REPORT BY THE BOARD OF DIRECTORS OF PESCANOVA, S.A. REGARDING THE PROPOSALS INCLUDED IN ITEMS 2 AND 3 OF THE AGENDA FOR THE EXTRAORDINARY MEETING OF SHAREHOLDERS CONVENED FOR THE DAYS 28 AND 29 SEPTEMBER 2015, IN FIRST AND SECOND CALL RESPECTIVELY.

1. PURPOSE OF THE REPORT

This report (the "**Directors' Report**" or the "**Report**") has been issued by the Board of Directors of Pescanova, S.A. (the "**Company**", "**Pescanova**" or "**PVA**") regarding the proposals for the approval of structural changes (merger and segregations) on one hand, and the authorization for a share capital increase by means of a cash contribution and by offsetting credits held in the subsidiary company Nueva Pescanova, S.L.U. ("**NPVA**"), on the other hand, which will be subject to discussion, and where applicable, to the approval of the Extraordinary General Meeting of Shareholders of PVA convened for the days 28 and 29 September, under items 2 and 3 of the agenda.

The structural modifications proposed have a special or simplified nature because they refer to subsidiaries which are fully participated by the absorbing company and to a subsidiary participated in more than 90% of its share capital, therefore, as such, the drafting of a report by the Board of Directors in connection with such changes is not necessary, nor an authorization is required by the law with regard to the disposal or contribution of key assets (article 160.f of the Spanish Capital Companies Act – *Ley de Sociedades de Capital*).

However, the Board of Directors of PVA has deemed it essential to draft this Report in order to provide the Shareholders with all necessary information for them to adopt their decision freely on the matters subject to their examination, which are essential for the future of the Company, being fully aware of their scope and of the reasons underlying such proposals made by it.

2. THE RESTRUCTURING PROCESS OF PESCANOVA SINCE IT BECAME UNDER INSOLVENCY PROCEEDINGS IN MARCH 2013 UNTIL JUNE 2015

The crisis of Pescanova Group (Grupo Pescanova) was ascertained when its parent Company, PVA became subject to insolvency proceedings (meeting of creditors) in March 2013, in the course of which the total liabilities prior to adjustments of the insolvency was set at around EUR 3,000 million. In a strained context and after long and complex negotiations, it was finally possible in May 2014 to secure the approval of an agreement for the parent company which entailed an extremely high reduction of the credits held by the creditors, above 90%, whereby the nominal insolvency debt after the reduction adjustments (*quitas*) was set at around EUR 270 million.

On the basis of the Reorganization Plan of PVA, in July 2014 ten of the Spanish subsidiary companies of PVA (the "**Subsidiaries**") were subject to insolvency proceedings with an aggregate liabilities of the insolvency estate amounted to around

EUR 800 million, of which EUR 600 million referred to guarantees provided by the Subsidiaries in connection with credits and loans granted by PVA and which had been simultaneously claimed by the Subsidiaries and the creditor companies. Wherefore, on one hand, such credits and loans had already been claimed by the creditors in the insolvency proceedings regarding the parent company, PVA, and on the other hand, had also been filed and proven as insolvency credits in the insolvency proceedings regarding the Subsidiaries, considering that they acted as the guarantors for such credits. In May 2015, the arrangement agreements for all the Subsidiaries were approved with different percentages for the reduction of credits ranging from 0% up to 97.5%, which reduced the nominal insolvency debt after the adjustment to EUR 430 million approximately, which added to the EUR 270 million of post-insolvency adjustment debt of PVA, entail a total restructured debt of around EUR 700 million.

It must be taken into account that the agreement reached for PVA and the agreements reached in connection with the Subsidiaries reveal that certain substantial differences exist between them. Below, we provide a comparative chart of the differences between them because this matter is particularly relevant in order to understand the obligations and rights of PVA and of the Subsidiaries in connection with such agreements:

	PVA Agreement	Subsidiaries' Agreement
Senior Restructured Debt at 10 years and 3% interest	EUR 400 million	EUR 400 million
Junior Restructured Debt at 15 years and 1% interest	EUR 300 million	EUR 300 million
New Supersenior Credit, mid-term and 15% interest	EUR 125 million	EUR 125 million
New Junior Restructured Debt at 20 years and 1% interest		EUR 300 million (1)
Share capital reserved for PVA in Nueva PVA	4.99%	4.99%
Share capital reserved for current PVA Shareholders in Nueva PVA	32.50% (2)	15.00% (2)
Share capital reserved for the creditors in Nueva PVA	65.01%	80.01%
Nature of the share capital allocation percentages between shareholders	Adjustable	Non-adjustable
(1) Fee payable to Nueva PVA to finance the Supersenior Credit (2) EUR 25 million to be paid for 32.50% of the share capital and EUR 7.32 million for 15%.		

Regarding the foreign subsidiaries of PVA, two of them are under insolvency proceedings (meeting of creditors), Argenova in Argentina and Pescanova Brasil. The latter subsidiary, which is a small one, has already been restructured and Argenova is close to reaching an agreement with its creditors at the date of this Report. The debt of

other subsidiaries in Central America and Africa has already been restructured. At present, the debt of all foreign subsidiaries, subject to the successful conclusion of the insolvency proceedings regarding Argenova, amounts to the aggregate amount of EUR 250 million. This figure does not include the debt of Acuinova Portugal, a subsidiary which has not been considered in the restructuring agreements as part of the scope of business of Grupo Pescanova and which could be the object of a divestment without any material effect on the accounts of the Group. At the date of this Report, certain minor refinancing is pending of being completed in some foreign subsidiaries.

On a whole, the nominal debt of Grupo Pescanova at the date prior to the effectiveness of the segregation in favour of Nueva PVA will be close to the amount of EUR 1,050 million approximately: EUR 700 million of restructured debt, EUR 250 million from the foreign subsidiaries and a maximum debt balance for working capital in Spain of around EUR 100 million.

The PVA Agreement contemplated the implementation of certain structural modifications (a merger and two segregations, all of them within the Group) which would provide the framework for the new structure of the Group (the "**Structural Modifications**") followed, simultaneously by a share capital increase in NPVA (the "**Share Capital Increase of NPVA**"). The carrying out of the Structural Modifications as well as the Share Capital increase in NPVA were designed by the creditors as an essential element of the terms of the agreements entered into with the Subsidiaries, whereby they demand that all transactions must be executed contemporaneously no later than November 30, 2015. As if such chain of acts linked to a specific date had any magical implications when, obviously, it has not legal basis whatsoever.

The Structural Modifications are described in detail in the corresponding Merger and Double Segregation Joint Project, while the terms and conditions governing the Share Capital increase in NPVA are included in the draft proposal for authorization of the same which, together with this Report, have been made available to the Shareholders prior to the Extraordinary General Meeting that will be held on the days 28 and 29 September 2015, which may be accessed at the web page of PVA, http://www.pescanova.com, under the section "shareholders" and more specifically clicking on Notice of Extraordinary General Meeting, and also available at the web page of the Spanish Securities and Exchange Commission (CNMV), http://www.cnmv.es, under the section of price sensitive information related to PVA.

In this Directors' Report and with the sole purpose of providing the Shareholders with all the necessary information, we offer a comprehensive outline of the main stages and features of the restructuring process of Grupo Pescanova as a whole.

The restructuring process shall lead to the contribution of the current business of PVA in favour of two companies: (i) NPVA, which will be initially fully participated by PVA, and (ii) Pescanova España, S.L. ("**Pescanova España**"), which will be 100% participated by NPVA. Both of them have already been incorporated and recorded at the Commercial Register as companies fully participated by PVA, for purely practical and operational reasons.

The main features of the corporate transactions envisaged in the abovementioned agreements are provided below:

2.1. **Merger by absorption of the Subsidiaries**: as a result of this transaction, PVA (the absorbing company) will absorb all the Spanish subsidiaries (absorbed companies), except Novapesca Trading, S.L., Insuiña, S.L., and Harinas y Sémolas del Noroeste S.A. In consequence, the winding-up without liquidation of the absorbed companies will take place and its assets in block will be transferred to PVA which shall become the universal successor of all rights and obligations of the transferred companies.

This objective will be achieved by conducting the following merger operations:

i. Merger by absorption of the fully-participated companies by means of the procedure contemplated in article 49 of Spanish Law 3/2009, April 3 – on Structural Modifications of Companies (hereinafter, the "**LME**").

Therefore, in line with the requirements foreseen in article 49 of the LME, the merger transaction may be carried out without being necessary:

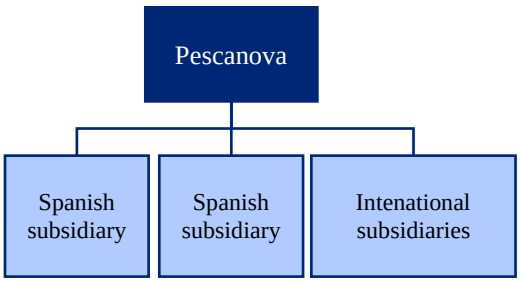
- Reports by the directors and experts on the merger process.
- Approval of the merger by the general meetings of the absorbed companies.

Obviously, if the merger is carried out according to the abovementioned procedure, the legal proceedings, deadlines and costs associated with the merger process would be reduced.

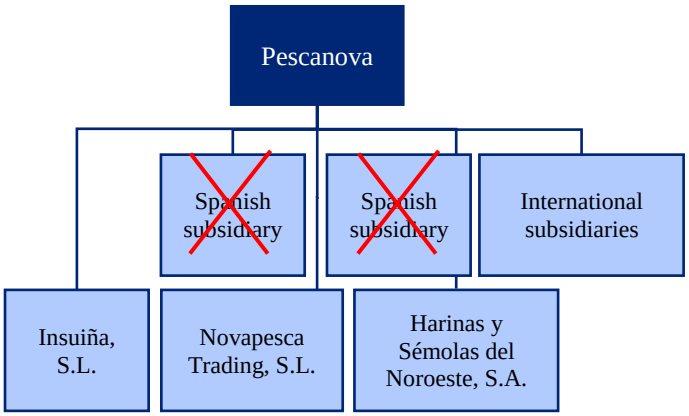
ii. Absorption of the affiliated companies with a participation quota of 90% or above in the share capital by means of the procedure foreseen in article 50 of the LME: by means of this merger transaction, PVA would absorb the subsidiaries which are not fully participated, because there are other shareholders apart from Pescanova in the share capital of these companies, although the stake held by PVA in them is 90% or higher, but not 100%. This process would only be applicable for the merger of the subsidiary Pescafina, S.A.

The execution of the abovementioned merger transactions would entail the winding-up of the absorbed Subsidiaries and their universal succession by the absorbing company, PVA, in all their net worth, include assets and liabilities, as well as in all their rights, obligations and legal relationships.

Before the merger



After the merger

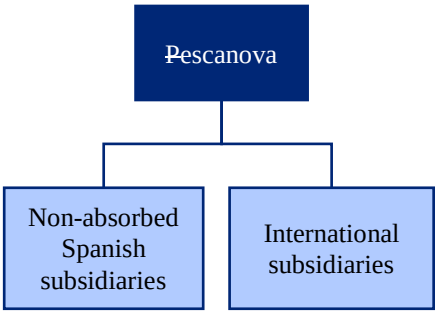


2.2. **Segregation of PVA in favor of the Spanish company Pescanova España,** (hereinafter, the **"First Segregation**"): by means of this transaction, PVA (the segregated company) shall segregate part of its net worth – consisting in economic units (without insolvency debt) of the subsidiaries which will have been previously absorbed – in favour a private limited liability company, Pescanova España (the beneficiary company), which will have PVA as its sole shareholder, and this company will then increase its share capital against the segregated net worth transferred.

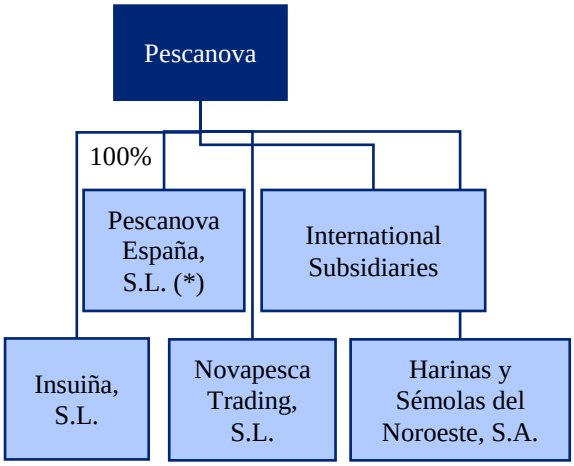
As a consequence of this segregation, the beneficiary company, Pescanova España will become the universal successor of PVA, in the net worth, rights, obligations and legal relationships linked to the segregated economic units transferred, and conversely, PVA shall receive all the quotas (*participaciones*) of the beneficiary company. Likewise, the majority of credits of PVA and the absorbed Spanish Subsidiaries, and in particular the insolvency credits, once they have been novated on the basis of their respective restructuring agreements, shall remain as liabilities in the balance sheet of PVA.

Therefore, all business carried out in the Spanish territory will be unified (except for except Insuiña, S.L., Novapesca Trading, S.L. and Harinas and Sémolas del Noroeste S.A.) in a sole entity, Pescanova España, wholly participated by PVA.

Before the First Segregation



After the First Segregation



** Economic Units (without insolvency debt) of the Spanish Subsidiaries which have been previously absorbed.*

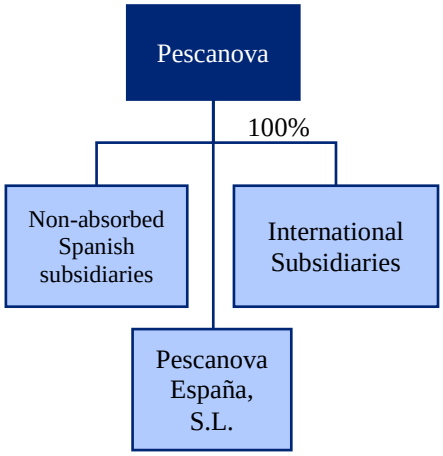
2.3. **<u>Segregation of PVA in favor of the company NPVA,</u>** (hereinafter, the **"Second Segregation**"): by means of this transaction, PVA (the segregated company) will segregate part of its net worth consisting in, among other assets, its quotas (*participaciones*) in Pescanova España, in foreign subsidiaries and in Harinas y Sémolas del Noroeste, S.A., Novapesca Trading, S.L. and Insuiña, S.L., as well as certain liabilities which have been novated at the time of the segregation in favour of a private limited liability company with the corporate name of NPVA (the beneficiary company), wholly held by PVA as its sole shareholder and with the same registered office as PVA.

As follows from the restructuring agreements, the liabilities of PVA and of the absorbed Subsidiaries accrued up to the Second Segregation which must remain in PVA shall be taken over by NPVA by means of reciprocal debt with PVA, which, in its turn, shall hold a credit right against the former in the same amount and under the same terms. The amount of the debt owed by NPVA with PVA exceeds EUR 60 million.

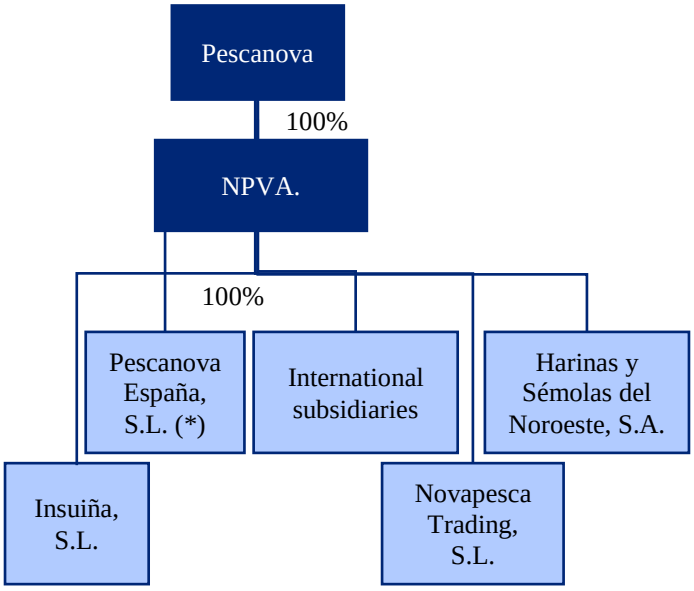
Likewise, the restructuring agreements contemplate that at the time of the Second Segregation, the debt of Novapesca Trading, S.L. and Insuiña, S.L., under the scope of the restructuring agreement shall be transferred to NPVA by means of a novation by amendment without extinguishment that will not produce any release effects.

Regarding the liabilities which will remain in Novapesca Trading, S.L. and Insuiña, S.L., they will be transferred to NPVA by means of debt incurred with both companies whereby, each of them shall hold a credit right against NPVA for the same amount and terms. Additionally, at the time of the Second Segregation, both Novapesca Trading, S.L. and Insuiña, S.L. shall become joint and several guarantors of the restructured debt.

<u>Before the Second Segregation</u>



<u>After the Second Segregation</u>



2.4. **Share Capital Increase of NPVA,**: the PVA agreement contemplates and the Subsidiaries' agreements demand that a mixed share capital increase by means of cash contributions and offsetting of credits in NPVA be carried out which, until then, had been a sole shareholder company wholly participated by PVA as a consequence of the Structural Modifications abovementioned.

The Share Capital Increase in NPVA shall be carried out and paid up by the persons and according to the specific tranches set out below:

i. The Underwriting Entities (the financial institutions which have agreed to provide a financing offer in favor of NPVA), by means of cash contributions (or alternatively, by offsetting credits, if they provide finance for a sum equivalent to the offset amounts) up to an aggregate amount of EUR 14,000,000 in exchange for 28.72% of the share capital.

ii. The NPVA creditors by means of a partial capitalization of the credits held by them for a maximum aggregate amount of EUR 18,000,000, in exchange for 36.92% of the share capital.

iii. The current NPVA creditors pro rata to the amount of debt held by them in consideration for cash contributions (or alternatively, by offsetting credits, if they provide finance for a sum equivalent to the offset amounts) up to a maximum amount of EUR 7,000,000, acquiring thereon a 14.37% stake in the share capital.

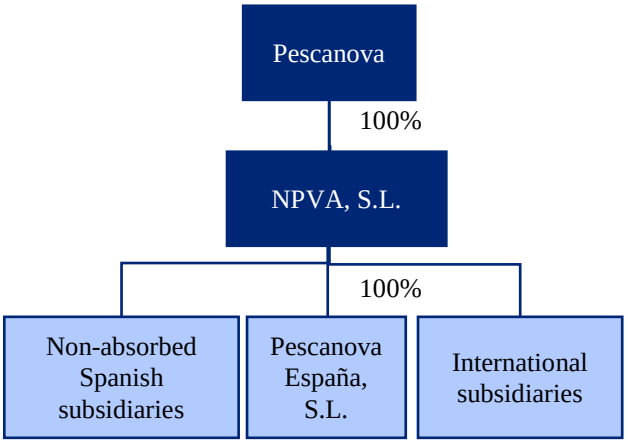
iv. The current PVA shareholders by means of cash contributions up to a maximum aggregate sum of EUR 7,320,000 in exchange for 15% of the share capital.

v. PVA, by acquiring 4.99% of the share capital for a total amount of EUR 2,440,000 as explained next in section 3 of this Report.

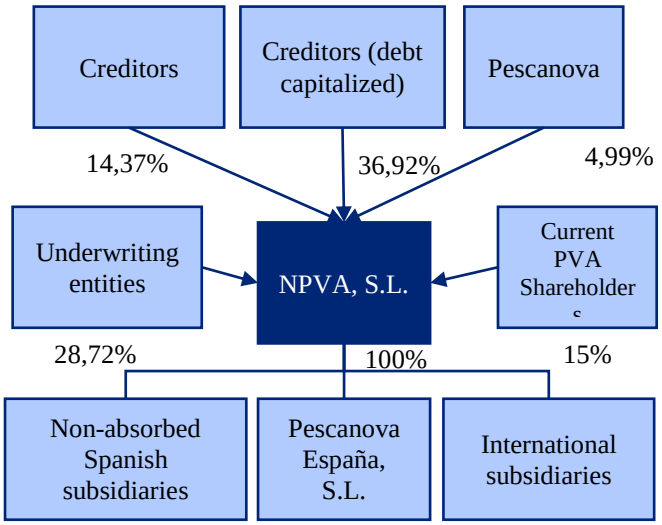
To the purposes of article 301 of the Spanish Capital Companies Law, the amount of the restructured insolvency debt which shall be capitalized in the Share Capital Increase of NPVA will be deemed as fully liquid, due and payable at that moment.

The allocation of the share capital in the abovementioned percentages will require the prior waiver of PVA of its pre-emptive acquisition right in the envisaged share capital increase transaction of NPVA with regard to the reserved stakeholdings as set out in the restructuring agreements with the Subsidiaries so that they may be subscribed and paid up by the NPVA creditors and by shareholders of PVA.

Before the share capital increase



After the share capital increase



The structuring agreements entered into with the Subsidiaries contemplate a rigid timetable for the execution of the transaction: they establish 30 September 2015 as the deadline for the General Meeting of Shareholders of PVA to approve simultaneously the Structural Modifications and the Share Capital Increase in NPVA, considering that such term is essential and non-extendable. And they foresee that these restructuring transactions should be completed jointly and simultaneously no later than 30 November 2015, the closing date of the financial year of PVA.

3. THE FINANCIAL AND NET WORTH SITUATION OF PESCANOVA, S.A. AS OF 30 JUNE 2015 AND EQUITY TRANSFERRED TO NUEVA PESCANOVA, S.L.

As may be gathered from the merger balance of PVA closed as of June 30, 2015, and audited without any disqualifications by the firm E&Y, which is part of the documents provided to the shareholders in connection with the Extraordinary General Meeting to be held on the days 28 and 29 September 2015, as of 30 June 2015, the equity in the balance sheet of PVA was positive and amounting to EUR 3 million approximately.

It must be noted that such positive amount of equity includes a provision for impairment of EUR 57 million (please see the PVA's merger balance, section 7.3), to adjust the equity to EUR 3 million. In other words, if PVA were not under constraint due to the restructuring agreements of the Subsidiaries, the equity of PVA as of 30 June 2015 would therefore reach the figure of EUR 60 million approximately.

And, moreover, the equity amount of PVA should be increased, where applicable, by the amount of EUR 44 million approximately as a consequence of the debt reduction proposed for the company Argenova, S.A., if the meetings of creditor's proceedings currently underway are successfully completed; this is expected to take place before the Share Capital Increase of NPVA.

In consequence, it must be highlighted that PVA shall incur in an aggregate equity loss of EUR 101 million, such being the difference between the equity which NPVA will foreseeable receive on the Share Capital Increase date (60+44=104) and the abovementioned EUR 3 million amount.

And this substantial equity amount is due basically to the major reductions made on the credits held by the creditors under the agreements with PVA and the Subsidiaries, but also a considerable part of that figure is due to the positive generation of gross results (EBITDA) obtained by Grupo Pescanova during the restructuring period, i.e., from March 2013 through June 2015. And precisely, this higher value generated throughout the abovementioned period justified, among other reasons, the alternative proposal for the shareholding distribution of NPVA which the Board of Directors of PVA proposed to the creditors, a matter which was informed as a price sensitive information to the CNMV on 18 June 2015 and which we shall discuss later.

Although it may be understood that the equity of PVA, considering that they have been calculated at the lower value between acquisition cost or fair value, includes the value of the trademark “Pescanova” (which is owned on a 100% by PVA, and which is recorded in the balance sheet for a value of EUR 0), the Board of Directors have requested an independent valuation of the trademark, issued on 31 July, which considers that its value should be estimated within the range of EUR 63-83 million, and this matter is duly explained in this Report to the Shareholders.

From the above, it may be inferred that at the date of recording at the Commercial Register, foreseeably November 2015, PVA will deliver to the creditors who will become the majority shareholders in NPVA, a business unit in operation, consisting of assets and liabilities with equity for a positive amount of more than EUR 100 million, as well as cash in the companies being merged for an amount of more than EUR 40 million. In consequence, the new directors of NPVA will have to be responsible for its adequate running in the future and of the return at the agreed term of the debt which NPVA has acquired with PVA for an amount above EUR 60 million following the second segregation, as indicated in section 2.3 of this Report.

4. SHORT-TERM ECONOMIC PROSPECTS OF THE GROUP

For the accounting year of 11 months corresponding to the year 2014, the Group posted an EBITDA of EUR 63 million and for the entire financial year 2015, due to the negative impact of the rise of the US dollar against the euro which affects the supplies received from the dollar zone, and the drop in prices such as shrimps, red prawns, etc. it is expected that the results will be the same as the ones posted for 2014.

On a short-term basis for the future of the Company the Board of Directors has launched, as soon as it recovered its management powers, an ambitious plan to improve its EBITDA aided by the prestigious consultancy firm Mckinsey, known as META 100, which entails involving a large part of the corporate organization to identify and execute more than 600 improvement actions. This project would make it possible, in part, to counter the negative exchange rate differences $/€ and the drop in prices contemplated for the closing of the 2015 accounts, so that in the financial years 2016 and 2017 the EBITDA figures may improve considerably against the ones posted for 2015, and for the aggregate of the first four years 2014-17, the Plan's timeframe, the anticipated EBITDA figure foreseen in the Reorganization Plan included in the PVA Agreement may be attained considering the same scope of business.

From the point of view of growth management, the Board of Directors hired a General Commercial Director for the group in February this year, a position which did not exist before, who will be in charge of organizing, coordinating and boosting the commercial activity of the group in line with the growth in sales expected in the agreements. The first fruits of this initiative are already being gathered, and in spite of the unfavorable circumstances surrounding the market, the sales plan for 2015 will be very similar to the one foreseen in the creditor agreements.

From an employment perspective, the current Management Board has been able to avoid any traumatic downsizing of the workforce of the group, without having a negative impact on its evolution. Probably, this is the first case in Spanish insolvency proceedings in which no delay or default in the payment of payrolls has ensued nor any industrial conflict. The current Board does not have any knowledge on what will be policy followed by the future management team of Grupo Pescanova. Without wishing to put any pressure on their freedom of action and decision-making faculties, the current Board of Directors feels that it may confidently recommend that the current human resources of the Group should be retained, a view which was expressly confirmed to the media by the incumbent Chairman of the Supervisory Committee of PVA. The employees of Grupo Pescanova, as much as, or even more, than its shareholders and creditors have proven to be the most tangible and reliable asset for the survival of the Group.

Regarding other matters, the Group in Spain has been able to secure after the period of the outbreak of the crisis three financing sources for its working capital:

- A "fresh money" loan for an amount of around EUR 50 million which the G7 and Xesgalicia granted in May 2013 and which after a number of repayments records an outstanding principal of only EUR 15 million and could be cancelled without any difficulties with the inflow of the loans agreed to be granted by the creditors following the Share Capital Increase in NPVA.

- A discount line of invoices for first-rate clients such as Mercadona, Carrefour, Día, etc granted by the G7 to PVA and its Subsidiaries for a maximum sum of EUR 45 million and market conditions, which should, in principle, be replaced in the financial market. This discount line is prior to the PVA crisis and has been renewed throughout this period in similar terms.

- An imports line for its own products from the foreign producer subsidiaries granted up to this date also by the G7 under market conditions for the Christmas sales and subject to a maximum amount of EUR 30 million.

In this sense, we should pause in order to highlight the gratitude of the Board of Directors to the financial support provided during this difficult period of crisis to Pescanova by the banks included in the group G7, as otherwise the company would have faced a period of liquidation, and it would have major consequences for employees, shareholders and, of course, the creditors as well.

For the next financial years 2016-17, two additional financial resources are foreseen:

- Realization of assets not committed to the operation foreseen in the META 100 Plan and others, for a sum of around EUR 25 million that could be used either to reduce the principal of the working capital facility lines, or else to launch a new investment plan.

- Generation of EBITDA between 2016 and 2017 should reach the figure of EUR 200 million following the full application of the META 100 Plan, in line with the provisions of the reorganization plan and payments' schedule of the agreements, considering a debt service forecast of around EUR 100 million.

On the basis of the above, this Board reasonably considers that with the existing working capital financing lines, the EBITDA generation and the foreseen divestments, the operational and financial commitments of the Group could be met for, at least, the following two years.

5. SPECIFIC INFORMATION ON THE SHARE CAPITAL INCREASE OF NPVA AND ITS CONSEQUENCES FOR THE SHAREHOLDERS OF PVA

The Share Capital Increase proposal made by the PVA's directors included in the agreement with the parent Company and which was approved by its creditors in May 2014 allowed the all Shareholders of PVA to subscribe up to 32.5% of NPVA in exchange for a cash consideration of around EUR 25 million. This share capital increase proposal contemplated a valuation of 100% of the share capital of NPVA which at the time of its creation was considered to be around EUR 77 million.

However, the Capital Increase proposals of NPVA foreseen in the agreements signed with the Subsidiaries which have made by the creditors and were approved in May 2015, which the latter have deemed to be essential for compliance of the agreements themselves, have reduced to 15% the tranche reserved to the PVA shareholders in exchange for cash contributions amounting to EUR 7.32 million. The same proposal was included in the agreement executed on 28 April 2014 entered into by, among others, PVA, the Subsidiaries, the Underwriting Entities and the Insolvency Administration of PVA, a matter which was duly reported by means of the price sensitive information no. 204305 on the same date.

On the other hand, the entities which are part of G7 as well as other creditors have agreed to provide NPVA a credit facility for a sum of EUR 125 million, referred to as

the supersenior facility, as shown in the first chart of section 2 of this Report. This credit accrues an annual interest of 15%, and will be placed above any other debt in the ranking of credits.

However, in the agreements entered into with the Subsidiaries, and as a consequence of the supersenior Credit request, it has been established that the restructured debt will be increased by an additional debt tranche with a EUR 2.4 fee for each euro requested under the supersenior credit, in other words, the EUR 125 million of the supersenior credit will automatically generate an additional debt of EUR 300 million reimbursable over 20 years at 1% interest.

In view of the total new indebtedness of the Group, if over the existing debt prior to the creation of NPVA, as indicated in section 2 of this Report, which amounts to EUR 1,050 million, the supersenior is added credit and the fee exacted in order to grant such facility, then the total nominal debt of NPVA would reach EUR 1,475 million, with an average annual interest rate around 4%.

As demanded by information transparency, it is appropriate to highlight that the supersenior credit has a counterpart in cash, i.e., the company requests a facility of EUR 125 million at an interest rate of 15% which is recorded in the assets side of the Balance Sheet as a cash inflow. However, the 300 million of additional debt do not entail any cash inflow for the company; on the contrary, a fee accrues which must be paid in favour of the lenders.

Under this scenario, and in view of the EBITDA forecast foreseen in the reorganization Plan and the payments contemplated in the agreements over the next five (5) years, an average of EUR 130 million annually, the Board of Directors of PVA considers it necessary to inform the shareholders that their potential participation in the Share Capital Increase of NPVA, at the prices that have been proposed to the General Meeting, entails considerable risks as such, and would only be adequate for sophisticated investors with vocation and who focus on complex and high-risk financial products.

In view of the levels of debt described above, the shares in the share capital of NPVA will only have economic value in the long-term and on the basis that the growth forecast for the EBITDA contemplated in the Reorganization Plan and payment schedule of the agreements. Any significant deviation on a downward basis regarding such plans would entail that the equity units would be worthless, even in the long run.

Following the same line of reasoning, and with the level of debt of the Subsidiaries provided for in the agreements entered into with the creditors, the stakeholding of 4.99% in NPVA which it has been foreseen that will remain in the hands of PVA will hardly have a significant economic value over the next years in the opinion of the Board of Directors.

The Board of Directors of PVA would also like to remind the Shareholders that the quotas in NPVA, considering that it has been incorporated as a private liability company (*sociedad limitada*) may not be negotiated in the stock market and that their transfer will be subject to formalities and legal restrictions which, from an objective perspective, limiting and affects their liquidity.

6. THE FRUSTRATED ALTERNATIVE OF A SHARE CAPITAL INCREASE PROPOSED BY THE BOARD TO THE CREDITORS FOR THEIR CONSIDERATION

The Board of Directors undertakes – and the present situation does not allow for any other alternative – to honour the commitment acquired by the Subsidiaries in their respective agreements, and therefore has submitted to the Extraordinary General Meeting a proposal for a capital increase in strict compliance with the terms and conditions foreseen thereunder, and which consist basically in the following:

- Share capital increase of NPVA (until then 100% owned by PVA) and waiver by PVA of its preferred subscription right, whereby its stakeholding after the share capital increase will be reduced to 4.99% of the NPVA.

- The right of the Shareholders of PVA to subscribe quotas in NPVA, according to their respective holding in PVA, for an aggregate and overall percentage of 15% in the share capital of NPVA, by means of a cash disbursement of EUR 7.32 million, i.e., EUR 1 for each of the new 7.32 million new shares in NPVA reserved for the tranche of the current shareholders of PVA. The Board of Directors has already stated in its opinion regarding this matter in section 5 above, and has warned the shareholders of PVA of the high risk of this investment under the terms of the share capital increase mentioned which has been imposed under the agreements entered into with the Subsidiaries.

Notwithstanding, the Board of Directors considers, and this matter was reported as a price sensitive information to the Spanish Exchange and Securities Commission (CNMV) on 17 July 2015, an abridged extract of such communication is provided herebelow, that an objective risk exists that the Capital Increase in NPVA pursuant to the abovementioned terms would entail the rejection of the proposal by the majority of shareholders of PVA, whereby according to a literal interpretation of the Agreements signed with the Subsidiaries, and provided that the creditors so request it and the competent court decrees it, the Group could be subject to liquidation proceedings.

In order to avoid that risk, and therefore avoid placing at stake the continuity of the Group, the Board of Directors considered that from a legal point view a certain margin exists to improve this share capital increase proposal to the benefit of the shareholders and without damaging the interests of the creditors, therefore encouraging a favourable vote to the proposal at the General Meeting, without this being detrimental to the share capital increase tranche allocated to the creditors who will continue to exercise control over NPVA. In this sense, the following issues should be considered:

- The obligation of the Board is to safeguard the legitimate interests of the Company itself and of all its shareholders at all times attempting to reconcile such interest with the ones held by the creditors, the Company itself and its employees.

- All of them, in an equal measure, have been the victims of a malicious and on-going misrepresentation of the true financial situation of the Company with the grievous consequences which we are all familiar with.

- And this has entailed for all parties involved – shareholders and creditors – an extreme damage to their net worth.

- There seems to be no doubt that as from the date that the Agreement with PVA had been proposed and approved until present date that the situation of Pescanova has improved considerably. The Board has explained and provided proof of this improvement throughout this Report.

- The Board considers that such objective improvement, this higher value of PVA, should have had consequences in the terms of Share Capital Increase of NPVA. This is the reason why the Board proposed to the G7 that the tranche of the share capital increase in NPVA reserved to the shareholders of PVA (up to 15% against an aggregate cash disbursement of EUR 7.32 million) should be vested in PVA itself, in consideration for its greater value as of this date, without being necessary any additional share capital increase. This, added to the 4.99% tranche already foreseen in the Agreements would bring the stakeholding of PVA in NPVA to 19.99%, which implies that the group of insolvency creditors would still retain full control over the new company with a shareholding of 80% in NPVA, without implying any material amendment to the terms of the Agreements.

- The consequence of the above would be that the Shareholders of PVA could secure by this indirect procedure an identical holding in NPVA to the one foreseen in the Agreements (19.99%), but without having to make any cash disbursement. In the opinion of the Board of Directors this circumstance would be more than justified in view of the value generated by PVA since March 2013 and, in consequence, the value which NPVA will itself attain once the Structural Modifications are carried out.

- NPVA will be according to the terms of the Agreements a private limited liability company, a legal form which precludes its listing in the stock exchange and is totally inadequate for a large shareholding structure. In order to grant access to the shareholders of Pescanova in its share capital, so that they may subscribe the 15% tranche, if only 10% of the almost 9,000 current shareholders of PVA subscribed shares, the functioning of NPVA would be very complex in practice, if not impossible in terms of management (considering that pursuant to the legal framework applicable to this type of companies, the voluntary conveyance by any member of his/her shares must be subject to approval by the General Meeting of NPVA). As an alternative to this, the proposal by the Board of Directors which was rejected, concentrated in one member, PVA, the 19.99% holding in NPVA.

- Moreover, as the NPVA is a private limited liability company, a legal structure imposed by the agreements, PVA would have, by law, certain preferred acquisition rights in the event that any member of NPVA decided to convey its quotas to third parties and the General Meeting does not grant its approval. The Proposal submitted by the Board of Directors, rejected by the creditors, simply attempted to reinforce such rights, granting a preferred acquisition right to PVA for conveyances which may be carried out by the G7 entities and, eventually, by the other members.

- This formula could boost the profile of PVA in the future, because it would be able to increase its participation in NPVA. And once the provisional delisting of PVA in the market is lifted, it would act as a liquidity instrument for its own shareholders providing also stability to the capital structure of NPVA, allowing for a timely exit of members who wish to sell their quotas.

In fact, the proposal by the Board which was made public following the General Meeting of Shareholders held on 29 May, included an invitation to the G7 to launch urgent discussions to reach a consensus in order to submit a unified proposal to the Extraordinary General Meeting. But the G7 did not even have the deference of opening a new stage of discussions, but simply dismissed outright the proposal and renewed its warning that the mere submission by the Board to the General Meeting of such proposal "*... could lead to a request notice by any creditor of breach of the terms of the Agreement and such notice may finally lead to the liquidation of Pescanova and its subsidiaries, notwithstanding any other personal liability consequences…*" and also to the non-renewal of the finance provided (renewals are made on a fifteen-day or monthly basis) to address the working capital requirements of the Group. Each of the entities which composed the G7 ratified in writing their warning by bureau fax received by the Board of Directors on 10 July.

Obviously, the Board would never have made such an alternative proposal if it did not have the legal certainty that such proposal does not breach any essential aspect of the Agreements with PVA or the Subsidiaries that may trigger the risk of being subject to liquidation proceedings. The highly qualified legal opinion of the legal advisors of PVA, the legal firm Clifford Chance, has been fully confirmed and ratified by two independent top level experts, both of them senior professors of Commercial Law and specialized in the area of Insolvency; the proposal of the Board, as it has been designed and presented to the G7 for its submission to the General Meeting for its approval would not justify, in any case, that the Courts would consider that a breach of the different debt restructuring Agreements has ensued and, in consequence, liquidation proceedings may not be instituted. It has also been ascertained by the tax advisors of PVA, the firm E&Y that the restructuring process would not have any tax implications in the case that PVA became the holder of 19.99% in NPVA, instead of 4.99%.

Considering all the above arguments for and against, the Board has finally chosen, as notified by means of a price sensitive information to the CNMV on 18 August 2015 not to submit to the General Meeting any other proposal than the one imposed by the agreements on the Subsidiaries, even when, from an equitable and legal consistency perspective, it considers that the terms of that proposal are totally valid.

To uphold such proposal, in spite of the total rejection by the creditors, at least the ones represented in the G7, would place PVA in a scenario of uncertainty and confrontation for an unpredictable duration, and PVA is not in a position to face that challenge.

PVA and its employees deserve to put this situation of stress, risk and exceptionality behind them in order to concentrate all their efforts and attention to return to the day-to-day activities and face the future in compliance with the commitments acquired under the Agreements.

And, in view of this absolute priority, any other objective must give in, no matter how legitimate it may be.

Therefore, the Agenda for the General Meeting does not include any proposal which deviates from the roadmap imposed by the so-often cited Agreements in this Report.

7. REQUEST TO THE CNMV TO LIFT THE LISTING SUSPENSION OF PVA

In March 2013, the Spanish Securities and Exchange Commission (CNMV) resolved to suspend the negotiation of PVA shares in the Stock Market, a suspension which to date has not been lifted. There are many shareholders of PVA, which either through the media or by the channels they have deemed appropriate, have requested the renewal of the listing of PVA. The Board of Directors of PVA has also received requests in this sense and in connection with the last General Meeting of Shareholders held, has explained its position: in first place, the listing suspension is a decision wholly vested in the Securities and Exchange Commission, who is the only body capable of adopting, where applicable, such decision and determine the time and the adequacy of the same; in view of the foregoing, the Board may, however, submit a request to the CNMV in order to initiate administrative proceedings to evaluate the circumstances which could allow, where applicable, for the lifting of the suspension and allow that the shares of PVA may be negotiated in the stock market. The Board of Directors has not been able to do so until now, because it considered that the uncertainties surrounding PVA would make a subsequent listing of its stock unthinkable. Fortunately, however, in the last two years a considerable number of uncertainties have been dispelled and overcome. As the Board had the chance to explain in the last General Meeting of Shareholders of PVA, once the agreements with the Subsidiaries became final, the main obstacle which existed, and still persists, that would make it impossible to request the lifting of the listing suspension as of this date refers to the uncertainty regarding (i) the approval or not by the Extraordinary General Meeting of Shareholders of PVA of the proposals regarding Structural Modifications and the Share Capital Increase in NPVA which will be submitted to it for its approval and (ii) the legal consequences arising from a potential refusal by the General Meeting to approve such proposals. But said uncertainty will be soon and definitively cleared with the holding of the General Meeting. Therefore, the Board shall request at that same General Meeting that in the event that the proposals regarding Structural Modifications and the Share Capital increase in NPVA are approved by the Board, an express mandate be granted to the Board of Directors in order to submit immediately a formal request to the CNMV in order to initiate proceedings to ensure that PVA shares are listed again in the stock market.

8. PARTICIPATION OF THE SHAREHOLDERS IN THE NEXT EXTRAORDINARY GENERAL MEETING

In view of the crucial importance of the next Extraordinary General Meeting regarding the future of PVA and its Subsidiaries, the Board of Directors in the discharge of their legal duties of diligence and loyalty and of corporate governance recommendations, wish to encourage the highest degree of participation on the part of the Shareholders by all means which may serve to that purpose, so that the resolutions passed thereat may benefit from the widest consensus possible.

In Chapela (Pontevedra) on 18 August 2015.

The Board of Directors