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**PESCANOVA**

**Interim Management Report on the Group of Companies for  
the six month period ended on 30 June 2014**

## **INTERIM MANAGEMENT REPORT ON THE GROUP OF COMPANIES FOR THE SIX MONTH PERIOD ENDED ON 30 JUNE 2014**

### **Introduction and Insolvency Status-**

During the first months of 2014, the efforts of the Directors of the Parent Company were mainly focussed on the preparation and presentation of a creditors' arrangement proposal that could have the approval of its creditors.

As described in Note 1 to these Interim Financial Statements, this target was achieved when obtained the acceptance by the majority of creditors of Pescanova, S.A. of the proposal for creditors' arrangement prepared by the Directors of the Company.

The mentioned proposal became officially firm on 27 June 2014, allowing the cessation of the Insolvency Administration and the recovery of the disposal authorities of the Board of Directors of the Parent Company. Since then, the company started the implementation of the arrangement which includes the financial restructuring of most of the Spanish subsidiaries. The said restructuring, which will include insolvency proceedings in those Companies, has already started and is expected to be concluded in the following months.

As part of the implementation of the Creditors' Arrangement of Pescanova, S.A., a Monitoring Committee was set up, on 30 June 2014, to supervise the implementation and correct completion of the arrangement proposal and the related payments schedule. This Committee is made up by three persons who represent, respectively, the creditors of the Company, the Board of Directors and the former Insolvency Administration. This Committee is chaired by the representative of creditors, Mr. Jacobo González-Robatto.

### **Business evolution-**

Sales for the first half of 2014 reached 434 million de euros. Even though the sales figure for the first half of 2014 is not comparable (for the reasons mentioned in Note 2.d to the interim financial statements) with that for the same period in 2013, the Group's business evolution is considered positive since the insolvency procedure has not affected the supplies and services provided to direct customers and end-consumers. It is worth noting the seasonality of Pescanova's business, with its peak at Christmas, and also that the 2014 half year sales figure does not include those business units which, at 30 June 2014, have been classified as available for sale.

Operating result, before amortisation, impairment losses and other non-operating results, fro the first half of 2014 reached 27 million euros, which means a significant increase in respect of last year.

Below is a detail of the evolution of the main business divisions of the Group for the first half of 2014:

a. Southern Cone

The fishing activity in the Southern Cone for Argentinean prawns (*Pleoticus muelleri*) has been satisfactory with an increase in catches in respect of the same period last year. However prices will probably be lower than last year.

b. Africa

In general terms the different businesses in which the Group participates in Africa have evolved positively. Cost savings, improved productivity in fishing and processing, and market diversification, have allowed the obtaining of very positive operating results. Prospects for the future are very good.

c. Vannamei Shrimp

The positive results of the Vannamei Shrimp companies in the first half of 2014 were favoured by the fact of having obtained better financing terms, good market prices and lack of rearing problems, in line with the trend of the second half of the year in 2013.

d. Turbot

Sales of turbot reared at the Phase I of the farm in Mira (Acuinova Portugal) were resumed at the end of 2013 and gradually increasing in the first half of 2014. Sales of fish from the farm in Xove (belonging to Insuiña) were kept at the same level. Fish production at both sites is positive and growing; however, the results from these companies have been affected by the drop in selling prices in this period. A reversion in prices has been noticed in the last months of the reporting period

e. Processing

The Group's processing activity over the first six months of 2014 has been as usual, the main companies in this Division have generated positive operating results.

f. Trade

Despite of the problems arising from the insolvency procedure, the trade relationship with key customers of the Group has not been affected; the same applies to the brand name. In view of the sales recorded in the first half of the year - despite of the fact that the lack of financing restrains the supplies from certain origins, and the seasonality of the sales of certain products, whose peak demand occurs on the second half of the year, it should be noted that the trading division maintains its strength and degree of penetration in the markets in which Pescanova is present.

### **Main risks and uncertainties-**

Since 23 May 2014, date on which the Court issued the Sentence adopting the creditors' arrangements of Pescanova, S.A. and of Pescafina, S.A., both companies have concluded their insolvency proceedings, which means the end of the first and most important milestone in the interest of the financial restructure and economic viability of the Pescanova Group.

In this sense, the Arrangement Proposal adopted establishes a global solution for the whole Group and not only for Pescanova, S.A. and it is for this reason that it proposes a road map which includes a series of steps for the restructuring of the financial debt, not only of the Parent Company but also for the rest of the Spanish subsidiaries. On the other hand, the foreign subsidiaries have started a period for the renegotiation of their debt to allow the financial stability of those businesses.

It is for this reason that the main risks and uncertainties faced by the Group are related to the implementation of the arrangement proposal and the payments schedule in the same.

Furthermore, the compliance of the business plan that supports the mentioned payments schedule is affected by a number of risks and uncertainties inherent to the activities and the territories in which the Group carries out its activities and that are essentially biological, macro-economic and regulatory.

Apart from to the above mentioned risks and uncertainties, the circumstances surrounding Pescanova and its Group in the last year add other difficulties related to matters referred to in the report for this period which include, among other: (i) progress in the insolvency proceedings of several companies in Spain and abroad; (ii) resolution of tax contingencies and uncertainties caused by the insolvency procedure and the implementation of the creditors' arrangement approved; and (iii) evolution of the different disputes in which the Group companies are involved.

### **Research and Development Activities-**

In spite of the financial difficulties, Pescanova, S.A. and the Group of Companies in the holding have continued to conduct, although to a lesser extent, research and development actives as part of their ordinary activity.

### **Share Capital-**

Subscribed and paid-in Share Capital of Pescanova, S.A. consists of 28,737,718 shares to the bearer with a face value of 6 euros each, all of them of the same class and series and represented by book entries.

At present, all the shares of the Parent Company are listed in the Stock Exchange Markets in Madrid, Barcelona and Bilbao; however their trade has been suspended.

According to the records of the CNMV, significant shareholders are shown in the table below:

	Shareholding %
<b>Shareholding in the Board of Directors</b>	<b>10.642%</b>
Crisgadini, S.L.	7.130%
Golden Limit, S.L.	3.512%
Other	0.007%
<b>Other shareholders holding more than 3%</b>	<b>25.540%</b>
Corporación Económica Damm, S.A.	6.200%
Luxempart, S.A.	5.837%
Sociedad Anónima de Desarrollo y Control	5.476%
Silicom Metals Holding, LLC	5.000%
Nova Ar dara Equities, S.A.	3.027%
<b>Other shareholders holding less than 3%</b>	<b>63.818%</b>
<b>Total</b>	<b>100.000%</b>

#### Own shares-

There has been no transaction with own shares in the six month period ended 30 June 2014.

#### Events subsequent to reporting date

The most relevant events subsequent to the closing of the six month period ended 30 June 2014 are included in the condensed report attached to this Management Report.