICSFI performed in the business year and the procedure used by the person responsible for the assessment to disseminate results, as well as whether the company has a plan of action that lists possible corrective measures, and whether its impact on the financial information has been considered.

The functions of the Audit Committee related to the monitoring of the ICSFI are set out in article 13 of the Regulations of the Board of Directors and, amongst others, consist of:

- Supervising the efficiency of the company's internal controls and, in particular, the internal control of financial information, internal audits, if applicable, and risk management systems, as well as discussing any significant weaknesses in the internal control detected after an audit has been conducted with the account auditors or auditing firms.
- Supervising the process of preparing and filing regulated financial information.
- Reviewing the accounts of the company, ensuring the fulfilment of the legal requirements and the correct application of the generally accepted accounting principles, with the direct collaboration of the external and internal auditors to do so.
- In relation to the information and internal control systems:
 - Supervising the drawing up and integrity of the company's and, if applicable, the group's financial statements. Ensuring that regulations are complied with, that the scope of consolidation is abided by and that accounting standards are properly applied.
 - Reviewing the internal control and risk management systems regularly in order to ensure that the main risks are properly identified, managed and made known.
 - Ensuring that internal auditing function is independent and efficient; proposing the selection, appointment, re-election and dismissal of the person responsible for the internal audit service; proposing the budget for the service; receiving regular information

about its activities; and ensuring that senior management takes into account the conclusions and recommendations put forward in its report.

- Establishing and monitoring a system whereby employees are able to supply confidential or anonymous information about irregularities that they have detected in the company, which have potentially serious consequences, particularly with regard to financial and accounting practices.

Fluidra's internal audit function was set up as an independent, objective and exclusive valuation activity. This explains why the Internal Audit Area reports to the Audit Committee.

In 2012, the Audit Committee continued with its role of supervising the design, implementation and testing of the ICSFI model used by Fluidra, with the support of internal auditors.

Specifically, in relation to the monitoring activities conducted by the Audit Committee:

- In 2012, the Audit Committee regularly checked the progress made in the implementation of the ICSFI. Through these sessions, the members of the Audit Committee were able to review the degree of compliance of the ICSFI by examining the weaknesses identified, approving the corresponding plans of action proposed and setting the times required to execute them.
- In the framework of Fluidra's 2012 Annual Auditing Plan, the Audit Committee entrusted the Internal Audit Area with the review of the processes related to the material areas of the internal control systems.
- In line with the Annual Auditing Plan, the reports issued by the internal auditors about the activities completed were reviewed. These reports included the conclusions on the effective implementation of the controls identified as key in relation to the control systems, and they identified existing weaknesses and, as a result, the proposed plans of action were approved.

During this second year in which the ICSFI was implemented by the CFO, as defined in a document written by the Internal Control Working Group in June 2010 of the Spanish Securities Commission, the internal auditors continued ensuring that the ICSFI was properly designed and implemented. As part of its activities, the Internal Audit Area has continued extending its review procedures as Fluidra is adopting and implementing the ICSFI. Internal audits therefore repeatedly check that all the policies, standards and controls of the processes established in the ICSFI are working properly and able to mitigate the risk of fraud. To do so, all work programmes for reviewing each of Fluidra's processes will include a specific section intended to check that the aforementioned policies, regulations and controls have been properly designed and are working.

Of the monitoring activities undertaken as part of the Annual Auditing Plan during the 2012 business year, no relevant incidents were detected in the areas monitored and, therefore, none of the financial information checked by the Audit Committee was subject to changes.

F.5.2. State whether there is a procedure whereby the accounts auditor (in accordance with the procedures established in Spain's auditing standards – the NTA), the internal auditors and other experts can discuss any significant weaknesses in internal controls identified during the review process of the annual accounts or any other reviews that may be conducted with the senior management and the Audit Committee. Likewise, state whether any action plans have been devised to try to correct or mitigate the weaknesses observed.

The Audit Committee meets six times a year prior to the publication of regulated information in order to obtain and analyse the information necessary to carry out the tasks entrusted to it by the Board of Directors.

Special attention is paid to the review of the company's quarterly financial information, which is submitted by the CFO. In order to carry out this process, Audit Committee meetings are attended by the internal auditors, the CFO (who is responsible for preparing financial information) and the auditor of the accounts (when considered necessary, but at least twice a year). Their remit is to ensure that the accounting standards in force are properly applied and that the financial information is reliable. Should any possible significant weaknesses be identified in the internal control process, this should be disclosed and the corresponding plan of action drawn up.

The internal auditors prepare and present an annual internal auditing plan, which is reviewed and approved by the Audit Committee. The Internal Audit Department presents the results of its work and the progress it has made at the various Audit Committee meetings held during the year. Special emphasis is placed on the weaknesses found in internal controls, for which action plans must have been drawn up with the dates they are to be implemented. Subsequently, the internal auditors are responsible for ensuring that the recommended corrective actions are properly implemented by the corresponding areas.

Prior to the publication of reports by the Audit Committee, the internal auditors discuss the results of their work with the director of the area under review. This therefore ensures smooth communications between all the parties involved.

The external auditors submit a summary each year of the scope, schedule and areas on which they will concentrate their efforts in conducting the audit of the annual accounts, in accordance with the applicable accounting standards. They also meet twice a year with the Audit Committee in order to discuss their conclusions from the work carried out and the areas that could be improved. The internal auditors are told about the weaknesses reported so that they can be remedied in the action plan to be implemented.

The financial information is approved by the Audit Committee once it has held the meetings required with the internal auditors, the external auditors and the CFO. It is also sent to Fluidra's Board of Directors so that it can be filed and, if necessary, sent to the securities market authorities.

F.6. Other relevant information

Fluidra has always had a firm commitment to rigour insofar as the financial information control systems are concerned. As a result of the policies and procedures implemented over time, no significant shortfalls have ever been encountered in the past or in the 2012 business year. The shortfalls that have been identified in the past have not been very relevant and in all cases corrective measures have been taken to resolve them and prevent them from occurring again in the future.

The analysis of risks related to financial information and the control systems in place fall within the framework of the analysis for identifying and assessing the risks of the business.

During this business year and previous ones, Fluidra conducted an analysis of the identification and assessment of the group's business risks related to its activities and the economic climate, as well as of all the controls associated with each of them. The risk assessment took into consideration strategic, financial, operational and unforeseeable risks. Based on this analysis, the main risks of the business were identified and prioritised in line with the probability that they could occur, and according to the impact or effect that they could have on the company. At the same time, the controls that Fluidra has for monitoring these risks were identified. They were then classified in terms of their degree of effectiveness and the need to make them more robust, based on which a risk map for Fluidra was developed. In past business years, work has been carried out to improve the analysis of the information systems that make it possible to control

and manage the risks identified and the measures foreseen to mitigate their impact should they actually occur. The ultimate aim of this process is to ensure an acceptable level of risk and to identify contingent liabilities and/or risks not included in the balance sheet.

Fluidra regularly updates its business risk identification and assessment control mechanisms based on its activity and the current climate, as well as the controls associated with these risks, for which particular emphasis is placed on those classified as high risk and/or are subject to weak controls.

It is important for Fluidra to regularly identify the improvements to these measures and controls in order to improve current risk management practices and make them more efficient and effective.

F.7. External auditor's report

F.7.1. State whether the information of the ICSFI sent to the markets has been subject to review by the external auditor, in which case the company must include the corresponding report as an appendix. Should it fail to do so, the grounds must be given for doing so.

Fluidra has developed a financial information control system that is reliable, transparent and suited to the size and scope of its business. Thus, since Fluidra has been publishing its financial information, the group has maintained sound, robust systems that ensure such information is reliable in accordance with regulations, as borne out by the fact that no corrections due to accounting errors have had to be made, nor have reworded or qualifying statements have had to be issued in the published auditor's reports. Likewise, the Audit Committee has not found itself in situations in which it has had to modify the financial information prepared by the senior management as a result of weaknesses in the internal control systems.

Given this track record, it has been considered that there is no reason for information published taken from the ICSFI to be subjected to an annual review by third parties. Fluidra has concluded that in view of its regular reviews of the financial information, together with the reasons discussed in the above paragraph, there is no need to subject the information for 2012 sent to the markets resulting from the ICSFI to review by the external auditor. However, this does not preclude the possibility of such a review in future years within the framework of a regular review of the ICSFI.

Finally, it should be taken into account that part of the work carried out by the external auditor consists in:

- 1) Identifying weaknesses resulting from the auditing procedures applied, according to the Audit Standards in the context of the audit.
- 2) Reviewing the information in the directors' report (of which the ACGR forms part) to verify that the accounting information contained in it tallies with that found in the annual accounts for the year.

