

**DIRECTORS' REPORT ON THE ITEMS ON THE AGENDA FOR THE  
EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING TO BE HELD ON  
26 NOVEMBER 2014 (FIRST CALL) OR 27 NOVEMBER 2014 (SECOND CALL)**

The agenda for the Extraordinary General Shareholders' Meeting called for 26 November 2014, at first call, and for the following day, at second call, contains the following matters or items:

(i) Items 1 to 5 of the agenda comply with the Ruling of 6 October 2014 from Commercial Court no. 2 in Pontevedra, sought by Jefferies LLC and Jefferies International Limited, holders and custodians, on behalf of Silicon Metal Holdings, LLC, of 1,436,886 Company shares; and

(ii) Items 6 to 8 are being submitted for the approval of the Extraordinary General Shareholders' Meeting following a proposal of the Board of Directors of the Company.

**I. ITEMS ON THE AGENDA PROPOSED BY SHAREHOLDER JEFFERIES/ SILICON METAL HOLDINGS**

Below are items 1 to 5 on the agenda, which include two clearly different types of matters.

1. Items 1 to 3 on the agenda are purely for information purposes, in relation to which no resolution needs to be adopted and, as such, no proposal needs to be made. This is the case of the **first item on the agenda** ("*Presentation of the KPMG forensic report and the Viability Plan prepared by PwC to the shareholders*"), the **second item on the agenda** ("*Detailed information for the Meeting on the terms of the mandate granted by the Board of Directors to Lazard*") and the **third item on the agenda** ("*Full and detailed information for the Meeting on the different non-binding offers received by the Board of Directors in the context of the Company restructuring process, according to the Relevant Event notified on last 13 December. Detailed explanation of the reasons and corporate interests according to which only the offer made by Corporación Damm and Luxempart, among others, was chosen to be referred to creditors as a proposed arrangement*").

2. Items 4 and 5 contain proposed resolutions drafted by the above-mentioned shareholder, which will be submitted for discussion and voting at the Extraordinary General Shareholders' Meeting. To be precise, this includes:

2.1. In the **fourth item on the agenda**, the amendment of the By-laws, by means of the introduction of a new article 31 bis, the proposed text of which is:

*“Article 31 bis.-*

*SHAREHOLDERS AFFECTED BY A CONFLICT OF INTEREST*

*1. Despite the point made above, shareholders affected by a conflict of interest will not be able to exercise their voting right at the General Shareholders' Meeting, either by themselves or via a proxy, in relation to those matters or proposed resolutions to which the conflict refers; this applies, in particular, to shareholders called to subscribe a capital increase with exclusion of the pre-emption right or those affected by resolutions by virtue of which the Company grants them a right, releases them from an obligation, dispenses with the prohibition on competition, in the case of directors, or approves an operation or transaction in which they have an interest.*

2. *The provisions of the foregoing section will also apply in the case of resolutions that affect: (i) in the case of shareholders who are natural persons, entities or companies controlled by said natural person; (ii) in the case of shareholders who are legal persons, the entities or companies belonging to its group, even if said companies or entities are not shareholders.*

3. *If the shareholder subject to the prohibitions on voting envisaged above attends the General Shareholders' Meeting, his/her shares will be deducted from those attending the General Shareholders' Meeting for the purpose of determining the number of shares used to calculate the majority necessary to adopt the corresponding resolutions."*

**2.2.** In the **fifth item on the agenda**, the amendment of the Regulations on General Meetings with a view to adapting them to the amendment of the By-laws proposed in point 2 above. Inclusion of a new article 20 bis, with the following wording:

*"Article 20 bis. Shareholders affected by a conflict of interest.*

1. *Shareholders affected by a conflict of interest will not be able to exercise their voting right at the General Shareholders' Meeting, either by themselves or via a proxy, in relation to those matters or proposed resolutions to which the conflict refers; this applies, in particular, to shareholders called to subscribe a capital increase with exclusion of the pre-emption right or those affected by resolutions by virtue of which the Company grants them a right, releases them from an obligation, dispenses with the prohibition on competition, in the case of directors, or approves an operation or transaction in which they have an interest.*

2. *The provisions of the foregoing section will also apply in the case of resolutions that affect: (i) in the case of shareholders who are natural persons, entities or companies controlled by said natural person; (ii) in the case of shareholders who are legal persons, the entities or companies belonging to its group, even if said companies or entities are not shareholders.*

3. *If the shareholder subject to the prohibitions on voting envisaged above attends the General Shareholders' Meeting, his/her shares will be deducted from those attending the General Shareholders' Meeting for the purpose of determining the number of shares used to calculate the majority necessary to adopt the corresponding resolutions"*.

In relation to these two matters (items four and five on the agenda), the proposal made by the Board of Directors is to vote against approval. This position is essentially justified on two grounds: firstly, the proposal in question was made in a context and under circumstances that no longer apply, namely in the context of the bid originally made by, among others, two shareholders of Pescanova, Corporación Damm and Luxempart, to be precise, who at that time aspired to lead the process to refloat the Company but who subsequently had to relinquish said aspiration due to reasons of which we are all aware. As such, in the opinion of the Board of Directors, there is no justification for this proposal given the current situation of the Company and it is a proposal that could conceivably end up preventing or hindering efforts to attract funds that may be necessary or appropriate for the stability of Pescanova in the future. Meanwhile, the Board of Directors, after due consultation with the Company's legal advisors, also considers that said proposal could raise doubts in terms of its legality, as

it represents a restriction on the shareholders' right to vote that is not required or advised in any current legal provision.

For these reasons, the proposal of the Board of Directors is to vote against items 4 and 5 of the agenda of the meeting.

## **II. ITEMS ON THE AGENDA PROPOSED BY THE BOARD OF DIRECTORS**

Items 6 to 8 constitute proposals made by the Board of Directors, as it considers them necessary, appropriate and in the Company's best interests:

**1. The sixth item on the agenda.** *"Modification of the closing date of the financial year and corresponding amendment of article 48 of the Company's By-laws".*

The Company's insolvency arrangement contemplates a variety of mercantile operations and structural modifications, including certain debt reductions that, if approved, will have highly significant tax effects, as set out in the financial statements at 30 June 2014. All of this is contained in the Creditors' Arrangement approved in the context of the tax treatment in force on the date of approval of the Arrangement and, as such, assuming that the tax treatment to be applied to all those operations will be the one in force at that time.

Following the approval of the Arrangement and the design of the steps necessary to execute it, the Government passed a far-reaching modification of the legal framework of Corporate Tax. This modification is currently in the Senate at the amendments stage, having been approved by Congress, and it is due to apply to financial years starting as of 1 January 2015.

Consequently, there is currently some uncertainty regarding the applicable tax regime in terms of Corporate Tax depending on the legal text that is ultimately passed, as well as the effect that it may have on the operations envisaged under the Arrangement as of its entry into force.

In this context, it is advisable to bring the end of the Company's financial year forward to 30 November, so that at least part of the operations and landmarks envisaged in the Arrangement are subject to the current legal regime (which was the one taken into account for approval of the Arrangement), thus reducing uncertainty and possible negative implications derived from the new legislation.

In view of the above, the Board of Directors has decided to submit the modification of the closing date of the financial year to 30 November and the corresponding amendment of article 48 of the By-laws, which will henceforth read as follows:

*"Article 48. Financial Year and Annual Accounts: Each financial year of the Company will start on the first of January and end on 30 November each year. The Directors will draw up the annual accounts within three months following the latter date, together with the management report and the proposal for the allocation of results; all subject to the provisions of the Spanish Companies Act."*

As a result, in the event the above modification is approved, the current financial year will run from 1 January to 30 November 2014, with subsequent financial years starting on 1 December and ending on 30 November of the following year.

**2. In the seventh item on the agenda.** *"Appointment of a new Auditor for Pescanova, S.A. and its Consolidated Group"*, the Board of Directors proposes, with a favourable report from the Audit Committee, that the Meeting appoint Ernst & Young S.L. as new Auditor of Pescanova, S.A. and its Consolidated Group, for a period of 3 years, i.e., for 2014 to 2016 (both

inclusive), all for the purposes of articles 264 and related provisions of the Spanish Companies Act.

The registered address of Ernst & Young S.L. is Plaza Pablo Ruiz Picasso, 1, Madrid, and it is recorded at the Madrid Mercantile Registry, in Tome 12.749, Volume 0, Folio 215, Section 8, Sheet M-23.123, Entry 116, and in the Official Registry of Auditors under number S0530, with Fiscal Identification Number B-78.970.506.

**3. In the eighth item on the agenda, the Board of Directors proposes to "*Empower all the members of the Board of Directors of the Company, so that any of them, acting jointly and severally and notwithstanding any other existing power of attorney, can execute and/or record the resolutions adopted*".**