# CONSOLIDATED ANNUAL ACCOUNTS

# 2019

*This is a free translation of a document originally written in Spanish. In the event of any discrepancy, the Spanish language version prevails.*

# NUEVA PESCANOVA, S.L. AND SUBSIDIARY COMPANIES
## Consolidated Statements of Financial Position at December 31, 2019 and 2018
(In thousands of euros)

| ASSETS | Notes | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| NON-CURRENT ASSETS | | 390.980 | 371.343 |
| Intangible assets | 5 | 112.440 | 113.048 |
| Property, plant and equipment | 6 | 246.633 | 235.201 |
| Right-to-use assets | | 5.961 | 6.142 |
| Investment property | | 5.514 | - |
| Investments in associated companies and joint ventures | | 4.165 | 204 |
| Long-term investments | 7 | 9.164 | 13.331 |
| Deferred tax assets | 15 | 7.103 | 3.417 |
| CURRENT ASSETS | | 532.937 | 584.012 |
| Non-current assets held for sale | | 1.518 | 1.035 |
| Inventories and biological assets | 8 | 288.361 | 296.483 |
| Trade and other accounts receivable | 9 | 156.519 | 180.250 |
| Short-term investments | 7 | 15.017 | 7.108 |
| Receivable from Public Bodies | 15 | 29.237 | 22.192 |
| Other current assets | | 7.162 | 8.368 |
| Cash and cash equivalents | 10 | 35.123 | 68.576 |
| TOTAL ASSETS | | 923.917 | 955.355 |

| EQUITY AND LIABILITIES | Notes | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| EQUITY | | 57.864 | 112.114 |
| Capital | 11 | 147.614 | 147.614 |
| Share premium | 11 | 57.491 | 57.491 |
| Reserves | 11 | (75.288) | (82.631) |
| Reserves in companies in the consolidation scope | 11 | (34.589) | (19.804) |
| Consolidated result attributted to the Parent Company | 11 | (40.975) | 5.446 |
| Translation differences | 11 | 2.896 | 3.462 |
| | | 57.149 | 111.578 |
| Non-controling interest | 11 | 715 | 536 |
| NON-CURRENT LIABILITIES | | 465.268 | 471.740 |
| Long-term provisions | 14 | 34.435 | 39.180 |
| Long-term liabilities | 12 | 411.279 | 411.814 |
| Debt with credit institutions | | 86.958 | 97.596 |
| Other non-current liabilities | | 324.321 | 314.218 |
| Long-term debt with associated companies | 17 | 1.308 | 1.254 |
| Deferred tax liabilities | 15 | 18.246 | 19.492 |
| CURRENT LIABILITIES | | 400.785 | 371.501 |
| Short-term debt | 12 | 221.031 | 199.846 |
| Debt with credit institutions | | 213.846 | 198.455 |
| Other financial liabilities | | 7.185 | 1.391 |
| Short-term debt with associated companies | 17 | 1.275 | 2.148 |
| Trade and other amounts payable | 13 | 148.641 | 127.853 |
| Payable to Public Bodies | 15 | 23.504 | 34.210 |
| Other current liabilities | | 6.334 | 7.444 |
| TOTAL EQUITY AND LIABILITIES | | 923.917 | 955.355 |

Notes 1 to 21 attached are integral part of the consolidated statement of financial position at December 31, 2019

## NUEVA PESCANOVA, S.L. AND SUBSIDIARY COMPANIES
## Consolidated income statements for the financial years ended December 31, 2019 and 2018
**(In thousands of euros)**

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Income from sales and services rendered** | 16.1 | 1,056,757 | 1,008,201 |
| **Supplies** | 16.2 | (652,642) | (588,448) |
| Consumption of goods | | (649,171) | (589,353) |
| Damaged goods for resale, raw material and other supplies | 8 | (3,471) | 905 |
| **GROSS PROFIT** | | 404,115 | 419,753 |
| **Other operating income** | | 16,950 | 13,882 |
| **Personnel expenses** | 16.3 | (187,415) | (187,291) |
| **Other operating expenses** | 16.4 | (185,756) | (170,498) |
| External services and other current operating expenses | | (185,515) | (170,449) |
| Loss, impairment and variation in provisions for trade transactions | 9 | (241) | (49) |
| **Non-current assets depreciation** | 5, 6 | (40,309) | (38,977) |
| **Impairment of non-current assets** | 6 | (12,100) | - |
| **Result from transactions with non-cuurent assets** | 5, 6 | 879 | 3,663 |
| **Other result** | | (3,172) | 5,259 |
| **GROSS OPERATING RESULT** | | (6,808) | 45,791 |
| **Financial income** | 16.5 | 5,508 | 7,932 |
| **Financial expense** | 16.5 | (41,321) | (39,672) |
| **Foreign exchange differences** | 16.5 | 3,168 | 1,063 |
| **Impairment loss and result from disposal of financial instruments** | 7,16.5 | 231 | (637) |
| **FINANCIAL RESULT** | | (32,414) | (31,314) |
| **Result from companies under the equity method** | | (3,411) | (1,675) |
| **Result from loss of control of companies in the consolidation scope** | 16.6 | 5,033 | 9,457 |
| **RESULT FROM CONTINUING OPERATIONS BEFORE TAX** | | (37,600) | 22,259 |
| **Corporate income tax** | 15 | (3,565) | (16,448) |
| **RESULT FROM CONTINUING OPERATIONS AFTER TAX** | | (41,165) | 5,811 |
| **CONSOLIDATED RESULT** | | (41,484) | 5,811 |
| | | | |
| **Attributable to** | | | |
| **Partners of the Parent Company** | | (40,975) | 5,446 |
| **Non-controlling interest** | 11 | (509) | 365 |

Notes 1 to 21 attached are integral part of the consolidated income statement
for the financial year ended December 31, 2019

## NUEVA PESCANOVA, S.L. AND SUBSIDIARY COMPANIES
## Consolidated statements of comprehensive income for the financial years ended December 31, 2019 and 2018
(In thousands of euros)

| | 2019 | 2018 |
|---|---|---|
| **Result recognized in the income statements** | (41,484) | 5,811 |
| **Income and expenses directly recognized under equity** | | |
| Translation differences | (197) | (5,746) |
| Tax effect | (635) | 2,319 |
| **Total income and expenses directly recognized under equity** | (832) | (3,427) |
| **Income and expenses recognized in the consolidated income statement** | | |
| Translation differences | 954 | - |
| **Total transferred to the consolidated income statement** | 954 | - |
| **TOTAL RECOGNIZED INCOME AND EXPENSES** | (41,362) | 2,384 |
| **Attributed to:** | | |
| Partners of the Parent Company | (41,541) | 2,154 |
| Non-controlling interest | 179 | 230 |

Notes 1 to 21 attached are integral part of the consolidated statement of comprehensive income for the financial year ended December 31, 2019

## NUEVA PESCANOVA, S.L. AND SUBSIDIARY COMPANIES
## Consolidated statements of total changes in net equity for the financial years ended December 31, 2019 and 2018
(In thousands of euros)

| | Capital | Share premium | Reserves | Reserves in consolidated companies | Consolidated result attributed to the Parent Company | Translation differences | Non-controlling interest | TOTAL NET EQUITY |
|---|---|---|---|---|---|---|---|---|
| **BALANCE AT 1 JANUARY 2018** | 147.614 | 57.491 | (97.586) | (5.148) | 298 | 6.754 | 1.658 | 111.081 |
| **Transactions with shareholders or owners** | | | | | | | | |
| 2017 result distribution | - | - | 14.955 | (14.657) | (298) | - | - | - |
| Removal from the consolidation scope (Note 11) and other | - | - | - | 1 | - | - | (1.352) | (1.351) |
| **Total recognized income and expenses** | - | - | - | - | 5.446 | (3.292) | 230 | 2.384 |
| **BALANCE AT 31 DECEMBER 2018** | 147.614 | 57.491 | (82.631) | (19.804) | 5.446 | 3.462 | 536 | 112.114 |
| *Correction of errors (Note 2.D)* | - | - | - | *(12.585)* | - | - | - | *(12.585)* |
| **BALANCE AT 1 JANUARY 2019** | 147.614 | 57.491 | (82.631) | (32.389) | 5.446 | 3.462 | 536 | 99.529 |
| **Transactions with shareholders or owners** | | | | | | | | |
| 2018 result distribution | - | - | 7.344 | (1.898) | (5.446) | - | - | - |
| Other | - | - | - | (303) | - | - | - | (303) |
| **Total recognized income and expenses** | - | - | - | - | (40.975) | (566) | 179 | (41.362) |
| **BALANCE AT 31 DECEMBER 2019** | 147.614 | 57.491 | (75.287) | (34.590) | (40.975) | 2.896 | 715 | 57.864 |

Notes 1 to 21 attached are integral part of the consolidated statement of total changes in net equity for the financial year ended December 31, 2019

# NUEVA PESCANOVA, S.L. AND SUBSIDIARY COMPANIES
## Consolidated cash-flow statements for the financial years ended December 31, 2019 and 2018
**(In thousands of euros)**

| | Notes | 2019 | 2018 |
|---|---|---|---|
| CASH FLOW FROM ORDINARY ACTIVITY | | | |
| **Result before tax** | | **(37.600)** | **22.259** |
| **Adjustments** | | **82.617** | **52.289** |
| Amortization/Depreciation and impairment losses | **5, 6** | 52.409 | 38.977 |
| Value correction for impairment | **7,8,9** | 3.481 | (219) |
| Result from disposal of non-current assets | **5, 6** | (879) | (3.663) |
| Financial income | **16** | (5.508) | (7.932) |
| Financial expense | **16** | 41.321 | 39.672 |
| Foreign exchange differences | **16** | (3.168) | (1.063) |
| Other adjustments (net) | | (5.039) | (13.483) |
| **Changes in current capital** | | **8.547** | **(34.835)** |
| Inventories | | (10.048) | (19.248) |
| Debtors and other amounts receivable | | 16.423 | (18.571) |
| Other current assets | | 882 | (3.857) |
| Creditors and other amounts payable | | 4.638 | 10.773 |
| Other current liabilities | | (2.814) | 1.373 |
| Other non-current assets and liabilities | | (534) | (5.305) |
| **Other cash flow from operating activities** | | **(29.874)** | **(40.489)** |
| Interest payable | | (26.407) | (26.695) |
| Interest receivable | | 390 | 2.440 |
| Payments for income tax | | (4.494) | (14.476) |
| Other amounts receivable (payable) | | 637 | (1.758) |
| **Cash flow from operating activities** | | **23.690** | **(776)** |
| CASH FLOW FROM INVESTMENT ACTIVITY | | | |
| **Payments for investments** | | **(68.353)** | **(49.244)** |
| Subsidiary and associated companies, net of cash | **3.1 e)** | (16.426) | - |
| Property, plant & equipment and intangible assets | **5, 6** | (49.510) | (41.344) |
| Other financial assets | **7** | (2.417) | (7.900) |
| **Collections from disposals** | | **6.465** | **37.866** |
| Property, plant & equipment and intangible assets | **5, 6** | 1.271 | 4.415 |
| Other financial assets | **7,16** | 5.194 | 33.451 |
| **Cash flow from investment activities** | | **(61.888)** | **(11.378)** |
| CASH FLOW FROM FINANCING ACITIVITIES | | | |
| **Collections and payments for financia liability instruments** | | **4.623** | **(706)** |
| **Issue of financial debt** | | **5.397** | **244** |
| Debt with group and associated companies | | 129 | **244** |
| Otras deudas | | 5.268 | - |
| **Financial debt repayment and amortization** | | **(774)** | **(950)** |
| Debt with credit institutions | | (774) | 5.769 |
| Other amounts payable | | - | (6.719) |
| **Cash flow from financing activities** | | **4.623** | **(706)** |
| INTEREST RATE CHANGE EFFECT | | **122** | **(82)** |
| NET REDUCTION OF CASH AND CASH EQUIVALENTS | | **(33.453)** | **(12.942)** |
| **Cash or cash equivalents at the beginning of the financial year** | | **68.576** | **81.518** |
| **Cash or cash equivalents at the end of the financial year** | 10 | **35.123** | **68.576** |

Notes 1 to 21 attached are integral part of the consolidated cash flow statement for the financial year ended December 31, 2019

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2019

## 1) ACTIVITY OF THE GROUP AND GENERAL CORPORATE INFORMATION

NUEVA PESCANOVA, S.L. (hereinafter, "the Parent Company" or "Nueva Pescanova"), was incorporated on June 30, 2015 in Vigo.

The current composition of the Group arises from the corporate procedures in 2015 by the former sole partner of Nueva Pescanova, S.L. to comply with the composition with creditors approved in 2014. In this sense, on August 18, 2015, the Board of Directors of the former sole partner of the Parent Company presented the Joint Merger and Double Segregation Project that set the basis and criteria for the merger of certain subsidiary companies of the former Group, and a subsequent segregation of almost all the assets and liabilities of the former sole partner in favour of Pescanova España, S.L.U. and Nueva Pescanova, S.L., companies newly incorporated. This merger and double segregation, together with the capital increase carried out in the financial year 2015 (see note 11.1), gave rise to a business combination as it implied a change in control of the businesses formerly controlled by the former sole partner and afterwards controlled by Nueva Pescanova, S.L.. The date of the change in control was November 9, 2015, date on which the above-mentioned segregation became effective.

The above-mentioned merger and double segregation transaction was not subject to any special tax scheme and therefore its taxation treatment was that generally established for this type of transactions in the Consolidated Spanish Corporation Tax Law.

As mentioned in Note 11.9, since the financial year 2015 the Parent Company is controlled by new partners and the share of the former sole partner has been reduced to 1.65% in the financial year 2017. Consequently, a Board of Directors established in 2016 currently manages the Group.

Its tax and legal address is Rúa José Fernández López s/n, in Chapela (Pontevedra).

The corporate object of the Parent Company is:

1. the industrial exploitation of all business activities relating to food for human or animal consumption, including its production, processing, distribution and marketing;
2. the subscription, acquisition, holding and disposal of any kind of fixed or variable income securities and shares of any kind in companies and particularly in companies whose object is related to that of the Parent Company;
3. the holding, benefit, general administration and management of securities and other financial assets;
4. the acquisition or use of any tenure and the administration of movable or immovable property destined to the implementation of services that constitute its corporate object; and
5. the provision of services and advisory activities, administration and support to the management of the companies that are part of the same corporate group to which the Parent Company belongs.

The activities that are part of the corporate object may be undertaken by the Parent Company total or partially indirectly by way of participation in other companies, both domestic and foreign.

The Parent Company is the holding company of the Nueva Pescanova Group whose main activity consists in the industrial exploitation of all business activities relating to food for human or animal consumption, as well as the development of supplementary activities of both an industrial and commercial nature.

The individual accounts of Nueva Pescanova, S.L., as well as the Consolidated Accounts of the Nueva Pescanova Group of Companies are filed with the Companies Registration Office in Pontevedra.

## 2) BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

### A) True and fair view and accounting standards

These Consolidated Financial Statements were authorised for issue on March 26, 2020, in accordance with the International Financial Reporting Standards (hereinafter "IFRS") adopted by the European Union, pursuant to Regulation (EC) Number 1606/2002 of the European Parliament and of the Council, effective for financial years starting on or after 1 January 2015, as well as the Commercial Code, the Companies Law and other applicable provisions of the regulatory framework on financial reporting.

These consolidated annual accounts are prepared to give a fair view of the consolidated equity and consolidated financial position of the Group at December 31, 2019, the consolidated results of their operations, the changes in net consolidated equity and the consolidated cash flows in the Group for the financial year 2019.

These consolidated annual accounts of the Nueva Pescanova Group have been prepared based on the accounting records kept by the Parent Company and by the other Group companies. Each company prepares its financial statements in accordance with the accounting principles and standards in force in the country in which it operates and, therefore, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with IFRS.

The 2019 consolidated annual accounts of the Nueva Pescanova Group and the 2019 individual annual accounts of the companies that make up the Nueva Pescanova Group are still to be ratified by the respective General Meetings of Partners and/or Shareholders. The 2018 consolidated annual accounts were approved by the General Meeting of Partners of Nueva Pescanova, S.L. held on June 26, 2019, and were filed with the Companies Registration Office in Pontevedra.

All figures in these consolidated annual accounts are shown in thousands of euros, except where noted, since the euro is the functional currency in the main economic context where the Nueva Pescanova Group operates.

There is no accounting standard or valuation criteria that, having a significant effect on the 2019 consolidated annual accounts, has not been applied in the preparation of the same.

### B) Responsibility for the information and accounting estimates and judgements made

The Directors of the Parent Company are responsible for the information contained in these consolidated annual accounts. Certain accounting estimates have been made based on objective information to measure some of the assets, liabilities, income, expenses and commitments therein contained. The main estimates and criteria relate to the valuation of the different businesses acquired in the business combination that took place in the financial year 2015 (valuation carried out by an independent expert taking into consideration the business plans prepared by the Management of Nueva Pescanova, S.L. and in force at the date of the business combination) the appraisal of impairment losses of certain assets (see Notes 3.4, 3.5 and 3.6), the useful life of non-current assets (see Notes 3.2 and 3.3), the estimated fair value of the financial debt acquired on the date of change of control, and to the probability of occurrence and valuation of provisions (see Note 3.8).

*Risks and other contingencies*

At the date of the formulation of these consolidated annual accounts, the Management of the Parent Company has no knowledge of any risk or other contingencies and therefore has not recognized any liability arising from risks or contingencies other than those that, having their origin in the former sole partner of the Parent Company and the companies that made up its group of companies prior to the effective date of the structural modifications carried out in 2015, which are incorporated as an integral part of the “mirror account” (See Note 12.2) as well as those risks for contingent liabilities recognized under the heading “Long-term Provisions” in the liabilities side of the accompanying consolidated statement of financial position (see Note 14). For this purpose it is worth mentioning that the quantification of the mirror account and the long-term provision are subject to a series of uncertainties arising, mainly, from tax risks of Pescanova, S.A. and the subsidiaries companies that made up its group of companies in financial years prior to Nueva Pescanova assuming the control over them, which, in the event their outcome is different from that estimated, could lead to a modification in the liabilities assumed by the Parent Company. The Directors of the Parent Company have made the best quantification of these liabilities based on the information available at the time of formulation these consolidated annual accounts.

Also, despite of the fact that the estimates made by the Directors of the Company have been made with the best information available at December 31, 2019, it is possible that events which may occur in the future require modification in the coming years. The effect on the consolidated annual accounts of such modifications, if any, arising out of the adjustments to be carried out during the next few years would be recorded prospectively.

## C) Comparison of information

Together with the information in the consolidated financial statements for 2019, the information for 2018 is shown, for comparative purposes only.

## D) Correction of errors

Even though the Group was aware that, in accordance with the accounting requirements regarding consolidation procedures provided in IFRS 10, it should eliminate gains or losses arising from inventory-recognized intragroup transactions, it did not have sufficient detailed information to reliably calculate such adjustment in previous years. In the 2019 financial year, after implementing new information systems, the Group was able to calculate the amount corresponding to the adjustments that should have been made on January 1, 2019 as well as on December 31, 2019. Therefore, in this financial year it has proceeded to record the above adjustments, as well as the temporary differences related to those eliminations. Due to the impracticality of determining the effects arising from that error on previous years’ financial information, the cumulated amount at January 1, 2019 has been charged against reserves, however it has not been possible to determine such amount in last year’s financial statements which are shown for comparative purposes only. The impact, at January 1, 2019, on the Group's consolidated financial statements is shown below:

| (In thousands of euros) | 01/01/2019 |
|---|---|
| Inventories | (16,385) |
| Deferred tax assets | 3,800 |
| Impact on equity | (12,585) |

### E) Accounting standards adopted for the first time

The Group has adopted for the first time the following interpretation in the preparation of its 2019 annual accounts.

***IFRIC 23 Uncertainty over Income Tax Treatments***

IFRC 23 “Uncertainty over Income Tax Treatments” clarifies how to apply the recognition and measurement requirements of IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. In such a circumstance, an entity shall reflect the effect of uncertainty in determining the related taxable profit, tax bases, unused tax losses, unused tax credits or tax rates. The Group has analysed possible uncertain tax treatments, concluding that the application of this interpretation has no effect on the consolidated annual accounts for the 2019 financial year.

The Group adopted for the first time the following interpretation in the preparation of its 2019 annual accounts.

***IFRS 9 Financial instruments***

IFRS 9 is to be applied for annual periods beginning on or after 1 January 2018. The Group applied this standard for the first time prospectively, applying a simplified approach estimating expected losses through the life of the asset.

Given the nature of the Group's financial assets and liabilities, the change in the presentation criteria contained in IFRS 9 was not relevant to the Group.

As regards the new methodology for the calculation of financial assets impairment, this is based on the expected credit losses methodology under which an entity accounts for expected credit losses over the next 12 months or through the life of the asset and changes in those expected credit losses.

For trade receivables, the Group applies the expected loss accounting standard calculated for each individual company based on an estimated percentage of bad debts over the last years on historical sales.

The Group applies the simplified approach provided in IFRS 9, that requires the recognition of expected losses through the life of the trade receivable from initial recognition of such receivable.

Due to the credit quality of customers and the coverage of trade credit insurance policies contracted, the adoption of IFRS 9 has not had a significant impact.

***IFRS 15 Revenue from contracts with customers***

IFRS 15 establishes principles for reporting revenue arising from an entity’s contracts with customers and superseded the following standards and interpretations that were in force: IAS 18 “Revenue”; IAS 11 “Construction Contracts”; IFRIC 13 “Customer Loyalty Programmes”; IFRIC 15 “Agreements for the Construction of Real Estate”; IFRIC 18 “Transfers of Assets from Customers”; and SIC-31 “Revenue—Barter Transactions Involving Advertising Services”. Under IFRS 15, an entity recognises revenue in accordance with the core principle by applying the five steps below:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.

3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 was applied as of 1 January 2018. The application of this standard meant a reduction under the headings "Income from sales and services rendered" and Other operating expenses" in the attached 2018 consolidated income statement of 31,576 thousands of euros, as a result of considering certain considerations to be paid to customers as a transaction price concession.

***IFRS 16 Leases***

*Group entities as lessees*

IFRS 16 introduces a single lessee accounting model. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are optional exceptions when leases are for a short-term and when the leased asset is of low value. On the other hand, lessors shall continue to classify leases with a dual model, similar to that currently provided in IAS 17.

IFRS 16 supersedes the existing directives on leases included in IAS 17 "Leases", IFRC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating Leases—Incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease".

The adoption of IFRS 16 is compulsory for annual periods beginning on or after 1 January 2019 however, earlier application was permitted for entities that applied IFRS 15 "Revenue from contracts with customers" at or before the date of initial application of IFRS 16. The group adopted for the first time IFRS 16 on January 1, 2018, the main policies, estimates and criteria applied are shown below:

- Transition option: the Group opted to apply IFRS 16 following the modified retrospective approach, recognizing the right-of-use asset for an amount equal to the lease liability. By applying the modified retrospective method, the Group did not restate comparative information.

- Discount rate: the Group used the incremental borrowing rate for initial recognition of its liability lease, which represents the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

- Lease term of each lease agreement: The lease term depends, fundamentally, on whether the lease agreement does or does not contain a non-cancellable period, as well as unilateral termination and/or extension clauses that give the Group the right to early termination or extension of such lease agreements.

- Accounting standards applicable on transition: The Group followed the practical solutions below when applying the simplified approach for leases previously classified as operating leases using IFRS 17 "Leases":

- Do not apply IFRS 16 to contracts not previously identified as leases, based on the application of IFRS 17 and IFRC 4 “Determining whether an arrangement contains a lease”.

- Exclude initial direct costs when measuring the right-to-use asset on date of initial application.

- Exclude short-term leases.

- Exclude leases for low value underlying assets.

The impact on the 2018 Group’s consolidated financial statements as a consequence of the application of IFRS 16 were the following:

| **(Thousands of euros)** | **01/01/2018** | **31/12/2018** |
|---|---|---|
| Right-to-use assets | 5,441 | 6,142 |
| Other debts | (5,441) | (6,251) |
| Other operating expenses | - | (2,302) |
| Non-current assets depreciation | - | 2,188 |
| Financial expenses | - | 223 |

*Group entities as lessors*

Group’s activities as lessors are not material and the new standard does not introduce substantial changes in the lessors accounting, so there was no impact.

**F) New accounting standards and their impact on future consolidated annual accounts**

At the date of formulation these consolidated annual accounts the following amendments to become effective for annual periods beginning after December 31, 2019 are in force:

- Amendment to IFRS 3 “Definition of a business” effective for annual periods beginning on or after 1 January 2020, that clarifies de definition of a business.

It is anticipated that the implementation of the above-mentioned accounting standard will not have significant effects in the consolidated annual accounts of the Group.

And last, at the date of formulation of these consolidated annual accounts the adoption by the European Union of the following standards, whose effective dates of entry into force are subsequent to 31 December 2019, was still pending:

- IFRS 17 “Insurance Contracts”, effective for annual periods beginning on or after January 1, 2021. Replaces IFRS 4 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts to ensure that an entity provides relevant information that faithfully represents those contracts and serves as a basis for users of financial statements to assess the effect that insurance contracts have on the company's financial statements.

- Amendments to IAS 1 and IAS 18 “Definition of material”, effective for annual periods beginning on or after January 1, 2020). Amendment to align the definition of material with that used in the Conceptual Framework.

- that IFRS 9 is to be applied to long-term interests in an associated company or joint venture when the equity method is not applied.

- Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest rate benchmark reform”, effective for annual periods beginning on January 1, 2020.)

At present the Group is analysing the potential impact of these new standards, however, it is expected that the application of the same will not have significant effects on the Group's consolidated annual accounts.

**G) Going concern**

In 2019, Group's figures worse significantly, showing a negative result of 41 million euros, with the consequent reduction in consolidated net equity, which at December 31, 2019 is lower than the share capital of the Parent Company. In addition, the Group's consolidated annual accounts at December 31, 2019 show a high level of financial leverage and the approved budget for the 2020 financial year foresees the need to meet significant additional cash requirements.

All this has led the Group's management to prepare a new business plan with a 2020-2024 horizon which is underway, whose fundamental strategic pillar is the generation of value and coming closer to consumers, to make the business less sensitive to the variations in raw material prices.

The budget for the 2020 financial year, aligned with the new Strategic Plan, envisages a significant improvement in profitability as a result of expected improvements in costs and operations. To undertake these improvements significant cash requirements are also required, to finance the growing operations and the necessary investments. The management's goal is to accelerate investments in this 2020-2024 plan to mitigate the impact of falling prices as soon as possible.

It should be noted that the new Strategic Plan 2020-2024 has the following lines of action in the business plan:

- Bring seafood to those markets where consumers value it most with a consumers' vision centric strategy.
- Strong investment in innovation and marketing to make the Group the leader in CPG.
- Efficiency of productive activities, growing in volume and being sustainable.
- Conclude the transformation of the organization (people, systems, processes, ...) started in 2016.

In this context, the majority partner and main creditor of Nueva Pescanova, S.L. has stated its willingness to provide present and future financial support necessary for the Company and its Group to be able to meet its liabilities within the deadlines established as shown in its consolidated annual accounts at December 31, 2019, and its commitment to make available funding to the Company to guarantee the continuity of the Group's activity, consisting essentially in providing the Company with working capital lines necessary to meet the possible cash needs of the business, in order to ensure that the Company and the Group always have sufficient liquidity to meet their commitments up to a limit of fifty-five million euros (€55 million), and to only demand payment of the debts incurred by the Company to the extent that it has the necessary financial resources to pay for those debts (see Note 21).

All these measures will allow to tackle the future with certainty of success, and therefore the Directors have formulated these consolidated annual accounts applying the going concern principle of operating company.

## 3) ACCOUNTING STANDARDS AND VALUATION PRINCIPLES

The principal accounting standards and valuation principles used in preparing the accompanying consolidated financial statements were as follows:

### 3.1. Consolidation principles

a) Subsidiary Companies

"Subsidiary Companies" are those over which the Parent Company has control, i.e. those companies over which the Parent Company has the power to manage the relevant activities of the company and thus influence their returns. In general, this circumstance is given, though not only in this case, when the Parent Company controls the majority of the voting rights. The full consolidation method has been used for all the companies in which the Parent Company has a higher than 50% shareholding. The full consolidation method has also been used in those companies on which the Group has control over their relevant activities. Appendix I includes a list of subsidiary companies.

The operations of the Parent and of the subsidiaries are consolidated in accordance with the following basic principles:

1. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at fair value. Non-controlling ownership interest is recognized for the respective proportion of the fair value of identified assets and liabilities.

2. The non-controlling interest in the equity and results of the fully consolidated subsidiary companies is presented under "Equity – Non-controlling interest" in the consolidated statement of financial position and under "Net result attributed to Non-controlling interest" in the consolidated income statement, respectively.

   When the losses attributable to non-controlling interest are higher than their share in the equity of the parent company, such loss is allocated to non-controlling interest even in the case of giving rise to a debit balance.

3. Financial statements of foreign companies with a functional currency other than the euro are translated to euros as follows:

   i. Assets and liabilities are translated to euros at the exchange rates prevailing on the date of the consolidated annual accounts.

   ii. Items in the Statement of Comprehensive Income are translated at the average weighed exchange rates for the year.

   iii. Equity items are translated using the historical exchange rate at acquisition date or at the average exchange rate of the year in which they were generated, (either as retained earnings or contribution made), as appropriately.

   iv. Foreign exchange differences arising from the translation of financial statements are recorded under the heading "Equity – translation differences". (see Note 11.7).

4. The results from subsidiary companies acquired or disposed of in the reporting period are recognized in the consolidated income statement from the effective date of acquisition or until the effective date of disposal.

5. Significant transactions and balances between fully consolidated companies have been eliminated in the consolidation process. Capital gains from the disposal of subsidiary companies within the Group are also eliminated.

6. Whenever necessary, the Annual Accounts of the subsidiary companies are adapted taking into consideration the uniformity of the respective accounting policies with those of the Group.

b) Business Combinations

An acquisition by which the Parent Company obtains the control of a subsidiary company constitutes a business combination which is to be accounted using the acquisition method. In subsequent consolidations, the elimination of the investment-net equity of the subsidiary companies shall be made, in general, based on the measurements resulting from applying the acquisition method described below on the date when control is obtained.

Business combinations are accounted using the acquisition method, for which it is necessary to determine the date of acquisition and the consideration provided in the combination, recognizing the identifiable acquired assets and assumed liabilities (including contingent liabilities) at fair value at acquisition date.

Expenses related to the issue of equity instruments or financial liabilities in exchange of elements acquired are not part of the cost of the combination.

If at closing date of the reporting period in which the business combination takes place the required valuation procedures to apply the acquisition method above described cannot be concluded this accounting is considered provisional and such interim measurements are reviewed over the time necessary, but never longer than one year, to obtain the required information. The effect of the review carried out in this period is accounted for retrospectively, if necessary, the information included for comparison purposes shall be amended.

c) Investments accounted for using the equity method of consolidation

An associated company is an entity over which the Group has significant influence, in taking decisions about the relevant activities of the company (investee) but does not have control or joint control over those policies. Significant influence is generally presumed to exist when the Group owns (directly or indirectly) between 20% and 50% of the voting rights of the company.

Investments in associated companies are accounted for using the equity method of consolidation, initially measured at acquisition cost. In case the acquisition cost is higher than fair value of identifiable net assets, the excess is called goodwill and is recorded as a higher value under the heading “Investments in associated companies and joint ventures”. In case the acquisition cost is lower than fair value of identifiable net assets, the difference is recorded as profit in the consolidated income statement of the reporting period.

Pursuant to the equity method of consolidation, the investment is initially recorded at acquisition cost, periodically these values are adjusted for the measurement of the share in the result, profit or loss, from associated companies and other changes in their equity (as a counterpart to free disposal reserves), as well as for the recognition of impairment losses.

Losses in associated companies higher than the investment made in the said entities are not recognized, except when the Group has assumed commitments with the said associated company.

Also, dividends received from these companies are recorded by decreasing the value of "Investments in associated companies and joint ventures".

Unrealized gains arising from transactions with associated companies are eliminated proportionally to the share in the associated company. Unrealized losses are equally eliminated but only if there is no evidence that the loss from the transferred assets arises from impairment.

At the end of 2019, the value of investments accounted for using the equity method of consolidation refers to the investment in Abad Overseas Private Ltd and certain subsidiaries in the Novanam subgroup, as well as the company Katei Alimentación, S.L. until the Group taking control of the same on December 2, 2019.

d) Companies in the consolidation scope

The detail of the most significant subsidiary companies included in the consolidation scope is included in Appendix I.

Below is a list of small sized companies which at December 31, 2019 and 2018 were part of the Group or represented a not integrated and little significance indirect participation, and whose impact on the consolidated is not relevant:

**Financial year 2019**

| Company name | Country | Shareholding % | Activity |
|---|---|---|---|
| Acuicola el Rincón, S.A. | Guatemala | 50% | Inactive |
| Pescafina Tampico, S.A. | Mexico | 99% | Inactive |
| Porvenir S.A. | Chile | 59% | Seafood processing |
| Atushe Rock Lobster Company (PTY) LTD | Namibia | 20% | Fishing |
| Aloe Fishing (PTY) LTD | Namibia | 12% | Fishing |

**Financial year 2018**

| Company name | Country | Shareholding % | Activity |
|---|---|---|---|
| Abad Exim Private, LTD | India | 32% | Seafood processing |
| Abad Overseas Private, LTD | India | 15% | Seafood processing |
| Acuicola el Rincón, S.A. | Guatemala | 50% | Inactive |
| Pescafina Tampico, S.A. | Mexico | 99% | Inactive |
| Porvenir S.A. | Chile | 59% | Seafood processing |
| Katei Alimentación, S.L. | España | 50% | Sushi processing and |
| Atushe Rock Lobster Company (PTY) LTD | Namibia | 20% | Fishing |
| Aloe Fishing (PTY) LTD | Namibia | 12% | Fishing |

e) Changes in the consolidation scope.

Changes in the consolidation scope in the financial year 2019 are shown below:

1. In March 2019, the Group upped its stake in Abad Overseas Private Ltd from 15% to 45%, becoming an associated company and accounted for using the equity method of consolidation. The shareholding is valued at 2,900 thousands of euros, increasing the value of the shareholding by 1,000 thousands of euros at the end of the 2019 financial year.
2. In May 2019, the subsidiary company Novapesca Trading, S.L.U. sold all its stake in American Shipping, S.A. This sale transaction gave rise to a loss amounting to 100 thousands of euros, recognized under the heading “Result from loss of control of companies in the consolidation scope” in the accompanying consolidated income statement for the financial year 2019 (see Note 16.6). This transaction has not meant the derecognition of consolidated net assets for a significant amount.
3. In June 2019, Pescanova Japan K.K., wholly owned by Novapesca Trading, S.L.U., was wound-up. This transaction resulted in the exit form the company's consolidation scope and the recognition of a loss of 34 thousands of euros, recognized under the heading " Result from loss of control of companies in the consolidation scope" in the accompanying consolidated income statement for the financial year 2019 (see Note 16.6). This transaction has not meant the derecognition of consolidated net assets for a significant amount.
4. In July 2019, it was approved the winding up of the company Novaocéano, S.A., 98% owned by the subsidiary company Novapesca Trading, S.L.U. and 2% by the Parent Company. This transaction resulted in the exit form the company's consolidation scope and the recognition of a profit amounting to 1,015 thousands of euros recognized under the heading " Result from loss of control of companies in the consolidation scope" in the accompanying consolidated income statement for the financial year 2019 (see Note 16.6). This transaction has resulted in the derecognition of consolidated net assets in the amount of 282 thousands of euros.
5. In December 2019, the Group upped its stake in the company Katei Alimentación, S.L. from 50% to 100%, becoming a subsidiary company and therefore accounted for using the full consolidation method. As a result of that transaction, the Parent Company obtained control of the company, being this a business combination achieved in stages, which resulted in the recognition of a profit of 4,152 thousands of euros, recorded under the heading "Result from loss of control of companies in the consolidation scope" in the accompanying consolidated income statement for the financial year 2019 (see Note 16.6), as well as the recognition of goodwill on consolidation for 8,182 thousands of euros (see Note 5).

Changes in the consolidation scope in the financial year 2018 are shown below:

1. In 2018 incorporation of the company Nueva Pescanova South Africa Pty Ltd, 100% owned by the Parent Company. This company has its registered address in South Africa and its main activity is to be the parent company of a group of companies engaged in the import and sale of seafood products in South Africa.

2. On February 9, 2018, the subsidiary company Novapesca Trading, S.LU. sold all its shares held until then in Pescanova Polska, S.P. This sale transaction gave rise to a loss amounting to 0.5 million euros, recognized under the heading "Result from loss of control of companies in the consolidation scope" in the accompanying consolidated income statement for the financial year 2018 (See Note 16.6). This transaction meant the derecognition of consolidated net assets for an amount of 0.5 million euros.
3. On October 10, 2018, the subsidiary company Novapesca Trading, S.LU. sold all its shares held until then in Novagroup Proprietary Limited. This sale transaction gave rise to a profit amounting to 2.7 million euros, recognized under the heading "Result from loss of control of companies in the consolidation scope" in the accompanying consolidated income statement for the financial year 2018 (See Note 16.6). This transaction meant the derecognition of consolidated net assets for an amount of 5.5 million euros.
4. On September 26, 2018, the subsidiary company Promarisco, S.A., sold all its shares held until then in Balanceados Nova, S.A. This sale transaction gave rise to a profit amounting to 5.5 million euros, recognized under the heading "Result from loss of control of companies in the consolidation scope" in the accompanying consolidated income statement for the financial year 2018 (See Note 16.6). This transaction meant the derecognition of consolidated net assets for an amount of 10 million euros.

### 3.2 Intangible assets

Costs related to software maintenance are recorded when incurred as expense in the consolidated income statement, but not if those costs are associated to projects which future economic benefits for the Group are likely. In these cases, those costs are capitalized as intangible assets.

Intangible assets' useful lives can be finite or indefinite.

For intangible assets with a finite useful live amortization is allocated on a systematic basis over the useful life. The amortization method used reflects the pattern in which the assets are expected to be consumed by the Group. If such pattern cannot be reliably determined, the asset is amortized on a straight-line basis. The amortization charge for each period is recognized as an expense.

Intangible assets from which no foreseeable limit to the period over which the asset is expected to generate economic benefits are called indefinite useful life intangible assets. These assets are not amortized and are subject to annual impairment tests in accordance with Note 3.4.

At year-end 2019, the Group had the following intangible assets:

<u>Goodwill on consolidation</u>

As a consequence of the recognition of the business combination for the acquisition of 100% of the company Katei Alimentación, S.L.U., and the use of the business combination achieved in stages method, initially goodwill on consolidation is measured at the excess of the cost of the business combination (the sum of the consideration transferred and the fair value of the investment previously held) over the net value of assets acquired and liabilities assumed.

After initial recognition, the above-mentioned goodwill on consolidation has been fully impaired, at December 31, 2019 (see Note 5).

Brands

In the measurement process resulting from the business combination mentioned in Note 1, which was concluded in 2016, the Group recognized and valued the "Pescanova" brand name owned by the subsidiary company Pescanova España, S.L.U. The value of this brand name that was determined following the "Relief from Royalty Method", amounted to 64,359 thousands of euros.

Based on the analysis of all relevant factors, including the market penetration of the brand, and its significance in the long-term business plans of the Group, the Management of the Group has estimated that the useful life of the brand is indefinite and therefore is not amortized.

Clients Portfolio

In the measurement process resulting from the business combination mentioned in Note 1, which was concluded in 2016, the Group recognized and valued the clients' portfolio associated to three companies in the consolidation scope, to the extent that it was identified as an intangible asset based on the likelihood to provide the same product to the same clients, in the future, on a recurring basis. The value of this clients' portfolio was made following the "Multi-period Excess Earnings Method" (MEEM) and the overall value reached 5,371 thousands of euros.

Clients' portfolios which have been identified and valued are amortized on a straight-line basis over the useful life established for each of them which is between 4 and 11 years.

Technical Goodwill

Goodwill is initially recognized at cost, this being the excess of the sum of the consideration transferred, the amount of non-controlling interest plus the net value of the assets acquired and liabilities assumed. In the business combination mentioned in Note 1, goodwill arises as an offsetting entry to deferred tax liabilities arising from the difference between the recognized assets and liabilities and their tax value for 23,004 thousands of euros.

This goodwill is commonly known as "technical goodwill" and for the purpose of impairment test the outstanding deferred tax liabilities giving rise to its initial recognition are to be considered.

Fishing licenses and rights

Licenses which have an indefinite useful life are not amortized.

Computer applications (Software)

Licenses for computer software, other than operating systems and programs without which the computers cannot work, are capitalized based on the cost incurred for buying them and getting them ready for use the specific program.

These costs are amortized over an estimated useful life of 4 years.

### 3.3 Property, plant and equipment

Property, plant and equipment elements arising from the business combination carried out in the financial year 2015, were initially measured at fair value.

For the estimation of the fair value of the businesses acquired in the business combination carried out in 2015, the parent Company hired a well-known independent expert, who based on the business plans prepared by the Management of the Group at the date of the business combination. These estimates were deducted to calculate their current value at rates that reflect the weighted average cost of capital (WACC) by business division and geographical area. As a result of these estimates, considering that liabilities were estimated at fair value and current assets and liabilities were also valued at fair value, the only assets that were pending a fair measurement were non-current assets. As a result, the Management of the Group considered that the difference between the valuation carried out in accordance with the criteria described above and the pre-existing values of the businesses acquired was exclusively the value of non-current assets. In the financial year 2016, the Management of the Group concluded the identification process and the allocation of a final value of the above-mentioned difference and, accordingly, proceeded to the reallocation of these values to the date of the business combination resulting in a final rectification of the value of property, plant and equipment of 185,331 thousands of euros.

Property, plant and equipment elements acquired after November 9, 2015, date of the business combination mentioned in Note 1 are initially recognized at acquisition or production cost.

Subsequent measurement of assets is reduced by accumulated depreciation and impairment losses, if any, in agreement with the criterion mentioned in Note 3.4.

Costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the property, plant and equipment are capitalized as a greater cost of the asset.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the property, plant and equipment or to an increase in their economic capacity are recorded as additions to property, plant and equipment, and the items replaced or renewed are derecognized.

Periodic maintenance, upkeep and repair expenses are recognized in the income statement on an accrual basis as incurred.

Property, plant and equipment less, where appropriate, their residual value, are depreciated on a straight-line basis over the years of estimated useful life of the assets, which constitute the period over which the companies expect to use them, as shown in the table below:

| | Useful life (years) | Depreciation rate % |
|---|---|---|
| Land and buildings | 17 - 33 | 3 - 6 % |
| Technical installations and machinery | 4 - 10 | 10 - 25 % |
| Fleet | 5 - 25 | 4 - 20 % |
| Other property, plant and equipment | 4 - 20 | 5 - 25 % |

The carrying amount of property, plant and equipment is derecognized:

(a) on its sale or disposal by some method other than by sale; or
(b) when no future economic benefits are expected from its use, sale or disposal by some method other than sale.

The gain or loss arising from derecognition of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is included in the result for the financial year, when derecognized in the accounts.

The residual value and useful life of an asset is reviewed, at least, at each financial year end, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

In respect of the fleet, major repairs and overhaul costs are recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied.

The resulting carrying amount of such assets is reviewed for impairment, whenever events or changes in circumstances indicate that recoverable amount is below carrying amount.

Right-of-use assets

The cost of the right-of-use asset shall comprise:

(a) (the amount of the initial measurement of the lease liability.

(b) any lease payments made at or before the commencement date, less any lease incentives received.

(c) any initial direct costs incurred by the lessee.

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories..

After the commencement date, a lessee shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses.

The impact on the Group's consolidated financial statements at December 31, 2019 and 2018 are shown below:

| **(In thousands of euros)** | **31/12/2019** | **31/12/2018** |
|---|---|---|
| Right-to-use assets | 5,961 | 6,142 |
| Other debts | (6,143) | (6,251) |
| Other operating expenses | (2,499) | (2,302) |
| Non-current assets depreciation | 2,263 | 2,188 |
| Financial expense | 418 | 223 |

Investment property

Investment property is initially measured at cost and since it arises from the transfer of non-current assets in connection with the change in use of the asset, the Group recognizes it in accordance with the accounting policies and standards for non-current assets. At December 31, 2019, the Group has recognized as property investment, mainly, the cost of the three cold-store facilities that the Group has in Spain, as a result of the outsourcing of their management and the lease of the same to a third party.

**3.4 Impairment of assets**

At least at year-end, the Group assesses if there is any indication of impairment of the value of any non-current assets or, as the case may be, any cash-generating unit. If there is evidence and, at least for goodwill and intangible assets with indefinite useful lives, their recoverable amounts are estimated.

The Group has assessed, at the end of 2019, if there was any indication of impairment of the value of its assets (including those intangible assets with indefinite useful life and goodwill allocable to specific cash-generating units) or its Cash-Generating Units (CGU), to be understood as each of the different business division and geographical area in which the Group carries out its activities (Fishing - Southern Cone, Fishing - Africa, Aquaculture - Vannamei, Aquaculture - Turbot, Commercial & Industrial and Other). If any such indication exists, or when it is required to conduct an annual impairment test of such assets (in the case of intangible assets of indefinite useful life), the Group determines the estimated recoverable amount of the asset/CGU. The recoverable amount of the asset/CGU is the higher of fair value less costs of disposal and value in use and is determined for individual assets or the CGU as a whole.

If the value of an asset/CGU exceeds its recoverable amount, the value of the asset/CGU is decreased to the recoverable amount.

The Group considers that the best evidence for an asset's fair value less costs of disposal is the existence of an active market or price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs directly attributable to the sale or disposal of the asset.

If there is no binding sale agreement nor an active market, the fair value of the asset/CGU is calculated based on the best information available (through the application of multiples to listed companies operating in the same sector of activity, similar transactions or by the future cash flows discount method).

The costs of disposal, other than those which have been recognized as liabilities, are deducted when calculating the fair value less costs of disposal.

To estimate the recoverable amount, the Group has primarily taken as a basis the forecasts of future cash flows arising from projections prepared by the management of the Group for the 2020-2024 period, which are aligned to the new Strategic Plan under preparation at the date of formulation of these consolidated annual accounts. Most of the projected sales growth derive from higher sales volumes and prices.

These forecasts are deducted to calculate the current value at a discount rate that reflects the weighted average cost of capital (WACC) by business division and geographical area. For the assessment carried out at year end 2019 and 2018, the following ranges of discount rates by business division and geographical area were estimated:

**Financial year 2019**

| Business | BY BUSINESS DIVISION AND GEOGRAPHIY | | |
|---|---|---|---|
| | Europe | America | Africa |
| Fishing - Southern Cone | - | 7.6% - 12.5% | - |
| Fishing - Africa | - | - | 8.0% - 11.4% |
| Aquaculture - Vannamei | - | 12.1% - 14.9% | - |
| Aquaculture - Turbot | 8.3% | - | - |
| Commercial & Industrial | 7.5% - 11.3% | 8.0% | - |
| Other | 7.5% | - | - |

**Financial year 2018**

| Business | BY BUSINESS DIVISION AND GEOGRAPHY | | |
|---|---|---|---|
| | Europe | America | Africa |
| Fishing - Southern Cone | - | 5.4% - 12.5% | - |
| Fishing - Africa | - | - | 7.6% - 13.5% |
| Aquaculture - Vannamei | - | 10.7% - 16.1% | - |
| Aquaculture - Turbot | 7.3% | - | - |
| Commercial & Industrial | 4.9% - 12.8% | 5.9% - 10.9% | - |
| Other | 7.4% | - | - |

The Group assesses, at each closing date, whether there is an indication of reversal of impairment losses for an asset/CGU, other than goodwill, recognized in previous years. If such an indication exists, the Group estimates once again the recoverable amount of the asset/CGU. Impairment losses on goodwill are not reversible.

The sensitivity analysis for the impairment of tangible and intangible assets including those intangible assets of indefinite useful life and goodwill allocated by groups of CGU (see Note 5), shows the need to recognized additional impairments to those already recognized in the amount of 3.9 million euros, even considering a 25 basic points variation in the discount rate used, a 25 basic point variation in perpetual income growth rate and 200 points in business cash flows.

The group has used a perpetual growth rate of 0.5% in the financial years 2019 and 2018.

### 3.5 Financial instruments

A “financial instrument” is a contract that gives rise to a financial asset of one entity and, simultaneously, a financial liability or equity instrument of another entity.

a) Cash and other equivalent liquid assets

Amounts included under the heading “Cash and other equivalent liquid assets”, comprises cash on hand, demand deposits, time deposits and other cash applications, maturing in the short-term (three months or less) from date of contract, which are highly liquid and are readily convertible to cash and which are subject to an insignificant risk of changes in value.

b) Accounts receivable

Accounts receivable are initially recognized at fair value and subsequently are measured at amortized cost using the effective interest method. In case the effect of financial updates is not significant, it shall be recognized at nominal value. When there is evidence of impairment losses, this loss is recorded in the income statement. The adjustment is measured by the difference between recognized receivables and the current value of cash flow estimated to be received, discounted at the effective interest rate.

c) Other financial assets

The recognition or derecognition of financial assets is recorded on the date when their inherent risks and advantages are substantially transferred, regardless the date of financial settlement.

Financial assets are initially recognized at acquisition cost, which is equivalent to the fair value of the consideration given, including expenses incurred in the transaction (except for financial assets carried at fair value with changes in profit and loss, which are charged to results).

These assets are classified under the following categories:

- Financial assets held for sale.
- Financial assets measured at amortized cost
- Financial assets measured at fair value with changes in other comprehensive income.

The Group only has financial assets held for sale, loans and amounts receivable.

Loans and amounts receivable are non-derivative financial assets with payment of determinate or determinable amounts that are not traded in an active market. After initial recognition, these financial assets are measured at amortized cost using the effective interest method, less any impairment loss that might exist.

Financial assets held for sale are recognized at fair value without deducting sale costs. Profit or loss arising from a change in fair value are recorded under equity until the disposal of the investment, or when the said assets are impaired, at that time the accumulated profit or loss is recorded in the consolidated income statement. Those assets which are not publicly traded on a regulated market, and whose value cannot be reliably measured, are carried at acquisition cost adjusted for impairment losses.

d) Financial liabilities and equity instruments

Financial liabilities assumed in the business combination carried out in the financial year 2015 were measured at fair value at the date of the business combination. For the purpose of calculating, at the date of change of control, the fair value of liabilities assumed the following considerations were taken into accounts, by type of debt:

i. Restructured debt understood as that from compositions with creditors of the Spanish companies and of Argenova, of the former Pescanova Group (see detailed description in Note 12).

For the purposes of calculating the fair value of the restructured debt expected cash outflows at a discount rate estimated according to their maturity and business risk, which in essence is the risk of cash generation, for each of the types/tranches of debt, were discounted; this rate amounted to a weighted average discount factor of 8.32%.

Also, for the estimation of cash outflows the following hypotheses were considered:

- Interest payment: liabilities assumed accrue different interest rates depending on the rank obtained in each of the compositions with creditors (rank that determines the priority for collection; these ranks or tranches being the following: ordinary senior, ordinary junior, subordinated senior and subordinated junior) and these interests may be due on specific dates or capitalizable as a greater amount of the principal of the claim if there is no cash available (pay-if-you-can basis) (considering in addition that interests on subordinated claims only start to accrue, and therefore they would become due, when ordinary claims have been repaid in full). For the purpose of estimating the fair value of the debt at the date of change of control the ability of cash generation of the Parent Company was analysed and the options of cash flow management under the control of the Management of the Group were considered. According to projections made by the Management of the Group, and following the above-mentioned principle, the deadlines for the payment of the interests which are not due on specific dates, will be exhausted and the same will be capitalized as greater debt until the time of payment of the principal.

- Payment of principal: likewise, assumed liabilities have different schedules for their payment, as described in Note 12, subordinated debt reaching up to May 2044, depending on the date for the repayment in full of ordinary claims, which was estimated to occur in May 2029. As regards to the repayment of ordinary claims that the Company must liquidate, the same options of cash flow management used when estimating interest payments were considered. According to the projections made by the Management of the Group, and following the above-mentioned principle, the deadlines for the payment of principal of restructured debt will be exhausted.

- Also, the Parent Company made its best estimates regarding commitments for future payments that could arise from the debt that maintains a contingent nature with which it was ranked in the insolvency reports of Pescanova, S.A. and its subsidiaries in Spain.

After the incorporation, the novated debt is valued at amortized cost. In 2019 the hypothesis used for the valuations made in 2015 have been reviewed, and these have not varied significantly.

ii. Existing commitments at the date of combination (Additional Subordinated Loan), as set in the compositions with creditors of Pescanova, S.A. and its subsidiaries in Spain.

   Like for the other above described liabilities, and for the purpose of assessing the same, the expected cash outflows, at a discount rate which has been estimated according to maturity and business risk, were discounted, for doing so the paragraph below has been considered:

Additional Subordinated Loan: pursuant to the terms and conditions of the said load, the maturity of the same is subject to the repayment in full of the restructured debt and cannot be repaid before it, so, as que have already mentioned, it has been estimated that the repayment of the same will not take place until the financial year 2044. In addition, interest payment terms for this loan are the same as those for the junior tranche of the restructured debt so that the same options of cash flow management controlled by the Management of the Group were considered, capitalizing the same until the maturity of the principal of the debt.

iii. International debt subscribed by foreign subsidiary companies: it refers to the debt directly drawn by subsidiary companies outside Spain and not uncovered in insolvency procedures.

It was considered that the carrying amount of the international debt subscribed by foreign subsidiary companies did not differ significantly from the fair value of the same (being subsidiaries which had been refinanced near the date of valuation), considering the potential financial support from the Parent Company.

Once obtained de estimated payment schedules, the Management of the Group made an estimate of the discount rate to be used on such estimated payments, considering that the longer the maturity is the greater is the financial risk involved and, consequently, a higher discount rate has been considered. As a result of this analysis, the restructured debt is subject to a weighted average discount rate of 8.32%; whilst for the additional subordinated loan this rate is 19.35%.

Financial liabilities and equity instruments issued by the Group are classified in accordance with their economic substance, regardless their legal form.

Equity instruments issued by the Parent Company are recorded under net equity for the consideration received net of issue costs.

e) Bank loans

Bank loans arising from the business combination carried out in 2015 were measured at fair value at acquisition date. Other loans are initially recorded under liabilities for the nominal amount received, net of associated issue expenses, which is equivalent to their fair value at that date. Subsequently, loans are measured using the amortized cost method, calculated pursuant to the effective interest method.

f) Accounts payable

Accounts payable are initially recognized at fair value and, subsequently, are measured for their amortized cost, in agreement with the effective interest method. In case the effect of financial updates is not significant, payables are recognized at nominal value, both initially and in subsequent reporting periods.

### 3.6 Inventories and biological assets

Inventories are recognized at the lower of the cost of purchase or conversion and net realisable value.

The cost of purchase includes the amount invoiced by the seller after deducting any discount, rebate or other similar items and all additional expenses such as transportation, tariffs, insurance and others directly attributable to the acquisition of inventories.

The production cost of inventories comprises the purchase price of raw materials and other consumable materials and costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred during the production process. The allocation of fixed production overheads to the costs of conversion is based on the highest of the normal production capacity or actual production.

The cost of inventories is written down in the income statement when their cost exceeds their net realizable value. For this purpose, net realizable value for:

- Raw materials and other supplies: is the replacement price. Nevertheless, the Group does not make any adjustments whenever it is expected that the finished products in which the raw materials and other supplies will be incorporated are expected to be sold at or above cost.
- Goods for resale and finished products: is the estimated selling price, less the costs necessary to make the sale;
- Work in progress: is the estimated selling price of the relevant finished products, less the estimated costs of completion and the estimated costs necessary to make the sale;

Any reversal should be recognised in the income statement, whenever the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, so that the new carrying amount is the lower of the cost and the revised net realisable value.

In application of IAS 41, the Group measures its biological assets, basically consisting of farmed fish and shrimps, at different growth stages, at fair value less estimated point-of-sale costs.

Biological assets arise from the aquaculture activity in which the Group is involved and refer to live fish (fish and crustaceans). The farmed species are salmon, turbot, shrimp and, to a lower extent, tilapia. These assets are always under control at the different farming sites according to the stage of their lifecycles. Due to the farming process, biological assets consist of live fish of varied sizes, from newly born, hardly a few days old, to larger sizes, several months old, or close to reaching their commercial size.

Biological assets are kept separately by age group and size. To determine the biomass in each tank/pond and offshore cage, samplings of a reasonable number of individuals are made systematically. These samplings are indispensable and are done on a monthly basis to determine at any time the type of feed to be fed to each group of individuals and to study the need to transfer them to other tanks/ponds of cages as they grow.

The Group measures the different biological assets by grouping them by age and size.

The measurement at each closing is made at the average value of the most recent market transactions which is used as an approximation to the fair value, provided that the asset has reached the appropriate size for being sold.

The group recognizes in the income statement any profit or loss arising from the change in fair value less selling costs.

### 3.7 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recoverable, mainly, through a sale transaction, rather than through their continuous use in the business. This condition is considered met only when the sale is highly probable and the non-current assets (or disposal groups) are, in present conditions, available for immediate sale. The Management is committed to the plan to sell the asset which implies that the sale is expected to be completed in the financial year following its classification as held for sale.

When the Group is committed to a sell plan associated to the loss of control of a subsidiary company, all the assets and liabilities in that subsidiary are classified as held for sale, when the above criteria have been met, regardless of the fact that the Group will retain a non-controlling equity interest in the subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Income and expenses from non-current assets held for sale and disposal groups that do not comply with the requirements to be classified as discontinued operations are included in the corresponding consolidated income statement lines according to their nature. When the requirements in IFRS 5 are complied with, entities must show in a single line of the consolidated income statement the results from non-current assets held for sale and disposal groups, and the consideration, if any, obtained from their sale. In addition, information shall be provided in the notes to the financial statements in accordance with the disclosure requirements described in IFRS 5.

In 2019 the Group classified as held for sale land estate located in Spain and Peru, mainly, for which there are commitments to sell them to third parties for 1.5 million euros.

In 2018 the Group classified as held for sale land estate located in Spain, Uruguay and Peru, mainly, for which there are commitment to sell them to third parties for 1 million euros.

### 3.8 Provisions and contingent liabilities

Pursuant to IAS 37, in the formulation of the Consolidated Annual Accounts a difference is made between:

a) Provisions: creditor balances to cover present obligations arising from past events, which will probably require an outflow or economic benefits to settle the obligation; and is a liability of uncertain amount and/or timing for its settlement.

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control.

The consolidated statement of financial position includes all provisions regarding which it is considered that the probability that it will meet the obligation is greater than the probability that it will not. Unless considered remote, contingent liabilities identified prior to assuming acquisition date are recognized in the statement of financial position at fair value, whilst those arising afterwards will not be recognized, but are reported in the notes to the financial statements.

Provisions are measured as the best estimate of the expenditure required to settle or transfer the present obligation at the end of the reporting period, taking into consideration the information available about the event and its consequences, the adjustments arising from the updating of such provisions are recorded as a financial expense as it becomes due.

Consideration received from third parties at the time of settlement of the obligation is recognized only when it is certain that the consideration will be received, the consideration is recorded as an asset except in case there is a legal link by which part of the risk has been externalized and pursuant to which the Group is not liable to meet the obligation; if this is so, the consideration will be taken into account to estimate the amount of the corresponding provision

### 3.9 Balances and transactions in foreign currency

Transactions in currencies other than the functional currency of each company are recorded in the functional currency of each company by applying the exchange rates prevailing at the date of the transaction. During the year, the differences that arise between the balances translated at the exchange rate prevailing at the date of the transaction and the balances translated at the exchange rate prevailing at the date of collection or payment are recorded as results in the consolidated income statement.

Also, balances receivable or payable at the closing of each financial year denominated in currencies other than the functional currencies in which the financial statements of the consolidated companies are denominated are translated to euros at year-end exchange rate. The resulting translation differences are recognized as results in the consolidated income statement

### 3.10 Current and non-current classification in the statement of financial position

Current assets are those related to the normal operating cycle of the business, which in general is considered to be of one year (which could be longer for the aquaculture business), and also those other assets whose maturity, disposal or realization is expected to occur within 12 months from the end of the financial year. Assets that do not meet these requirements will qualify as non-current

Similarly, current liabilities are those related to the normal operating cycle of the business and, in general, all liabilities becoming due or extinct within 12 months from the statement of financial position date. Otherwise, they are classified as non-current.

In case prior to the end of the reporting period the Group does not have an unconditional right to defer the settlement of a liability for at least twelve months after statement of financial position date, such liability is classified as current.

### 3.11 Income tax

Income tax expense or income comprises both current and deferred tax.

a) Current tax

Current tax is the tax payable by the Group for the financial year. Deductions and other tax benefits on the tax quota, excluding tax withheld and prepayments, as well as tax losses from previous years in fact offset in the financial year, give rise to a lower current tax.

b) Deferred tax

Deferred Tax expense or income corresponds to the recognition and settlement of deferred tax assets and liabilities. These include temporary differences between the carrying amount of the assets and liabilities and their taxable base, as well as the negative taxable bases pending offsetting and tax credit for deductions not applied.

Those amounts are recorded by applying the temporary difference or credit at the tax rates that are expected to be applied in the period when the asset is realised, or the liability is settled.

All temporary taxable differences are recognized as deferred tax liabilities, except for those arising from the initial recognition of goodwill or of an asset or a liability in a transaction other than a business combination and that at the time of the transaction does not affect the accounting or taxable result.

Deferred tax assets are recognized for all deductible temporary differences, deductions pending application to the extent that it is probable that a taxable profit will be available against which the deductible temporary difference, the tax credit or the unused negative taxable bases can be used, except when the deferred tax asset regarding the deductible temporary difference arises from the initial recognition of an asset or a liability in a transactions other than a business combination and that at the time of the transaction, it does not affect the accounting or taxable result.

As regards to temporary deductible taxable differences related to investments in subsidiary companies and associated entities, deferred tax assets are recognized only to the extent that it is probable that those temporary differences are reverted in a foreseeable future and that there is a tax profit against which those temporary differences can be used.

At the end of each reporting period, the carrying amount of deferred tax assets is reviewed and adjusted when there are doubts about their future recovery. Deferred tax assets not recognized are reassessed at the closing date and are recognized to the extent that it is probable the future tax profit will allow the recovery of the deferred tax asset.

The Group periodically assesses the considerations adopted in the tax returns in respect of situations in which the applicable tax legislation is subject to different interpretations and recognizes provisions, where appropriate, on the basis of the amount expected to be paid or recovered from the tax authorities, and the impact of which is recognized in the corresponding tax gain or loss

Deferred tax assets and liabilities are measured at the taxable rates that are expected to be applied in the period when the asset is realised, or the liability is settled, based on the taxable rates (and tax legislation) enacted or about to be enacted at the end of the reporting period.

Deferred tax related to off consolidated income statement items are to be recorded off the consolidated income statement. Deferred tax assets and liabilities are recorded in correlation with the related transaction, either in the statement of comprehensive income or directly under equity.

Deferred tax assets and liabilities are offset when there is a legal right in force to offset current tax assets and liabilities and the deferred tax assets correspond to the same company and tax administration.

Taxable profit acquired as part of a business combination, which does not comply with the criteria for recognition at acquisition date, is subsequently recognized if there is information that facts or circumstances have changed. The adjustment is recognized as less value of goodwill (provided it is not higher than the amount of goodwill) when recognized in the measurement period, or in the consolidated income statement, if subsequently measured.

### 3.12 Revenue and expenses recognition

An entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, when the customer obtains control of that good or service. The consideration in a contract with a customer can include fixed amounts, variable amounts or both. The amount of consideration can vary because of discounts, refunds, incentives, or other similar items. A contingent consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur. Revenue is recognised net of value added tax and any other amount or tax that in substance corresponds to amounts collected on behalf of third parties.

a) Sale of goods

Revenue from the sale of goods is recognized when the Group when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when the customer obtains control of such asset. When assessing a performance obligation, the Group considers the following indicators of transfer of control, which include but are not limited to:

- The Group has a present right to payment for the asset;
- The customer has legal title to the asset;
- The Group has transferred physical possession of the asset;
- The customer has the significant risks and rewards of ownership of the asset;
- The customer has accepted the asset.

b) Rendering of services

Revenue associated with the rendering of services is recognized by reference to the stage of completion of the transaction at the statement of financial position date when the outcome of the transaction can be measured with reliability. This occurs when the amount of revenue; the stage of completion; costs incurred as well as outstanding costs can be measured with reliability and it is probable that the economic benefits associated to the rendering of service will flow to the Group.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable. The Group periodically assesses whether a contract for the rendering of services is or becomes onerous, and, if so, recognizes provisions accordingly.

### 3.13 Cash flow statement

The following terms are used in the consolidated cash flow statement prepared in agreement with the indirect method, with the meanings below specified:

Cash flows: inflows and outflows of cash and cash equivalents the latter being understood as investments with a term of less than three months, which are highly liquid and subject to an insignificant risk of changes in value.

Operating activities: these are the principal income-producing activities of the Group and activities other than investing or financing activities.

Investing activities: these consist of the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

Financing activities: these are activities that result in changes in the size and composition of equity and financial liabilities.

### 3.14 Leases

A lessee recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments, except when leases are for a short-term and when the leased asset is of low value, lease payments associated with such leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is measured at cost and shall comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Subsequent measurement is made as described in 3.3 above.

A lease liability shall be measured at the present value of the lease payments discounted using the incremental borrowing rate that are not paid at that date.

### 3.15 Severance payments

Pursuant to the legislation currently in force, the Parent Company and subsidiary companies are liable for severance payments to those employees who, under certain conditions, terminate their labour relationship and the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

## 4) PARENT COMPANY'S RESULT DISTRIBUTION

The proposal for distribution that has been formulated by the Board of Directors of the parent company that shall be put to the vote at the General Meeting of Partners is shown below:

| (In thousands of euros) | 2019 | 2018 |
|---|---|---|
| To reserves as prescribed by law | - | 734 |
| To retained earnings | (60,903) | 6,610 |
| **Total** | **(60,903)** | **7,344** |

The General Meeting of Partners, held on June 26, 2019, resolved the previous year profit distribution.

There are no more limits for the payment of dividends other than those provided in articles 275 and following of the Companies Law.

## 5) INTANGIBLE ASSETS

The movements under this heading in the accompanying consolidated statements of financial position for the financial years 2019 and 2018 were as follows:

### Financial year 2019

| (Thousands of euros) | Opening balance | Additions | Changes in consolidation scope | Derecognition | Transfers and other | Translation differences | Closing balance |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Goodwill on consolidation | - | - | 8.182 | (8.182) | - | - | - |
| Brands | 64.359 | - | - | - | - | - | 64.359 |
| Licences | 21.216 | - | - | - | - | - | 21.216 |
| Goodwill | 23.223 | - | - | - | 41 | - | 23.264 |
| Clients portfolio | 5.371 | - | - | - | - | - | 5.371 |
| Concessions, patents and other intangible assets | 395 | 865 | 1 | (182) | (26) | 32 | 1.085 |
| Computer applications (software) | 6.004 | 1.731 | 153 | - | 290 | 10 | 8.188 |
| | 120.568 | 2.596 | 8.336 | (8.364) | 305 | 42 | 123.483 |
| Accumulated amortisation | | | | | | | |
| Brands | - | - | - | - | - | | - |
| Licences | - | - | - | - | - | - | - |
| Goodwill | (3.941) | (1.256) | - | - | - | - | (5.197) |
| Clients portfolio | (3.106) | (877) | - | - | - | - | (3.983) |
| Concessions, patents and other intangible assets | (99) | (158) | - | 182 | - | (29) | (104) |
| Computer applications (software) | (374) | (1.375) | (6) | - | 1 | (5) | (1.759) |
| | (7.520) | (3.666) | (6) | 182 | 1 | (34) | (11.043) |
| **Net carrying amount** | **113.048** | | | | | | **112.440** |

### Financial year 2018

| (Thousands of euros) | Opening balance | Additions | Changes in consolidation scope | Derecognition | Transfers and other | Translation differences | Closing balance |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Brands | 64.359 | - | - | - | - | - | 64.359 |
| Licences | 21.416 | - | - | (600) | 400 | - | 21.216 |
| Goodwill | 23.223 | - | - | - | - | - | 23.223 |
| Clients portfolio | 5.371 | - | - | - | - | - | 5.371 |
| Concessions, patents and other intangible assets | 647 | 201 | - | | (466) | 13 | 395 |
| Computer applications (software) | 2.636 | 3.314 | - | (21) | 66 | 9 | 6.004 |
| | 117.652 | 3.515 | - | (621) | - | 22 | 120.568 |
| Accumulated amortisation | | | | | | | |
| Brands | - | - | - | - | - | - | - |
| Licences | - | - | - | - | - | - | - |
| Goodwill | (2.589) | (1.311) | - | - | (41) | - | (3.941) |
| Clients portfolio | (2.123) | (983) | - | - | - | - | (3.106) |
| Concessions, patents and other intangible assets | (37) | (115) | - | 62 | - | (9) | (99) |
| Computer applications (software) | (306) | (78) | - | 17 | 1 | (8) | (374) |
| | (5.055) | (2.487) | - | 79 | (40) | (17) | (7.520) |
| **Net carrying amount** | **112.597** | | | | | | **113.048** |

### 5.1 Additions and changes in the consolidation scope

The main additions in the 2019 financial year refer to the recognition of the goodwill on consolidation arising from the business combination achieved in stages of the company Katei Alimentación, S.L.U. (see Note 3.1), and the corresponding additions to the recognition as assets of the expenses incurred in the implementation of the SAP tool, that was concluded in 2019, and recognized under “Computer applications”.

Additions in 2018 refer, basically, to those recognized under “Computer software” corresponding to the recognition as assets of the expenses incurred in the implementation in the Group of a new information and business management system, supported by a SAP tool, that was put into service on October 1, 2018.

### 5.2 Derecognitions

Based on the evaluation carried out at the close of the financial year of the recoverable value corresponding to the CGU where the consolidation goodwill is incorporated, an irreversible loss has been recognized for the total amount of the same, under the heading "Impairment loss of non-current assets" in the accompanying consolidated income statement at December 31, 2019.

## 6) PROPERTY, PLANT AND EQUIPMENT

The movements under this heading in the accompanying consolidated statements of financial position for the financial years 2019 and 2018 were as follows:

### Financial year 2019

| (Thousands of euros) | Opening balance | Additions | Changes in consolidation scope | Derecognition | Transfers and other | Translation differences | Closing balance |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Land and buildings | 123,518 | 967 | 3,915 | (1,281) | (6,143) | 3,257 | 124,233 |
| Technical installations & machinery | 59,848 | 9,315 | 6,096 | (1,139) | 8,028 | 2,626 | 84,774 |
| Fleet | 93,963 | 4,775 | - | (15,064) | 9,948 | 2,377 | 95,999 |
| Other property, plant and equipment | 6,684 | 4,621 | 90 | (703) | 107 | 163 | 10,962 |
| Advances and work in progress | 16,925 | 27,236 | 276 | (1,390) | (22,716) | 276 | 20,607 |
| | 300,938 | 46,914 | 10,377 | (19,577) | (10,776) | 8,699 | 336,575 |
| Accumulated depreciation | | | | | | | |
| Land and buildings | (8,810) | (7,080) | (141) | 809 | 2,574 | (1,556) | (14,204) |
| Technical installations & machinery | (12,634) | (12,043) | (507) | 1,134 | 1,564 | (1,793) | (24,279) |
| Fleet | (40,140) | (12,613) | - | 13,222 | - | (1,877) | (41,408) |
| Other property, plant and equipment | (2,079) | (2,644) | (14) | 684 | 112 | (119) | (4,060) |
| | (63,663) | (34,380) | (662) | 15,849 | 4,250 | (5,345) | (83,951) |
| Impairment loss | | | | | | | |
| Land and buildings | (2,074) | (1,012) | - | - | - | - | (3,086) |
| Fleet | - | (2,905) | - | - | - | - | (2,905) |
| | (2,074) | (3,917) | - | - | - | - | (5,991) |
| **Net carrying amount** | **235,201** | | | | | | **246,633** |

### Financial year 2018

| (Thousands of euros) | Opening balance | Additions | Changes in consolidation scope | Derecognition | Transfers and other | Translation differences | Closing balance |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Land and buildings | 123,465 | 1,255 | (3,425) | (1,124) | 2,219 | 1,128 | 123,518 |
| Technical installations & machinery | 61,988 | 5,147 | (3,459) | (6,500) | 778 | 1,894 | 59,848 |
| Fleet | 83,202 | 6,298 | - | (161) | 8,867 | (4,243) | 93,963 |
| Other property, plant and equipment | 5,018 | 2,552 | (407) | (623) | 313 | (169) | 6,684 |
| Advances and work in progress | 4,118 | 22,577 | (51) | (321) | (9,484) | 86 | 16,925 |
| | 277,791 | 37,829 | (7,342) | (8,729) | 2,693 | (1,304) | 300,938 |
| Accumulated depreciation | | | | | | | |
| Land and buildings | (1,652) | (6,801) | 598 | 911 | - | (1,866) | (8,810) |
| Technical installations & machinery | (6,560) | (11,057) | 2,176 | 4,600 | - | (1,793) | (12,634) |
| Fleet | (23,071) | (14,590) | - | 84 | (5,510) | 2,947 | (40,140) |
| Other property, plant and equipment | (1,304) | (1,854) | 458 | 534 | - | 87 | (2,079) |
| | (32,587) | (34,302) | 3,232 | 6,129 | (5,510) | (625) | (63,663) |
| Impairment loss | | | | | | | |
| Land and buildings | (2,074) | - | - | - | - | - | (2,074) |
| | (2,074) | - | - | - | - | - | (2,074) |
| **Net carrying amount** | **243,130** | | | | | | **235,201** |

### 6.1 Additions

The main additions in 2019 relate to investments in the Fishing Division for 26.2 million euros which include the building and commissioning of 2 fishing vessels for Namibia and Mozambique, advances for the building of the remaining vessels and costs related to periodical surveys for part of the fleet; investments in the Aquaculture Division for 10.7 million euros, of which 6.2 million euros for the construction of the R&D&I centre called “Pescanova Biomarine Center”, whose main activity is research and investment and is expected to be opened in 2020; and other investments in the different industrial centres, mainly in Spain and France for 9 million euros.

The main additions in 2018 relate to investments in the Fishing Division for 18.4 million euros which include advances for the building of fishing vessels for Namibia and Mozambique, costs related to periodical surveys for part of the fleet; investments in the Vannamei Aquaculture Division (11.6 million euros) to improve the yield of farming ponds and the installation of new water pumps, as well as other investments in the different industrial centres (5.5 million euros).

### 6.2 Changes in the consolidation scope

Additions in 2019 relate to the acquisition of business combination of the company Katei Alimentación, S.L.U., which include, mainly, the investment in facilities and machinery for the processing of chilled products.

The main derecognitions in 2018 refer to non-current assets of the company Balanceados Nova, S.A. and Novagroup Proprietary limited.

### 6.3 Derecognitions

Derecognitions in 2019 refer, mainly, to the sale and scraping of vessels in Namibia, Mozambique and Argentina and the sale of commercial offices in France.

The main derecognitions in 2018 referred to the sale of industrial sheds and installations of the industrial centres in Spain and the derecognition of certain elements of the processing plant in Ecuador for a net carrying amount of 2.4 million euros as a consequence of an accident occurred in September 2018.

The results obtained from the disposal and derecognition from the consolidated statement of financial position are recorded under the heading “Result from transactions with non-current assets” in the accompanying consolidated income statement for the 2019 and 2018 reporting periods.

### 6.4 Transfers and Other

They refer to the transfer for the change in use of assets use to the heading "Investment Property" for a net carrying amount of 5.6 million euros, as well as to the transfer of assets to "Assets held for sale" amounting to 0.9 million euros.

### 6.5 Impairment loss

Based on the evaluation carried out at the close of the financial year of the recoverable value of the Cash Generating Units, an impartment loss for 4 million euros under the heading "Impairment loss of non-current assets" in the accompanying consolidated income statement at December 31, 2019.

### 6.6 Property, Plant and Equipment serving as guarantee

Of the balance under property, plant and equipment at the closing of 2019, 91 million euros are serving as mortgage guarantees. (89 million euros at the end of the 2018 reporting period).

### 6.7 Other disclosures

The Group on a regular basis formalizes insurance policies to cover the possible risks to which the different elements of property, plant and equipment are subject. At the end of the financial year, the Directors of the Parent Company considered that the insurance contracted is sufficient to cover the risks of its activity.

At year end 2019 and 2018, the Group has not recognized property, plant and equipment items which are not used directly in operations, for a significant amount.

## 7) FINANCIAL INVESTMENTS

At year end 2019 and 2018, the breakdown under the headings "Long-term investments" and "Short-term investments" by nature is as follows:

| (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Financial investments held for sale: | | |
| Securities representing debt and other | 1,887 | 834 |
| Loans: | | |
| Loans to related companies (note 17) | 4,698 | 2,813 |
| Other loans | 13,986 | 14,509 |
| | 18,684 | 17,322 |
| Other financial assets: | | |
| Deposits and guarantees | 3,610 | 2,283 |
| **Total** | **24,181** | **20,439** |

The classification by maturity is as follows:

| (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Long-term | 9,164 | 13,331 |
| Short-term | 15,017 | 7,108 |
| **Total** | **24,181** | **20,439** |

At year end 2019 and 2018 "Securities representing debt and other financial assets" refer, mainly, to hedging instruments amounting to 1.5 million euros (0.1 million in 2018), as well as unlisted shares in companies in which the stake of the Group is not significant.

Receivables recognised at year end 2019 refer, mainly, to receivables serving as guarantee for funding trade transactions for 4.4 million euros, as well as other receivables from divestment transactions for 1.3 million euros and other receivables from companies not belonging to the Group for 6.8 million euros. The balance recognized at December 31, 2018 referred, mainly, to receivables from divestment transactions amounting to 4.5 million euros, as well as other receivables from companies not belonging to the Group.

The Group assesses at each statement of financial position date whether there is any indication that an investment is impaired. If any such indication exists, the Group estimates the recoverable amount of such investment. At year-end 2019, the Management of the Group has conducted an individualized test to measure these assets, and it was considered necessary to recognize impairment losses for 231 thousands of euros under the heading "Impairment losses and result from disposal of financial instruments" in the accompanying consolidated income statement for 2019 (637 thousands of euros in 2018).

## 8) INVENTORIES AND BIOLOGICAL ASSETS

At December 31, 2019 and 2018, the breakdown of inventories and biological assets, by type of activity and by type and degree of completion, as well as their impairment is shown below:

| (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Goods for resale | 126,693 | 144,296 |
| Raw material and other supplies | 84,489 | 81,694 |
| Work in progress and semi-finished products | 38,595 | 31,884 |
| Finished products | 47,886 | 42,782 |
| By-products, residuals, recycled materials & advances | 1,821 | 6,282 |
| | 299,484 | 306,938 |
| Provisions for impairment | (11,123) | (10,455) |
| **Total** | **288,361** | **296,483** |

At year end 2019 and 2018, the Group had pledged inventories for 4,044 thousands of euros.

Below is the breakdown of inventories by nature at the closing of the 2019 and 2018 reporting periods:

| (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Biological assets | 35,925 | 28,850 |
| Other inventories | 252,436 | 267,633 |
| **Total** | **288,361** | **296,483** |

Provisions for impairment

The movement in 2019 and 2018 under provisions for impairment of inventories is shown below:

| (Thousands of euros) | 2019 | 2018 |
|---|---|---|
| Opening balance | (10,455) | (10,804) |
| Other | - | (796) |
| Derecognition | 2,803 | 97 |
| Translation differences | - | 143 |
| Recognition in the financial year | (3,471) | (2,384) |
| Reversal in the financial year | - | 3,289 |
| **Closing balance** | **(11,123)** | **(10,455)** |

Recognitions and reversals of the provision for impairment of inventories is recognized under the heading "Impairment of goods, raw material and other supplies" in the consolidated income statement.

## 9) AMOUNTS RECEIVABLE

The breakdown of trade receivables and other amounts receivable, at the end of 2019 and 2018, is as follows:

| (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Trade receivables | 144,578 | 167,549 |
| Receivable from associated companies (Note 17) | 1,418 | 1,950 |
| Personnel | 602 | 556 |
| Other amounts receivable | 10,918 | 10,951 |
| Impairment loss | (997) | (756) |
| **Total** | **156,519** | **180,250** |

Provisions for impairment of amounts receivable

In 2019 and 2018, the movement under this heading is as follows:

| (Thousands of euros) | 2019 | 2018 |
|---|---|---|
| Opening balance | (756) | (707) |
| Trade receivables recongized in the reporting period | (338) | (172) |
| Trade receivables reversed in the reporting period | 97 | 123 |
| **Closing balance** | **(997)** | **(756)** |

The recognition and reversal of the provision for impairment of amounts receivable is recorded under the heading "Loss, impairment and change in provisions for trade transactions" in the consolidated income statement.

## 10) CASH AND CASH EQUIVALENTS

At December 31, 2019, restricted cash and equivalents amounts to 0.8 million (1.1 million euros at December 31, 2018).

In 2018, certain conditions of the factoring and credit limit agreements entered with customers in Spain have been novated, considering the debt related to these agreements as debt without recourse and therefore at December 31, 2018 the restricted cash and equivalents refers, entirely, to a factoring line for an amount of 1.1 million euros.

## 11) CAPITAL AND RESERVES

The composition and movements in the Group's equity are detailed in the "Consolidated Statement of Changes in Consolidated Equity" which is part of the Consolidated Annual Accounts.

### 11.1 Capital

The Parent Company was incorporated on June 30, 2015 with an initial capital of 3,000 euros, represented and divided into three thousand quotas with a nominal value on one euro each, of the same class and series indivisible and accruable, fully subscribed and paid by Pescanova, S.A.

Afterwards, the General Meeting of Shareholders of the sole partner, held on September 29, 2015, as sole quota-holder of Nueva Pescanova, S.L., approved the following resolutions regarding the latter:

- The Joint Merger and Double Segregation Project under which the structural modifications envisaged in the compositions with creditors of the sole partner at that date and its subsidiary companies become definite, and it also determines a capital increase in Nueva Pescanova, S.L. against non-monetary contributions that constitute the segregated equity in the Second Segregation (see Note 1). The capital increase is set in 2,434,894 euros, by the issue of the same number of new quotas of one euro of nominal value each of them, assigning a subscription premium of 57,491,106 euros, which correspond to the difference between the aggregate nominal value of all the quotas and the valuation made by the Board of Directors of the sole partner of the total segregated equity.

  The Joint Merger and Double Segregation Agreement was filed with the Companies Registration Office in Pontevedra on November 9, 2015.

- Capital increase by a nominal amount of 9,750,000 euros, the sole quota-holder at that time waived its right to preferred subscription in favour of the creditors of the Restructured Debt, by the issue of 9,750,000 quotas of one euro of nominal value each of them. The capital increase was entirely assumed and paid by cash contributions and the set off of loans that Nueva Pescanova held with the above-mentioned creditors, so the new share capital was 12,187,894 euros, represented by 12,187,894 quotas, all of them of the same class, and of one euro of nominal value each of them.

On April 19, 2017 the Parent Company at Extraordinary General Meeting resolved a capital increase for 135,426,453 euros by the issue of 135,426,453 quotas of one euro of nominal value each of them, which were fully subscribed and paid by setting off claims pursuant to article 301.2 of the Companies Law and the Report prepared by the Board of Directors of the Company approved on April 4, 2017. The capital increase was foreseen in the Refinancing agreement entered on December 30, 2016 by and between the Management of the Group and the main creditors of Nueva Pescanova, S.L., and legally approved pursuant to Ruling dated February 13, 2017 or the Mercantile Court number 1 in Pontevedra, which became firm on March 14, 2017.

At the end of the 2019 and 2018 reporting periods, capital subscribed and paid is 147,614,347 euros, represented by 147,614,347 quotas, all of them of the same class and with the same rights, and of one euro of nominal value each of them.

The situation remains the same at the date of authorization for the issue of these consolidated annual accounts.

The Group neither maintains nor has conducted any transaction involving quotas in the Parent company.

**11.2 Share premium**

The Companies Law expressly allows the use of a share premium for a capital increase and does not establish any specific restriction to the availability of the said balance.

**11.3 Reserves as prescribed by law**

Pursuant to the Companies Law, an amount equal to ten per cent of the Parent Company's profit for the year shall in any event be earmarked for the reserve prescribed by law until such reserve represents, at least, 20% of the capital.

At December 31, 2019 the amount recognized under this reserve prescribed by law is 2,230 thousands of euros (1,496 thousands of euros at December 31, 2018).

This reserve prescribed by law may be used, entirely, to increase the capital. However, until it exceeds 20% of the capital, this reserve may only be used to offset losses and no other sufficient reserves are available for such purpose.

**11.4 Reserves**

This heading includes the difference between the amounts recognized in capital and subscription premium corresponding from the contribution of the economic unit in the second segregation (see Note 1) and the fair value of the businesses acquired and transferred in the said segregation, which amounted to 44,494 thousands of euros.

In 2019, the recognition of the elimination of gains or losses arising from inventory-recognized intragroup transactions has meant the correction of an error for 12,585 thousands of euros (see Note 2D).

Also, in 2017, reserves were recognized as a lower amount for the expenses related to the issue of new quotas in agreement with the capital increase formalized on April 19, 2017.

**11.5 Reserves in companies within the consolidation scope**

The breakdown of reserves in companies within the consolidation included under equity in the accompanying consolidated statements of financial position at December 31, 2019 and 2018 is shown below:

| (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Attributable to the Parent Company | (28,771) | (17,419) |
| Attributable to Subsidiary Companies: | | |
| Aquaculture - Vannamei | (21,503) | (12,799) |
| Aquaculture - Turbot | 8,730 | 5,057 |
| Industrial & Commercial | (7,833) | (6,067) |
| Fishing - Southern Cone | 34,208 | 15,587 |
| Fishing - Africa | 4,305 | 2,631 |
| Other | (23,725) | (6,794) |
| **Total** | **(34,589)** | **(19,804)** |

## 11.6 Contribution for the consolidated result

The contribution of the different companies in the Group, by activity division, to the 2019 and 2018 consolidated result is shown below:

### Financial year 2019

| (Thousands of euros) | Consolidated result for year | Attributable to non-controlling interest | Attributable to Partners of the Parent Company |
|---|---|---|---|
| Parent Company | (28,722) | - | (28,722) |
| Subsidiaries and Multigroup Companies | | | |
| Aquaculture - Vannamei | 858 | - | 858 |
| Aquaculture - Turbot | 4,168 | - | 4,168 |
| Industrial and commercial | (23,011) | - | (23,011) |
| Fishing - Southern Cone | 6,093 | - | 6,093 |
| Fishing - Africa | (3,673) | 509 | (3,164) |
| Holding & Other | 2,803 | - | 2,803 |
| **Total** | **(41,484)** | **509** | **(40,975)** |

### Financial year 2018

| (Thousands of euros) | Consolidated result for year | Attributable to non-controlling interest | Attributable to Partners of the Parent Company |
|---|---|---|---|
| Parent Company | (6,306) | - | (6,306) |
| Subsidiaries and Multigroup Companies: | | | |
| Aquaculture - Vannamei | (10,073) | - | (10,073) |
| Aquaculture - Turbot | 5,433 | - | 5,433 |
| Industrial and commercial | (2,288) | - | (2,288) |
| Fishing - Southern Cone | 19,365 | - | 19,365 |
| Fishing - Africa | (2,153) | (365) | (2,518) |
| Holding & Other | 1,833 | - | 1,833 |
| **Total** | **5,811** | **(365)** | **5,446** |

## 11.7 Translation differences

The main translation differences included under net equity in the accompanying consolidated statements of financial position, at December 31, 2019 and 2018, are as follows:

| (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Companies in US Dollar context | (3,899) | (3,501) |
| Companies in Meticai context | 6,408 | 7,204 |
| Companies in Namibian Dollar and South African Rand context | (117) | (1,527) |
| Other companies | 504 | 1,286 |
| **Total** | **2,896** | **3,462** |

### 11.8 Non-controlling interest

The movements under this equity heading in 2019 and 2018 are shown below:

| (Thousands of euros) | 2019 | 2018 |
|---|---|---|
| Opening balance | 536 | 1,658 |
| Translation differences | 688 | (135) |
| Profit of the year attributable to non-controlling interest | (509) | 365 |
| Other movements | - | (1,352) |
| **Closing balance** | **715** | **536** |

The composition of the balance of this heading in the accompanying consolidated statement of financial position is shown below:

**December 31, 2019**

| (Thousands of euros) | Reserves | Translation differences | Result | Total |
|---|---|---|---|---|
| Fishing - Africa | (1,260) | 2,484 | (509) | 715 |
| **Total** | **(1,260)** | **2,484** | **(509)** | **715** |

**December 31, 2018**

| (Thousands of euros) | Reserves | Translation differences | Result | Total |
|---|---|---|---|---|
| Fishing - Africa | (1,626) | 1,797 | 365 | 536 |
| **Total** | **(1,626)** | **1,797** | **365** | **536** |

### 11.7 Other disclosures

The detail of the partners of the Parent Company at December 31, 2018 and 2019 is as follows:

| | Shareholding % | |
|---|---|---|
| | **2019** | **2018** |
| Abanca Corporación Bancaria, S.A. | 40.66% | 30.81% |
| Banco de Sabadell, S.A. | 24.53% | 24.06% |
| Caixabank, S.A. | 15.27% | 15.27% |

None of the shares/quotas in subsidiary companies are or has been listed in any stock exchange.

## 12) FINANCIAL DEBT

The detail of financial debt at December 31, 2019 and 2018 is as follows:

| (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Debt with credit institutions | 86,958 | 97,596 |
| Other non-current financial liabilities | 324,321 | 314,218 |
| **Long-term debt /Non-current financial liabilities** | **411,279** | **411,814** |
| Debt with credit institutions | 211,637 | 196,294 |
| Debt for accrued interest | 2,209 | 2,161 |
| Other current financial liabilities | 7,185 | 1,391 |
| **Short-term debt/Current financial liabilities** | **221,031** | **199,846** |
| **Total** | **632,310** | **611,660** |

The detail of financial debt, by geographical area and concept at December 31, 2019 and 2018 is as follows:

### December 31, 2019

| (Thousands of euros) | Nueva Pescanova, S.L. | Spanish Subsidiaries | Foreign Subsidiaries | Total |
|---|---|---|---|---|
| Novated debt from insolvency proceedings (Notes 12.1.a and 12.1.b): | | | | |
| Nominal | 414,212 | - | 7,371 | 421,583 |
| Capitalized interes, "pay if you can" clause | 7,984 | - | - | 7,984 |
| Financial update | (130,632) | - | (3,728) | (134,360) |
| | 291,564 | - | 3,643 | 295,207 |
| Addictional subordinated debt (Note 12.1.c): | | | | |
| Nominal | 211,768 | - | - | 211,768 |
| Capitalized interes, "pay if you can" clause | 8,958 | - | - | 8,958 |
| Financial update | (216,974) | - | - | (216,974) |
| | 3,752 | - | - | 3,752 |
| Long-term debt with credit institutions | - | 1,284 | 85,674 | 86,958 |
| Other non-current financial liabilities (Note 12.2) | 19,835 | 2,909 | 2,618 | 25,362 |
| Short-term debt with credit institutions | - | 90,326 | 121,311 | 211,637 |
| Interest payable | 292 | 419 | 1,498 | 2,209 |
| Other current financial liabilities | 4,577 | 1,834 | 774 | 7,185 |
| **Total** | **320,020** | **96,772** | **215,518** | **632,310** |

### December 31, 2018

| (Thousands of euros) | Nueva Pescanova, S.L. | Spanish Subsidiaries | Foreign Subsidiaries | Total |
|---|---|---|---|---|
| Novated debt from insolvency proceedings (Notes 12.1.a and 12.1.b): | | | | |
| Nominal | 421,208 | - | 7,625 | 428,833 |
| Capitalized interes, "pay if you can" clause | 6,458 | - | - | 6,458 |
| Financial update | (144,976) | - | (4,060) | (149,036) |
| | 282,690 | - | 3,565 | 286,255 |
| Addictional subordinated debt (Note 12.1.c): | | | | |
| Nominal | 211,768 | - | - | 211,768 |
| Capitalized interes, "pay if you can" clause | 6,767 | - | - | 6,767 |
| Financial update | (215,391) | - | - | (215,391) |
| | 3,144 | - | - | 3,144 |
| Long-term debt with credit institutions | - | - | 97,596 | 97,596 |
| Other non-current financial liabilities (Note 12.2) | 19,645 | 2,831 | 2,343 | 24,819 |
| Short-term debt with credit institutions | - | 94,583 | 101,711 | 196,294 |
| Interest payable | 309 | 351 | 1,501 | 2,161 |
| Other current financial liabilities | 975 | - | 416 | 1,391 |
| **Total** | **306,763** | **97,765** | **207,132** | **611,660** |

### 12.1 Detail of financial debt

12.1.a. Novated debt from insolvency proceedings. At domestic level

The Group recognizes under “Other non-current liabilities” the value, at December 31, 2019 and 2018, the amortized cost of the “Restructured debt”. As such it is understood that the debt of Nueva Pescanova consists of the following:

a. Debt from the debt restructuring process of Pescanova, S.A.. Corresponding to the novated debt of the alternative option of the composition with creditors of Pescanova, S.A. and the Spanish subsidiary companies absorbed by the same, pursuant to the Deed of Merger and Double Segregation dated November 6, 2015, and formalised before the Notary in Vigo, Mr Miguel Lucas Sánchez under record number 3,104.

b. Debt from the debt restructuring process of Novapesca Trading, S.L.U. and Insuiña, S.L.U.. The novated debt from these compositions with creditors adopting the alternative proposal, as provided in the respective compositions with creditors was assigned to the Parent Company pursuant to an assumption of debt agreement entered with Insuiña, S.L.U. and Novapesca Trading, S.L.U. dated November 18, 2015, and recorded in a public deed of that same date and authorized by the Notary in Vigo, Mr Miguel Lucas Sánchez, under record number 3,207.

c. Debt from Harinas y Sémolas del Noroeste, S.A. (Hasenosa), company that belonged to the Group until 2017 (see Note 3.1.e), assumed by Nueva Pescanova, S.L. under a policy related to the Restructuring Agreement of Hasenosa, authorized on November 16, 2015 by the Notary in Madrid, Mr Jose María Madridejos Fernández, under record number 566 of his registry of policies and the Notary in Vigo, Mr Miguel Lucas Sánchez, under record number 2,020 of his registry of policies.

These debts are divided according to their classification, pursuant to the insolvency proceedings, into ordinary and subordinated debt which in turn are divided into two tranches: i) “Senior Tranche” and ii) “Junior Tranche”, calculated as 57.15% and 42.85%, respectively, of the amounts recognized, pursuant to the provisions in the composition with creditors of Pescanova, S.A., and the composition with creditors of the subsidiaries in the insolvency proceedings and the Restructuring Agreement of Hasenosa.

The main characteristics of these debts are:

| Debt type | Maturity date for ordinary debt | Maturity date for subordinated debt | Interest rate | Interest payment |
|---|---|---|---|---|
| Senior | 23/May/2024 | 23/May/2039 | 3.00 % | Half-yearly |
| Junior | 23/May/2029 | 23/May/2044 | 1.00 % | Half-yearly (**) |
| Basic (*) | 23/Nov/2022 | 23/Nov/2037 | - | - |

(*) Novated debt from insolvency proceedings of Novapesca Trading, S.L.U. and Insuiña, S.L.U.
(**) Subject to the “pay if you can” clause, in case they are not paid in cash, interest would be capitalized and paid at maturity.

As indicated in Note 11, on April 19, 2017, the partners at the Extraordinary General Meeting of the Parent Company approved the capital increase by setting off claims pursuant to article 301.2 of the Companies Law and the Report prepared by the Board of Directors of the Company approved on April 4, 2017, so that all resolutions set in the refinancing agreement entered on December 30, 2016 became firm. The capitalization exchange equation was determined based on the amortized cost of the financial liabilities at December 31, 2016 eligible for capitalization and lead to a reduction of 344.7 million euros of debt at nominal value, equivalent to 137 million euros of debt recognized at fair value. In agreement with the terms and conditions of the refinancing agreement, the creditors of the Parent Company chose between the capitalization option or the release option. Based on the option chosen by the different creditors the parent Company capitalized 137 million euros.

The part of financial liabilities under “Novated debt from the composition with creditors – at domestic level” which has neither been capitalized nor released pursuant to the mentioned agreement is governed by the terms provided in appendix 3 of the refinancing agreement; so that the conditions included in the compositions with creditors are governed by a single document. The conditions are included so that the part of the financial liabilities which have not been capitalized remain unchanged in respect of the previous conditions regarding maturity and interest, incorporating a series of action limits subject to prior authorization of a qualified majority and disclosure commitments.

At year end 2019, the company cancelled 4,313 thousands of euros recognized at fair value under the heading “Other non-current financial instruments” and recognized in the process for the restructuring of Pescanova, S.A.’s debt, arising from guarantee agreements entered with the creditor banks and related to the funding granted to Acuinova Actividades Piscícolas, S.A. for the execution of “Mira’s Project”. On June 29, 2017 the syndicate of creditor banks executed the guarantee agreement and the agreement for the pledge of company’s shares; the company liquidation certificate was obtained by the end of 2018, which caused the cancellation of the contingent debt previously recognized and the recognition of financial income in the 2019 consolidated income statement.

12.1.b. Novated debt from insolvency proceedings. At international level

The Group has recognized an outstanding debt that was novated pursuant to the Judicial Homologation Ruling for insolvency protection of its subsidiary company Argenova, S.A.. This ruling was issued by the Commercial Court N° 25 in Buenos Aires. The insolvency protection proceedings of Argenova, S.A. has been fulfilled, pursuant to the notice from the Commercial Court N° 25 in Buenos Aires dated December 13, 2019.

The amount recognized under this heading refers to labilities with a credit institution, governed by the Judicial Homologation Ruling. At December 31, 2019, the outstanding principal amount is 8,041 thousands of euros, of which 670 thousands of euros mature in the short term while the remaining amount is subject to a negative amortization schedule, accruing an annual 1% interest rate and maturing in December 2030. The Group recognizes this debt for its amortized cost value, equivalent to 4.3 million euros, at December 31, 2019 (3.6 million euros at December 31, 2018).

The remaining novated debt related to trade and other amounts payable for an approximate amount of 0.4 million euros at December 31, 2019 is recognised under the heading “Other non-current financial liabilities” (0.8 million euros at December 31, 2019). This debt is nominated in Argentinean pesos and does not accrue interest.

12.1.c. Additional subordinated debt

The Group has recognized under the heading “Other non-current financial liabilities” the value, at amortized cost, of the Subordinated Loan for an initial nominal amount of 300,000 thousands of euros, which was modified by the above-mentioned refinancing agreement formalized on December 30, 2016. The nominal amount at December 31, 2019 and 2018 is 211,768 thousands of euros.

The key features of this debt are shown below:

- Interest rate: 1% half-yearly, subject to the “pay if you can” clause, in such case interest is capitalizable and paid at maturity.
- Maturity: 20 years, extendable until the full repayment of the restructured debt, with a maximum limit 10 additional year.

12.1.d Short-term debt with credit institutions

The amount recognized under the heading “short-term debts with credit institution” of the Spanish subsidiary companies, shows the amount draw down from the Multiproduct Syndicated Financing facility entered on May 4, 2016 by the Parent Company and its subsidiary companies Novapesca Trading, S.L.U. and Pescanova España, S.L.U. The terms and conditions of this agreement were novated in August 2018, extending the annual maturity to August 2021, a fourth financial institution has joined the three financial institutions parties to this agreement in force in previous financial years. This agreement includes the financing facilities shown below for a total amount of 150 million euros:

- Syndicated revolving credit facility for 75 million euros of which, at December 31, 2019 and 2018, this facility has been draw down entirely.
- Syndicated invoice advance credit facility, with a limit of 25 million euros of which, at December 31, 2019, 15.1 million (19.6 million euros at December 31, 2018) had been drawn down.
- Multicompany syndicated factoring facility, with a limit of 50 million euros, of which, at December 31, 2019, 34.1 million euros (37.6 million euros at December 31, 2018) had been drawn down. As indicated in Note 10, since the novation performed in 2018, the debt related to this factoring facility complies with the requirements for being considered as debt without recourse and therefore it is not recognised under the heading “Debts with credit institutions” in the consolidated statement of financial position for the years ended December 31, 2019 and 2018.

Un to date, all amounts draw down from this syndicated loan facility have been were carried out by Pescanova España, S.L.U.

12.1.e Foreign subsidiary companies short and long-term debt

In 2019 the Group has entered several credit agreements with two financial institutions, to finance the plan for the renewal of the fleet of the subsidiaries in Namibia and Mozambique. The limit of the agreements in force amounts to 26,4 million euros of which, at December 31, 2019, 13.4 million have been draw down. Also, the Group has been provided with additional funding from these financial institutions, for a limit of 17 million euros.

Furthermore, in 2019, the Ordinary and Extraordinary General Meeting of Shareholders of the subsidiary company Promarisco, S.A. approved a schedule for the issue of short-term debentures or commercial paper up to a maximum limit of 30,000 thousands of dollars. At December 31, 2019, commercial paper in circulation was, approximately, 10,000 thousands of dollars.

The remaining debt with credit institutions in foreign companies refers mainly to short and long-term debt with credit institutions, there has been no significant change in the same except for amounts drawn and repayments of working capital facilities in the normal course of business of such subsidiary companies and long-term loan repayments as per the corresponding repayment schedules.

The breakdown of debts with credit institutions at year end 2019 and 2018 is shown below:

**December 31, 2019**

| Subsidiary (Thousands of euros) | Principal amount | Currency | Long-term | Short-term |
|---|---|---|---|---|
| Novanam (Namibia) | 18,744 | EUR/NAD | 11,068 | 7,677 |
| Pescamar (Mozambique) | 15,801 | EUR/USD | 13,887 | 1,913 |
| Pescanova Portugal | 6,514 | EUR | 293 | 6,221 |
| Promarisco (Ecuador) | 48,910 | USD | 26,025 | 22,885 |
| Pescanova USA | 10,705 | USD | - | 10,705 |
| Nueva Pescanova France (France) | 38,763 | EUR | 3,413 | 35,350 |
| Camanica (Nicaragua) | 45,168 | USD | 26,187 | 18,981 |
| Other countries | 22,380 | - | 4,801 | 17,578 |
| **Total** | **206,985** | | **85,674** | **121,311** |

**December 31, 2018**

| Subsidiary (Thousands of euros) | Principal amount | Currency | Long-term | Short-term |
|---|---|---|---|---|
| Novanam (Namibia | 5,457 | EUR/NAD | 881 | 4,576 |
| Pescamar (Mozambique) | 17,407 | EUR/USD | 15,794 | 1,613 |
| Pescanova Portugal | 7,279 | EUR | 337 | 6,942 |
| Promarisco (Ecuador) | 43,372 | EUR/USD | 30,739 | 12,633 |
| Pescanova USA | 15,768 | USD | 7,770 | 7,998 |
| Nueva Pescanova France (France) | 43,957 | EUR | 4,344 | 39,613 |
| Camanica (Nicaragua) | 44,944 | EUR/USD | 31,910 | 13,034 |
| Other countries | 21,124 | - | 5,822 | 15,302 |
| **Total** | **199,307** | | **97,596** | **101,711** |

Average annual interest rate on this debt is 5% in 2019 (4.30% in 2018).

Detail of debt by maturity

The table below shows the detail of the debt, at December 31, 2019 and 2018, maturing in each of the 5 years following the end of the reporting period, and the remaining amounts until cancellation:

**December 31, 2019**

| (Thousands of euros) | |
|---|---|
| 2021 | 23,401 |
| 2022 | 38,071 |
| 2023 | 12,615 |
| 2024 | 228,455 |
| 2025 & Following years | 108,737 |
| **Total** | **411,279** |

**December 31, 2018**

| (Thousands of euros) | |
|---|---|
| 2020 | 25,099 |
| 2021 | 20,459 |
| 2022 | 30,308 |
| 2023 | 14,313 |
| 2024 & Following years | 321,635 |
| **Total** | **411,814** |

### 12.2 Other financial liabilities

At December 31, 2019, 19,835 thousands of euros (19,645 thousands of euros in 2018) have been recognized under this heading basically related to the fair value of the debts that the Parent Company holds with Pescanova, S.A., by indirectly assuming through a "mirror account" the liabilities prior to the Second Segregation, which are recognized in the statement of financial position of Pescanova, S.A. and were not transferred in the aforementioned segregation (see Note 1), these are: (i) loans against the insolvency state of Pescanova, S.A., (ii) loans with general and special privilege, and iii) novated debt subject to the basic proposal, both from the composition with creditors of Pescanova, S.A. and from the compositions with creditors of its subsidiaries, classified by long and short-term debt on the basis of the anticipated due date.

The Merger and Double Segregation Agreement ratified by the General Meeting of Shareholders of Pescanova, S.A., unlike the compositions with creditors contemplate the withholding by Pescanova, S.A. of 1.9 million euros in cash, delaying its repayment in favour of the Parent Company until the cancellation of non-segregated liabilities. This aspect was not originally included in the composition with creditors of Pescanova, S.A. nor in the compositions with creditors of its subsidiaries but was subsequently incorporated by Pescanova, S.A. in the mentioned Merger and Double Segregation Agreement. The right to recovery that the Parent Company has over this amount is recognized as a lower amount in the “mirror account” with Pescanova, S.A.

In addition, and derived from the merger and double segregation described in Note 1, Nueva Pescanova, S.L. assumed the liabilities of every nature, including those of a contingent nature or of late communication in accordance with the Insolvency Law, recognized or not recognized, existing at the date of the Second Segregation or becoming known after the same but originated prior to the Second Segregation, through a reciprocal credit (mirror account) with Pescanova, S.A. In this regard, the long-term credit balance includes 12 million euros at December 31, 2019 and 2018, approximately, which corresponds to the estimate made to cope with the above-mentioned risks for their calculation it has been taken into account that they have been originated prior to the initiation of the insolvency proceedings of Pescanova, S.A. and therefore the hypothetical negative impact would be significantly lessened. The most relevant proceedings against Pescanova, S.A. and currently in progress are the following:

- Criminal procedure dealt with before the Audiencia Nacional under Summary Proceedings 1/2019. In this proceedings Pescanova, S.A., together with its former executives and directors are accused. At present, these proceedings are at the oral trial stage and a judgement is expected by the end of the year (which could be appealed). The pecuniary liability arising from these proceedings falls on Pescanova, S.A. but, in the opinion the legal advisors or Pescanova, S.A., it could be considered part of the insolvency and therefore there is the possibility that they would have to be assumed by Nueva Pescanova, S.L., provided that the terms and conditions set forth in the insolvency law and the compositions with creditors are complied with.

- The Spanish Securities and Exchange Commission (CNMV) initiated five disciplinary proceedings against Pescanova, S.A., for the alleged commission of several infringements classified as serious or very serious in Law 24/1988 of 28 July on the Securities Market. The alleged infringements are related to giving inaccurate, untrue or misleading information in the Relevant Event Notice given to the CNMV and the Securities Market on March 14, 2013, the failure to send to the CNMV and to disclose periodical financial information, and allegedly refuse or put up resistance to the surveillance of the CNMV, by using market manipulation practices and the non-disclosure of transactions with own shares. Three of these proceedings have been brought to a standstill since they are connected to the above-mentioned criminal case, as they relate to the same events. Two of these proceedings have already concluded, their economic impact is not significant and is, anyhow, affected by the insolvency proceedings. The insolvency and subordinated nature of the fines from these proceedings have been confirmed pursuant to the agreements entered with the Taxation Authorities on June 3 and June 15, 2016, by which both appeals filed by Pescanova, S.A. have been resolved favourably.

In 2018, the Parent Company reached an out-of-court agreement related with one of the proceedings arising from the ordinary activity of Pescanova, S.A. prior to the initiation of the insolvency proceedings, as a result of which the mentioned proceedings have concluded and have meant a reduction in the provision associated to the same.

And last, the liabilities recognized by the Group in respect of the mirror account held with Pescanova S.A. and the long-term provisions shown on the liabilities side of the accompanying consolidated statement of financial position, could be affected by additional liabilities of a tax nature that could be brought in that company or other companies previously belonging to the Group and originated prior to the merger and segregation transactions.

**12.3 other disclosures regarding financial debt**

Novated debt arising from insolvency proceedings is not subject to covenants worth mentioning.

The rest of the transaction contain conditions that are customary to the different contracts and mainly refer to the compliance with certain financial ratios related to net financial debt, equity, operating cash-flow or debt service, as well as certain limits related to capex or new borrowing.

In some of the Group's subsidiary companies, certain assets of the relevant companies are serving as collateral for their financial debt (see Note 6).

**12.4 Derivative financial instruments**

At December 31, 2019 and 2018 the Group held hedging agreements in certain Group companies located in Namibia aimed at reducing the exchange risk related to the currency of this country. The current agreements, which expire in the short term, are recognized, at December 31, 2019 and 2018, at 1,504 and 150 thousands of euros respectively.

## 13) SHORT-TERM AMOUNTS PAYABLE

At December 31, 2019 trade amounts payable reach 130 million euros (109 million euros at December 31, 2018), other short-term amounts payable amount to 19 million euros at December 31, 2019 and 2018.

Pursuant to the additional provision of the Resolution passed by the Accounting and Audit Institute on January 29, 2016, below is the disclosure to be incorporated to the notes to the consolidated annual accounts regarding the average payment term to suppliers in trade transactions by the Spanish companies belonging to the Group:

| | 2019 | 2018 |
|---|---|---|
| | (Days) | |
| Average payment term to suppliers | 45.42 | 39.34 |
| Ratio of payments made | 46.61 | 40.11 |
| Ratio of outstanding payments | 49.68 | 26.10 |

| | (Thousands of euros) | |
|---|---|---|
| Total payments made | 376,507 | 282,309 |
| Total outstanding payments | 40,417 | 30,970 |

## 14) PROVISIONS FOR CONTINGENCIES AND EXPENSES

There is no knowledge of any significant negative contingencies which could affect the equity or results of the Nueva Pescanova Group, at December 31, 2019 and 2018, other than those mentioned in these notes to the consolidated annual accounts.

Below is the breakdown of the balance under this heading in the accompanying consolidated statements of financial position at December 31, 2019 and 2018:

| (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Provisions related to assets in Pescanova España, S.L.U. | 1,314 | 1,686 |
| Contingent liabilities | 19,687 | 23,367 |
| Other provisions | 13,434 | 14,127 |
| **Total provision for contingiencies and expenses** | **34,435** | **39,180** |

The movement in provisions for contingencies and expenses in 2019 and 2018 is shown below:

| (Thousands of euros) | 2019 | 2018 |
|---|---|---|
| Opening balance | 39,180 | 54,432 |
| Additions | 286 | 1,767 |
| Reversals | (4,762) | (11,624) |
| Translation differences | 166 | 261 |
| Amounts used | (435) | (5,953) |
| Reversals from exit form consolidation scope | - | (103) |
| Transfers | - | 400 |
| **Closing balance** | **34,435** | **39,180** |

**Provisions related to assets in Pescanova España, S.L.U.**

This heading refers to the estimate of the potential impact of contingencies related to the execution of collaterals on assets serving as collateral on loans entered by third parties with financial institutions whose terms are not being complied with. In 2018, the Group entered an agreement with one of the financial institutions holding the collateral on the main assets which meant the use of a provision for 4,875 thousands of euros and a reversal for 5,492 thousands of euros. The income resulting from the unused amounts reversed is recognised under the heading “financial income” of the accompanying consolidated income statement for 2018.

**Contingent liabilities**

At December 31, 2019 and 2018, the Group recognized provisions related to various kinds of risks related to the businesses of the Group and originated prior to the time of taking the control of the Group. In 2019, considering the evolution of the contingencies identified, the Group recognized a reversal of this provision for 3,680 thousands of euros (5,941 thousands of euros in 2018).

**Other provisions**

This item refers to the estimated potential impact of certain judicial proceedings in which certain companies belonging to the Nueva Pescanova Group are involved in foreign courts and related to tax issues, mainly, as well as for commitments with employees in application of current legislation in several Group companies.

## 15) TAX POSITION

The breakdown at December 31, 2019 and 2018 of balances held by the Group with Public Bodies is as follows:

| Receivable from Public Bodies (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Corporate tax | 3,571 | 3,116 |
| Income tax | 3,048 | 49 |
| Indirect tax | 14,105 | 13,388 |
| Receivable from Social Security | 105 | 102 |
| Other | 8,408 | 5,537 |
| | **29,237** | **22,192** |

| Payable to Public Bodies (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Corporate tax | 3,955 | 16,181 |
| Income tax | 1,477 | 1,383 |
| Indirect tax | 5,454 | 4,497 |
| Payable to Social Security | 5,932 | 5,554 |
| Other | 6,686 | 6,595 |
| | **23,504** | **34,210** |

The calculation of the expense for the Nueva Pescanova Group corporate income tax for the financial years 2019 and 2018 is as follows:

| (Thousands of euros) | 2019 | 2018 |
|---|---|---|
| **Consolidated result before tax** | **(37,600)** | **22,259** |
| Losses from companies for which no tax credit has been recognized | 49,678 | 30,089 |
| Offsetting of tax loss carried forward | (2,564) | (3,593) |
| **Adjusted result** | **9,514** | **48,755** |
| Corporate income tax expense calculated at the tax rate of the Parent Company | **(2,379)** | **(12,189)** |
| Effect of different tax rates and other | **(1,187)** | **(4,259)** |
| **Total tax result** | **(3,566)** | **(16,448)** |

| **Composition of tax expense is as follows:** | | |
|---|---|---|
| Change in deferred tax | 7,251 | 5,650 |
| Current expense | (10,817) | (22,098) |

The expense for income tax is calculated at the tax rates in each of the countries where the Group operates. Each individual company in the Group files its own tax return, in accordance with the tax legislation in force in each country.

The Group has decided not to recognize any tax credit in those countries in which there is a continuous situation of loss.

Tax returns cannot be considered final until they have been reviewed by the tax inspection authorities or the relevant period during which they are open for review has elapsed. In general, at December 31, 2019, tax returns for the last 4-5 years are open for review by the taxation authorities in each country where the Group operates. As regards to the Parent Company, all transactions from its incorporation (June 30, 2015) are opened for inspection.

**Deferred tax**

The main item recognized under this heading in the consolidated statement of financial position at December 31, 2019 refers to the tax impact associated to translation differences recognized in the consolidated net equity of the Group. In 2019 due to the elimination of gains or losses arising from inventory-recognized intragroup transactions a deferred tax asset for 2.3 thousands of euros is recognized.

Deferred tax liabilities recognized in the accompanying consolidated statements of financial position, at December 31, 2019 and 2018 refer, basically, to the initial recognition of 23 million euros, the recognition of the tax effect associated to the recognition of the brand name “Pescanova” and clients’ portfolio in accordance with the procedure for the identification and measurement of assets carried out in 2016 whose balance at December 31, 2019 amounts to 18.2 million euros (19.4 million euros in 2018).

**Tax loss carry forward**

At December 31, 2019 and 2018, most of the companies in the Nueva Pescanova Group have tax loss carried forward pending offsetting, mainly in foreign subsidiaries. At those dates, the Group had activated tax credit for 1 million euros.

## 16) INCOME AND EXPENSES

### 16.1 Sales

The breakdown of income from sales and services rendered of the Nueva Pescanova Group for the financial years 2019 and 2018 is shown below:

| (Thousands of euros) | 2019 | 2018 |
|---|---|---|
| Sales | 1,046,541 | 996,060 |
| Services rendered | 10,216 | 12,141 |
| | **1,056,757** | **1,008,201** |

The breakdown of income from sales and services rendered, by most relevant products and services pertaining to the activities of the Nueva Pescanova Group, in 2019 and 2018, is as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Percentage | (Thousand euros) | Percentage | (Thousand euros) |
| Wild caught | 42.6% | 450,601 | 44.7% | 450,666 |
| Farmed | 42.6% | 450,496 | 38.6% | 389,166 |
| Processed | 11.8% | 124,909 | 11.9% | 119,976 |
| Other | 2.9% | 30,751 | 4.8% | 48,393 |
| | **100.0%** | **1,056,757** | **100.0%** | **1,008,201** |

Net turnover, by cash generating unit Group, in 2019 and 2018, is as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Percentage | (Thousand euros) | Percentage | (Thousand euros) |
| Fishing - Southern Cone | 2.4% | 24,920 | 2.2% | 22,121 |
| Fishing- Africa | 2.3% | 24,467 | 3.3% | 33,663 |
| Aquaculture - Vannamei | 1.0% | 10,295 | 2.8% | 27,908 |
| Aquaculture - Turbot | 0.0% | 59 | 0.0% | 22 |
| Commercial & Industrial | 94.1% | 994,353 | 91.4% | 921,517 |
| Other | 0.3% | 2,663 | 0.3% | 2,971 |
| | **100.0%** | **1,056,757** | **100.0%** | **1,008,201** |

The Group operates in three different geographical areas – Spain, European Union and Other countries outside the European Union. Net turnover by geographical area, in the financial years 2019 and 2018, is as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Percentage | (Thousand euros) | Percentage | (Thousand euros) |
| Sales in Spain | 41.2% | 434,961 | 39.7% | 400,256 |
| Sales in the EU | 25.9% | 273,806 | 34.0% | 342,788 |
| Sales outside the EU | 32.9% | 347,990 | 26.3% | 265,157 |
| | **100.0%** | **1,056,757** | **100.0%** | **1,008,201** |

### 16.2 Supplies

The breakdown of supplies included in the 2019 and 2018 consolidated income statements is as follows:

| (Thousands of euros) | 2019 | 2018 |
|---|---|---|
| Purchase of goods for resale | 296,711 | 251,164 |
| Purchase of raw material and other supplies | 369,088 | 339,227 |
| Purchase of consumables and other | 4,627 | 3,174 |
| Volume discount | (132) | (3,761) |
| Purchases returned | - | (2) |
| +/- Change in inventories | (17,652) | (1,354) |
| | **652,642** | **588,448** |

### 16.3 Personnel expense

The detail of this heading in the 2019 and 2018 consolidated income statements is as follows:

| (Thousands of euros) | 2019 | 2018 |
|---|---|---|
| Wages and salaries | 148,218 | 147,540 |
| Social security | 39,197 | 39,751 |
| | **187,415** | **187,291** |

Average headcount, by category, including permanent and temporary employees, in the financial years 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Total senior officers | 38 | 46 |
| Total managers | 114 | 119 |
| Total middle managers | 914 | 953 |
| Total technicians | 645 | 664 |
| Total qualified /clerical staff | 1,334 | 1,480 |
| Total blue collar staff | 7,136 | 7,250 |
| | **10,180** | **10,512** |

Of the above headcount at December 31, 2019, 6,516 are male and 3,737 are female (6,321 male and 3,428 female, at December 31, 2019).

At December 31, 2019 and 2018, the Group has hired 125 and 139 people, respectively, with a disability greater than 33%.

### 16.4 Other operating expenses

The breakdown of other operating expenses in the 2019 and 2018 consolidated income statements is as follows:

| (Thousands of euros) | 2019 | 2018 |
|---|---|---|
| External services | 163,242 | 145,459 |
| Taxes other than income tax | 10,468 | 8,755 |
| Other operating expenses | 11,805 | 16,235 |
| Losses, impairment and change in provisions for trade transactions | 241 | 49 |
| | **185,756** | **170,498** |

### 16.5 Net financial result

The breakdown of net financial result in the 2019 and 2018 consolidated income statements is as follows:

| (Thousands of euros) | 2019 | 2018 |
|---|---|---|
| Financial income | 5,508 | 7,932 |
| Financial expense | (41,321) | (39,672) |
| Impairment and result from disposal of financial instruments | 231 | (637) |
| Foreign exchange differences, net | 3,168 | 1,063 |
| | **(32,414)** | **(31,314)** |

Under the heading "Financial expenses" in the accompanying consolidated income statement for 2019, the Group recognizes the expense associated to the method used for the measurement of the financial debt, at amortized cost, amounting to 14,866 thousands of euros (13,200 thousands of euros in 2018), with no impact in cash flow.

### 16.6 Result from loss of control of companies in the consolidation scope

As mentioned in Note 3.1, the result related to the exit from the consolidation scope in 2019 and 2018 has been included.

## 17) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions between the different subsidiaries, which are related parties, form part of the Company's normal business activities, in respect of their purpose and conditions, and have been eliminated on consolidation. Therefore, they are not disclosed in this Note.

### 17.1 Transactions with related parties

The breakdown of the transactions with associated companies in the 2019 and 2018 financial years is as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| (Thousands of euros) | Income | Expenses | Income | Expenses |
| Associated companies | 520 | 22,378 | 904 | 6,934 |
| **Total** | **520** | **22,378** | **904** | **6,934** |

### 17.2 Balances with related parties

As a consequence of the financial restructuring and structural modifications, a majority percentage of the restructured debt, the additional subordinated debt and the syndicates multigroup credit facility corresponds to financial institutions, investment funds and other creditors which in turn, as a whole, hold a significant share in the capital of the Parent Company (see Note 12). In this sense, the partners of the Nueva Pescanova, S.L. whose shareholding is higher than 5%, that jointly represent 89.82% of the capital, hold 73.8% of he mentioned debt at amortised cost.

The breakdown of balances with other related parties (without considering Directors and Senior Officers), at year end 2019 and 2018, is as follows:

**Financial year 2019**

| (Thousands of euros) | Receivable | | Payable |
|---|---|---|---|
| | Loans | Other amounts | Loans & other amounts |
| Long-term | 2,095 | - | (1,308) |
| Short-term | 2,603 | 1,418 | (1,275) |
| **Total** | **4,698** | **1,418** | **(2,583)** |

**Financial year 2018**

| (Thousands of euros) | Receivable | | Payable |
|---|---|---|---|
| | Loans | Other amounts | Loans & other amounts |
| Long-term | 1.258 | - | (1.254) |
| Short-term | 1.555 | 1.950 | (2.148) |
| **Total** | **2.813** | **1.950** | **(3.402)** |

### 17.3 Directors and Senior Officers

At the date of authorization for issue of these consolidated annual accounts, the composition of the governing body (Board of Directors) of the Parent Company is shown below:

| Composition of the Board of Directors | | |
|---|---|---|
| Mr Jacobo González-Robatto Fernández | Executive Director | Chairman |
| Mr Ignacio González Hernández | Executive Director | CEO |
| Mr Miguel Ruiz-Gallardón García de la Rasilla | Independent Director | Secretary |
| Mr Fernando Valdés Bueno | Independent Director | Member of the Board |
| Mr Mariano Riestra Mañeru | Independent Director | Member of the Board |
| Ms Elena Salgado Méndez | Independent Director | Member of the Board |
| Mr Antonio Couceiro Méndez | Independent Director | Member of the Board |
| Mr José Luis Saénz de Miera Alonso | Independent Director | Member of the Board |
| Mr Ricard Iglesias Baciana | Independent Director | Member of the Board |
| Mr Ramón Mas Sumalla | Independent Director | Member of the Board |
| Mr. José María Benavent Valero | Independent Director | Member of the Board |
| Corporación Empresarial y Financiera de Galicia. S.L.U | Proprietary Director | Member of the Board |

The general meeting of Partners held on June 26, 2019 approved the appointment of two new members of the Board of Directors, José María Benavent Valero and Corporación Empresarial y Financiera de Galicia, S.L.U., thus increasing the number of members to 12.

Total retribution of members of the Board of Directors in 2019, for the performance of their duties, for attending Board meetings, allowances and other consideration as provided in the articles of association amounts to 1,176 thousands of euros (1,200 thousands of euros in 2018).

At December 31, 2019 and 2018, the Senior Officers of the Group were 13. Total remuneration received by the Senior Management of the Nueva Pescanova Group, regardless of the Group Company hiring them, amounted, in 2019, to 3,365 thousands of euros (3,739 thousands of euros in 2018).

At December 31, 2019 and 2018 the Group had no pension obligations with former or current members of the Board of Directors. The amount paid in 2019 for the civil liability insurance taken out for the Directors reached 154 thousands of euros, and the amount paid for life insurance policies was 20 thousands of euros (154 and 18 thousands of euros, respectively, in 2018).

Also, there are no advances or loans granted to senior management or former or current members of the Board of Directors, and there are no other assumed obligations on their account and serving as collateral.

Other disclosures concerning the Board of Directors

Pursuant to the provisions in the Spanish Companies Law, it is reported that the members of the Board of Directors hold no interest in companies with identical, similar or complementary type of activity to the corporate purpose of Nueva Pescanova.

Also, and pursuant to the aforementioned Law, there is no evidence that, in 2019, any of the (former or current) members of the Board of Directors performs or has performed, as independent professionals or as employees, activities that are identical, similar or complementary to the activity that constitutes the corporate purpose of Nueva Pescanova, S.L..

In 2019 and 2018 there were no cases of conflict of interest involving the Directors or persons related to them.

In 2019 and 2018 and until the date authorization for issue of these consolidated annual accounts there has been no Board of Directors or Committees' meeting at which some of the members have refrained from speaking and voting in the deliberation of an issue.

**17.4 Other balances and transactions with related parties**

Controlling interest

In 2019 and 2018 there has been no transaction with controlling interest, apart from the funding mentioned in Note 12.

## 18) CONTINGENT LIABILITIES

Contingent liabilities

The Management of the Group has no knowledge and, consequently, has not recognized any liability arising from risk or contingencies other than those originated in Pescanova, S.A. prior to the effective date of the structural modifications carried out in 2015 (see Note 1), which are part of the so called "mirror account" or recognized under the heading "Long-term provisions" in the accompanying 2019 consolidated statement of financial position. However, at the date of authorization for issue of these annual accounts, there are some contingencies which are listed below:

- On July 27, 2017, Pescanova, S.A. filed a claim for ordinary proceedings with the First Instance Court in Vigo, requesting the nullity or non-existence of the payment obligation for 300,000 thousands of euros ("additional subordinated loan") established by Nueva Pescanova, S.L. in favour of certain financial institutions, and arising from the "Super Senior Syndicated Loan Agreement" entered on December 29, 2015. These proceedings are still underway, and there is no date for sentencing judgement.

- On September 4, 2017, Pescanova, S.A. filed a claim for ordinary proceedings with the Mercantile Court Number 1 in Pontevedra, requesting the nullity of the agreement for the capital increase of Nueva Pescanova, S.L., adopted in agreement with the first to sixth items in the agenda of the Extraordinary General Meeting of Partners held on April 19, 2017. In mid-2018, the claims of Pescanova, S.A. were given a judgment rejecting. The judgment was appealed on appeal and upheld by the Provincial Court in Pontevedra. Pescanova, S.A. has appealed to the Supreme Court. If the appeal is favourable to Pescanova, S.A. this would the invalidation of the agreements for the capital increase, and the company would have the same shareholding map prior to the capital increase.

The Directors of the Parent Company consider that there will be no significant liabilities from the resolution of these claims.

## 19) FINANCIAL RISK POLICIES

### 19.1 Capital management

The main target of the capital management policy of the Nueva Pescanova Group consists of safeguarding the Group's ability to continue with its activity.

19.1.1 Net debt evolution

The Group's net debt at December 31, 2019 and 2018, is shown in the table below:

| (Thousands of euros) | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Short and long-term debt with financial institutions* | 632,310 | 611,660 |
| Cash and cash equivalents | (35,123) | (68,576) |
| **Net debt** | **597,187** | **543,084** |

* Included under other financial liaiblities and measured at amortised cost

**19.2 Financial risk management policies**

The Nueva Pescanova Group is exposed to certain risks that are managed by the application of identification, measurement, limiting their concentration and monitoring systems.

19.2.1 Interest rate risk

Foreign exchange risk relates mainly to the following transactions:

- Debt denominated in currencies other than the functional currency arranged by Group Companies.

- Collections and payments made in currencies other than the functional currency for the purchase and sale of any type of service. Mainly for imports of goods into the Euro Zone in dollars.

- Transactions related to the purchase and sale of goods by Group companies outside the Euro Zone in euros or in local currency other than their functional currency.

In addition, the net assets relating to net investments in foreign companies whose functional currency is not the euro are exposed to foreign exchange risk in the translation of the financial statements of these foreign operations on consolidation.

The monetary policy followed by the Group is aimed to lessen any impact arising from currencies fluctuation. Most of the Group's income comes from the Euro zone, where a significant part of its sales take place. Similarly, financial debt is mainly taken in euros.

In order to mitigate foreign exchange risks, the Nueva Pescanova Group attempts to achieve a balance between the cash collections and payments relating to its assets and liabilities denominated in foreign currencies (natural hedges).

As to risks related to costs borne by subsidiary companies in currencies other than their functional currency, these are traditionally weak currencies in respect of the currencies in which the Group makes its sales, mainly the euro and to a lesser extent the US dollar.

Also, since the functional currency of the companies that recognise the Group's investments in Argentina is the euro, the consolidated figures are not exposed to hyper-inflationary effect of the economy of this country in 2019.

19.2.2 Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities that bear a fixed interest rate as well as the future flows from assets and liabilities bearing interest at a floating rate.

19.2.3 Credit risk

The main financial assets of the Group are cash and cash equivalents, trade and other amounts receivable, and investments that represent the maximum credit risk exposure of the Group regarding financial assets. The Group's credit risk is mainly attributable to its trade amounts receivable. The amounts are shown in the consolidated statement of financial position net of the provision for uncollectable debt as estimated by the Management of the Group based on the experience from previous years and the assessment of current economic environment. The group reduces the credit risk by entering insurance policies in the countries where it operates, being the credit rating of the specialized insurance companies a decisive element in the extending of commercial credit to clients.

19.2.4 Liquidity risk

The maturities of liabilities of a financial nature (included under the headings "Long-term debt" and "Short-term debt" in the accompanying consolidated statement of financial position) for their nominal value plus interest for the period, which differ from the amounts show in the consolidated statement of financial position are shown below:

**December 31, 2019**

| (Thousands of euros) | |
|---|---|
| 2020 | 234,205 |
| 2021 | 35,204 |
| 2022 | 50,765 |
| 2023 | 21,950 |
| 2024 | 267,161 |
| 2025 & following years | 510,540 |
| **Total** | **1,119,825** |

**December 31, 2018**

| (Thousands of euros) | |
|---|---|
| 2019 | 214,225 |
| 2020 | 36,580 |
| 2021 | 30,905 |
| 2022 | 42,059 |
| 2023 | 22,514 |
| 2024 & following years | 790,421 |
| **Total** | **1,136,704** |

For the purpose of being able to meet the Group's payment commitments derived from its activity and meet the needs of working capital financing for the businesses, at December 31, 2019, the Group holds a cash position of 36 million euros (68 million euros at year end 2018), as well as credit facilities for 5 million euros (8 million euros at year end 2018) and a positive working capital of 132 million euros (213 million euros at year end 2018). Also, as mentioned in Note 2.7 and Note 21, the controlling partner of Nueva Pescanova, S.L. has agreed to grant funding for 55 million euros for the Group, at the date of authorization for issue of these consolidated annual accounts.

## 20) OTHER DISCLOSURES

Auditor's remuneration

In 2019, auditing fees accrued by the main auditor and the branches in its network reached 819 thousands of euros (800 thousands of euros in 2018), fees accrued by other auditors in subsidiary companies amounted to 59 thousands of euros (56 thousands of euros (in 2018).

The main auditors and other affiliated entities of KPMG International have provided additional services other than auditing amounting to 17 thousands of euros (18 thousands of euros in 2018). Also, companies related to the main auditor have invoiced fees and expenses for 821 thousands of euros (202 thousands of euros in 2018) for other services provided to Group companies, basically, for tax advice and other services provided to Group companies.

Environmental information

The Group is actively involved with the Governments of the countries where it carries out its fishing and aquaculture activities in the preparation of regulations for a gradual and better conservation of marine resources. This philosophy based on conservation and rationalization of fishing and aquaculture activities has prevailed over the years and is nowadays a cornerstone of Nueva Pescanova's industrial strategy and provides optimistic prospects for the future status of biological marine resources.

The Nueva Pescanova Group pursues the protection and enhancement of the environment, either directly, through its own environmentally friendly investments with an utmost respect for nature, or through the promotion of initiatives for the enforcement of laws and regulations for environment protection. In the first case, the Group reports that all factories and vessels of the Group are equipped to achieve the greatest respect for the environment; and in the latter, bearing in mind the fishing activity of the Group, the aim is to seek the enforcement of responsible practices with a view to ensuring the effective conservation of living aquatic resources, through the establishment of fishing quotas or of long enough close seasons to ensure a sustainable exploitation, year after year, of the fishing grounds where Group operates.

Among the aims of the environmental policy of the Nueva Pescanova Group is to implement best practices in all the countries in which it is present, and for that purpose, it has been certified the following:

- The Environmental Management Standard ISO 14000 in all the Group's industrial centres, the industrial centres located in Arteixo, Chapela, Porriño, Paterna, Mougás and Xove in Spain are certified as compliant with this standard.
- Global Gap's Best Aquaculture Practices for all aquaculture operations. At present the operation of the companies Camarones de Nicaragua, S.A. (Nicaragua), Promarisco, S.A. (Ecuador) and Insuiña, S.L.U. (Spain) are certified as compliant with this standard.
- Global Aquaculture Alliance's Best Aquaculture Practices. At present the shrimp farming operations (hatchery, feed mill, grow-out and processing) in Ecuador, Nicaragua and Guatemala are certified as compliant with this standard.
- On the other hand, the Namibian hake fishing operations are certified as sourced from Sustainable Fisheries by the Nueva Pescanova Group that validates compliance with FAO's Code of Conduct for Responsible Fisheries and compliance is audited annually by Bureau Veritas.

The Group, in line with its commitment to a responsible management of resources and its contribution to the UN's Sustainable Development Goals (SDGs), is moving towards the transition of energy resources by incorporating solar photovoltaic energy into its processing plants in different countries around the world. Thus, a photovoltaic solar park of 3,132 square meters has been fitted at the processing plant in Lüderitz (Namibia), in 2020, this park will be extended to reach 13,500 square meters, which will allow the generation of approximately 317,000 kilowatts per month and will result in energy savings of up to 30%. Also, in 2020, the Nueva Pescanova Group foresees the installation of solar parks, to reduce $CO_2$ emissions, at seven other processing plants, taking advantage of the large roof surface of these facilities.

No provision has been made to cover contingencies and expenses related to the protection and improvement of the environment.

## 21) SUBSEQUENT EVENTS

In March 2020 Abanca Corporación Bancaria, S.A., has strengthened its quota holding position in the capital of the Company.

As indicated in Note 2G), Nueva Pescanova S.L. has the financial support of its Controlling Partner and main creditor, which has stated, among other measures, its firm commitment to continue to promote and develop the Group's activity by all means at its disposal over the next eighteen months, committing, among others, to make available to Nueva Pescanova S.L., financing that guarantees the continuity of the activity of the same, consisting essentially of providing the Company with the working capital lines necessary to cover the possible cash needs of the Group's business, in order to ensure that the Company always has sufficient cash to meet its commitments up to the limit of fifty-five million euros.

On 11 March 2020, the World Health Organization declared the coronavirus COVID-19 outbreak a pandemic due to its rapid spread around the world, having affected more than 150 countries. Most governments are taking restrictive measures to contain the spread, including: isolation, confinement, quarantine and restriction on the free movement of people, the closure of public and private premises, except for basic needs and health care, border closures and drastic reduction of air, sea, rail and land transport. In Spain, the Government adopted Royal Decree 463/2020 on 14 March declaring the state of alarm for the management of the health crisis caused by COVID-19, which in principle would last for 15 calendar days. This period will probably be extended for at least another 15 calendar days.

This situation is affecting significantly the global economy, due to disruption or slowing in supply chains and a significant increase in economic uncertainty, evidenced by an increase in asset's price volatility, exchange rates and a decline in long-term interest rates.

To mitigate the economic impact of this crisis, on Wednesday, March 18, the Spanish Government passed the Royal Decree-Law 8/2020 of extraordinary urgent measures to address the economic and social impact of COVID-19.

The Group has implemented contingency plans applicable under these circumstances, and the organizational measures to continue to guarantee the health of our employees and the continuity of the business and is in a position to be able to extend them for as long as the authorities decide, without thereby putting the Group's activity in a critical situation.

The consequences arising from COVID-19 are considered to be a subsequent event which does not require an adjustment in the 2019 consolidated annual accounts, without prejudice to its recognition in the consolidated annual accounts for the 2020 financial year.

Although, as of the date of authorization for issue of these consolidated annual accounts, there has been no effect for the Group, significant consequences are expected in the future, for which it is not possible to make a reliable estimate.

During the 2020 financial year, the Group will assess the impact of the above-mentioned facts and those that may occur in the future on equity and financial position at December 31, 2020 as well as on the results of its operations and the cash flows for the year then ended.

Except for the above, no significant event other than those mentioned in these notes to the annual accounts, which could have affected the financial statements, has taken place since December 31, 2019 until the date of authorization for issue of these financial statements.

## APPENDIX I) COMPANIES INCLUDED IN THE CONSOLIDATION SCOPE

### Group composition

Below are the most significant subsidiaries and associated companies included in the consolidation:

| Subsidiary Companies | Country | Shareholding % | Type of company | Activity [1] |
|---|---|---|---|---|
| Nueva Pescanova Biomarine Center, S.L.U. | Spain | 100% | Subsidiary company | 5 |
| Eiranova Fisheries Limited | Ireland | 100% | Subsidiary company | 3 |
| Entreposto Frigorífico de Pesca (Efripel) de Mozambique, LDA. | Mozambique | 97% | Subsidiary company | 5 |
| Insuiña, S.L.U. | Spain | 100% | Subsidiary company | 2 |
| Nova Guatemala, S.A. | Guatemala | 100% | Subsidiary company | 2 |
| Novaperú, S.A.C. | Peru | 100% | Subsidiary company | 3 |
| Novapesca Trading, S.L.U. | Spain | 100% | Subsidiary company | 5 |
| Pescanova Portugal, Lda. | Portugal | 100% | Subsidiary company | 4 |
| Pescanova Brasil, Ltda | Brazil | 100% | Subsidiary company | 4 |
| Pescanova España, S.L.U. | Spain | 100% | Subsidiary company | 3-4-5 |
| Pescanova Hellas, Ltda | Greece | 100% | Subsidiary company | 4 |
| Pescanova Inc. | USA | 100% | Subsidiary company | 4 |
| Pesquerías Belnova, S.A. | Uruguay | 100% | Subsidiary company | 1 |
| Katei Alimentación, S.A. | Spain | 100% | Subsidiary company | 3-4 |
| Abad Overseas Private, LTD | India | 45% | Subsidiary company | 2 |
| Argenova Subgroup | Argentina | 100% | Subsidiary company | 1-3-5 |
| Camanica Subgroup | Nicaragua | 100% | Subsidiary company | 2 |
| Nueva Pescanova South Africa Subgroup | South Africa | 100% | Subsidiary company | 1-4 |
| Novanam Subgroup[2] | Namibia | 49% | Subsidiary company | 1-3-4 |
| Pescamar Subgroup | Mozambique | 70% | Subsidiary company | 1-4 |
| Promarisco Subgroup | Ecuador | 100% | Subsidiary company | 2 |
| Nueva Pescanova France Subgroup | France | 100% | Subsidiary company | 3-4 |
| Pescanova Italy Subgroup | Italy | 100% | Subsidiary company | 4-5 |

[1] Activities

- 1 - Fishing
- 2 - Aquaculture
- 3 - Processing of seafood products
- 4 - Commercialization of food products
- 5 - Other activities or services

[2] Pursuant to IFRS, it is fully consolidated due to the Group's control over its relevant activities

| Companies that make up each subgroup | Country | Shareholding % | Type of company |
|---|---|---|---|
| **Promarisco Subgroup** | | | |
| Promarisco, S.A. | Ecuador | 100% | Subsidiary company |
| Megashak, S.A. | Ecuador | 100% | Subsidiary company |
| Sombracorp, S.A. | Ecuador | 100% | Subsidiary company |
| **Nueva Pescanova France Subgroup** | | | |
| Nueva Pescanova France, S.A.S. [1] | France | 100% | Subsidiary company |
| Pescanova France, SAS | France | 100% | Subsidiary company |
| **Pescamar Subgroup** | | | |
| Sociedade de Pesca de Mariscos, LDA. (Pescamar) | Mozambique | 70% | Subsidiary company |
| Estaleiros Navais da Beira, S.A.R.L. (Beiranave) | Mozambique | 50% | Subsidiary company |
| Pescabom, LDA. | Mozambique | 70% | Subsidiary company |
| **Novanam Subgroup** | | | |
| Novanam Limited | Namibia | 49% | Subsidiary company |
| Conbaroya Fishing (Pty) LTD | Namibia | 49% | Subsidiary company |
| Glomar Fisheries (Pty) LTD | Namibia | 49% | Subsidiary company |
| Deep Ocean Processors (PTY) LTD | Namibia | 49% | Subsidiary company |
| Oya Namibia, (Pty) Limited | Namibia | 49% | Subsidiary company |
| Gendor Holding (Pty) LTD | Namibia | 48% | Subsidiary company |
| Gendor Fishing (Pty) LTD | Namibia | 48% | Subsidiary company |
| CMI Trawling (Propietary) Limited | Namibia | 48% | Subsidiary company |
| Gendor Resource Development (Pty) LTD | Namibia | 48% | Subsidiary company |
| Pamwe Fishing (Propietary) Limited | Namibia | 48% | Subsidiary company |
| Novanam Fishing Industries of Namibia (Pty) LTD | Namibia | 49% | Subsidiary company |
| Skeleton Coast Trawling (Pty) LTD | Namibia | 49% | Subsidiary company |
| Venture Fishing, Pty Ltd | Namibia | 49% | Subsidiary company |
| Kalahari Trawling, Limited | Namibia | 49% | Subsidiary company |
| Lalandii Holdings (Propietary) Limited | Namibia | 49% | Subsidiary company |
| Pomona Lobster Packers (Pty) LTD | Namibia | 25% | Associated company |
| Neavera Trawling (Pty) LTD | Namibia | 25% | Associated company |
| Novafish Shop, PTY, LTD (formerly Novadiaz Fish Shop) | Namibia | 49% | Associated company |
| Novafish Trawling Limited (formerly Diaz Trawling PTY LTD) | Namibia | 49% | Subsidiary company |
| Novanam Holdings of Namibia Limited | Namibia | 49% | Subsidiary company |
| Empire Trawling (Pty) Ltd | Namibia | 49% | Subsidiary company |
| Omuhuka Trawling, PTY, LTD | Namibia | 24% | Associated company |
| Nautilus Fishing Enterprises (Pty) Limited | Namibia | 25% | Associated company |
| Kuno Fishing (Propietary) Limited | Namibia | 25% | Associated company |
| Novaship Namibia (PTY) LTD. | Namibia | 49% | Subsidiary company |
| Novaship Logistics (PTY) Limited | Namibia | 49% | Subsidiary company |
| Novacargo Namibia (PTY) LTD. [2] | Namibia | 22% | Subsidiary company |
| **Camanica Subgroup** | | | |
| Camarones de Nicaragua, S.A. | Nicaragua | 100% | Subsidiary company |
| Camanica Zona Franca, S.A. | Nicaragua | 100% | Subsidiary company |
| Pescanova Nicaragua, S.A. | Nicaragua | 100% | Subsidiary company |
| Zona Franca Rio Real, S.A. | Nicaragua | 100% | Subsidiary company |
| **Nueva Pescanova South Africa Subgroup** | | | |
| Nueva Pescanova South Africa (Pty) Ltd | South Africa | 100% | Subsidiary company |
| Unick Fish (Pty) Ltd | South Africa | 100% | Subsidiary company |
| Suidor Fishing Pty Ltd [2] | South Africa | 49% | Subsidiary company |
| Suidor Trawling Pty Ltd | South Africa | 100% | Subsidiary company |
| **Argenova Subgroup** | | | |
| Argenova, S.A. | Argentina | 100% | Subsidiary company |
| Fukucho, S.A. | Argentina | 100% | Subsidiary company |
| Pesquera Arnippo, S.A. | Argentina | 100% | Subsidiary company |
| Pesquera Latina, S.A. | Argentina | 100% | Subsidiary company |
| **Pescanova Italy Subgroup** | | | |
| Pescanova Italia, S.R.L. | Italy | 100% | Subsidiary company |
| Ittinova, S.R.L. | Italy | 100% | Subsidiary company |

[1] Formerly Seabel, S.A.S.

[2] Pursuant to IFRS, it is fully consolidated due to the Group's control over its relevant activities

The Directors of Nueva Pescanova, S.L. have authorized the issue of these Consolidated Annual Accounts of Nueva Pescanova, S.L. and subsidiary companies for the financial year ended December 31, 2019 which have been prepared from information provided by the Management of the Group.

These annual accounts shall be given to the auditor of the company for the issue of the audit report provided for in Article 269 of the Companies Law.

Madrid, March 26, 2020

| | |
|---|---|
| Jacobo González-Robatto Fernández<br>Chairman | Ignacio González Hernández<br>Chief Executive Officer |
| Miguel Ruiz-Gallardón García de la Rasilla<br>Secretary | Fernando Valdés Bueno |
| Mariano Riestra Mañeru | Elena Salgado Méndez |
| Antonio Couceiro Méndez | José Luis Sáenz de Miera Alonso |
| Ricard Iglesias Baciana | Ramón Mas Sumalla |
| José María Benavent Valero | Corporación Empresarial y Financiera de Galicia, S.L.U.<br>Represented by:<br>Marco Enrique Nieto Montero |

# MANAGEMENT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2019

*This is a free translation of a document originally written in Spanish. In the event of any discrepancy, the Spanish language version prevails.*

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10) Relevant events for Nueva Pescanova, S.L. and its Group of Companies subsequent to the end of the reporting period

### DNA of the Nueva Pescanova Group

*We work together to be the best food company in the market by bringing the freshness of the sea to the consumer's table.*

*We rely on our brand and innovation to fish, farm, select and process the best product wherever it may be.*

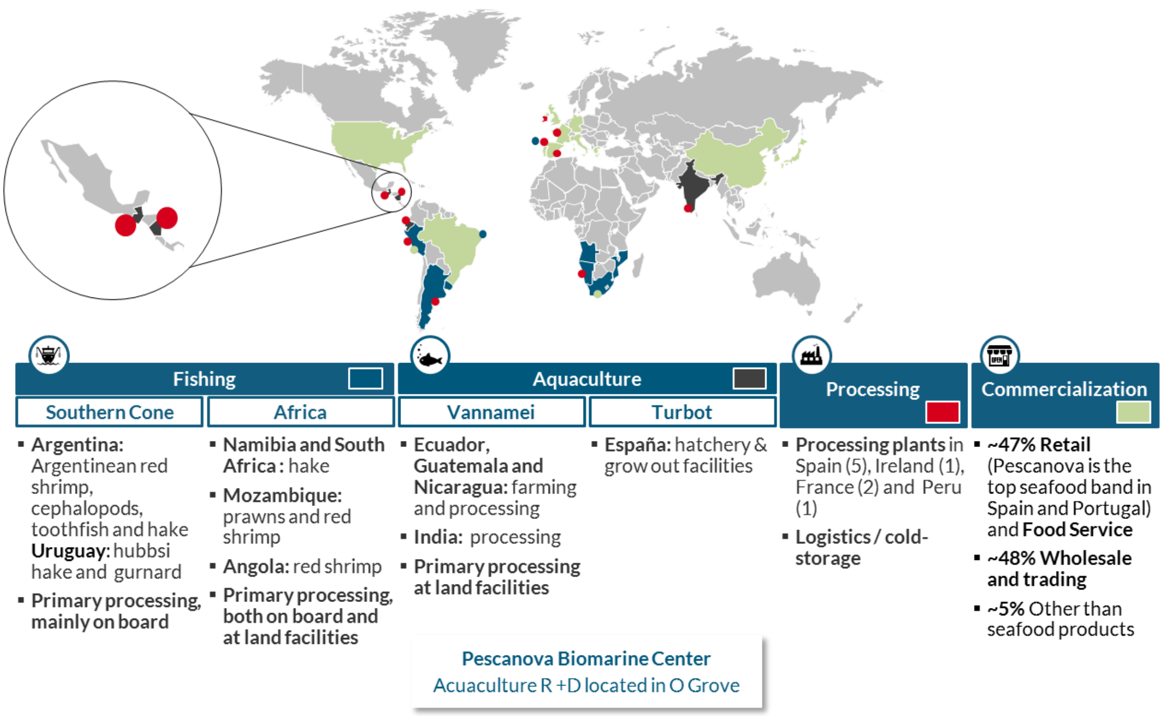
*We believe our first responsibility is the sustainability of natural resources and of our partner communities, whose trust we build and maintain by acting ethically and creating value.*

This report has been prepared so that the comments and general information provided applies to Nueva Pescanova, S.L., as well as to the entire Group of companies, unless otherwise stated.

## 1) GENERAL DESCRIPTION OF THE NUEVA PESCANOVA GROUP

The Nueva Pescanova Group is one of the largest and most diversified international Groups of companies operating in all the stages of the seafood value chain.

Vertical integration is one of the factors for the success of the Group. The Group is engaged in fishing and farming activities, both shellfish and fish, as well as in the processing and distribution of the same.




(1) Brazil: The Group has been awarded a concesión for tilapia farming.
Source: Nueva Pescanova 2018

Following the incorporation of the Nueva Pescanova Group, in 2015, work was being carried out on a Strategic Plan for the 2016-2020 period, which included several investments and divestments that have changed the Group's consolidation scope.

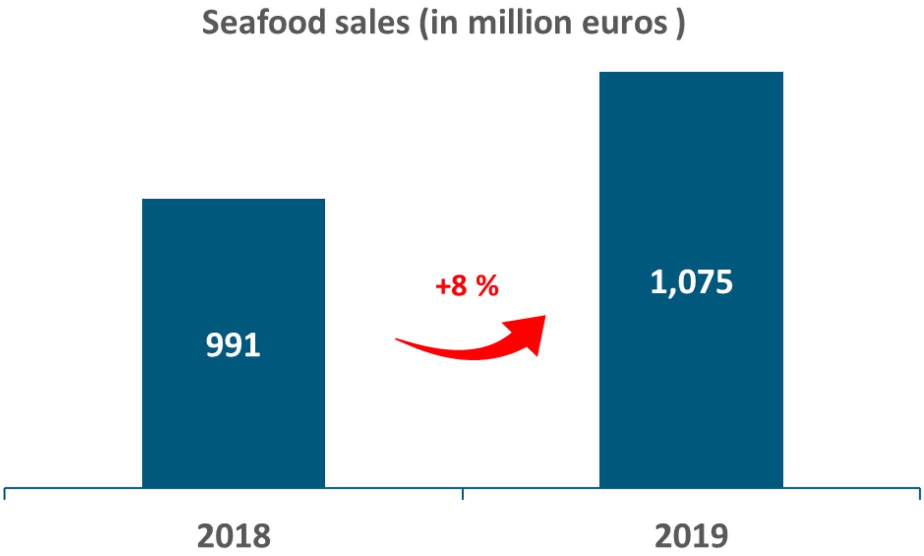
In 2019 the principal financial investments refers to the purchase of a stake in Abbad Overseas, a company engaged in the processing and commercialization of farmed shrimp, mainly Vannamei, and the opening of 8 processing facilities for the production of Asian food (mainly sushi), operating in Spain under Katei Alimentación S.L., a company that serves both the retail and the foodservice channels.

During the financial year there have been no significant divestments, the only relevant being the discontinuation of the Tilapia farming activities that the Group had in Brazil.

## 2) Business evolution and Key Performance Indicators

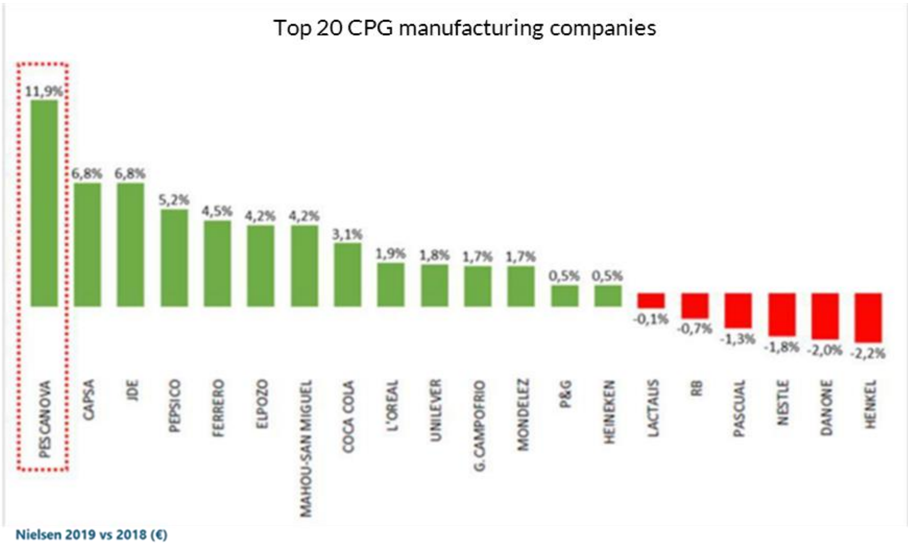
### Sales

In 2019, seafood sales reached €1,075 million, which meant a like for like increase of +8% on 2018.




In the different markets where we are present, growth has been significant, the most relevant being:

- In Spain, Group's sales in retail and wholesale have grown 7%, being the CPG company that has grown the most in Spain in 2019.

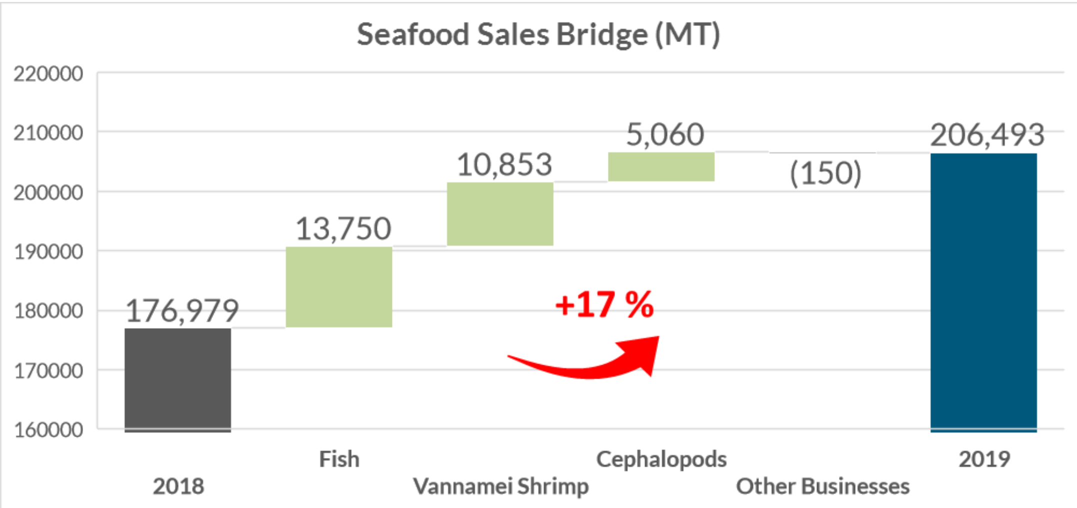



*Top 20 Retail Manufacturing Companies*

Also, in 2019, sushi sales reached €18 million.

- In Portugal, the group continues to grow, almost at double digit, gaining market share in relevant species like Cod.

In terms of tons, sales reached 206,493 MT, which represent a 17% increase on like for like sales on the previous period. The species that grows more, in terms of value, is Vannamei shrimp (17%), and is also one of the species that grows more in terms of volume (19%).




Despite of the improvement in sales, in value and volume, 2019 has been a year of falling prices for the main products the Group handles. The fall that has impacted most the profitability of the business was experienced by Argentinean red shrimp, with a 13% fall. Other products also suffering price drops in 2019 were Mahi, wild caught crustaceans and, to a lesser extent, turbot.

In 2019 growth in organized foodservice picked up speed with the launch of the new Fish Solutions website, solutions to catering professionals.

### Operation

2019 has been a year of ups and downs for the Group's operation.

It has been a difficult year in the Fishing Division mainly due to external factors. In Argentina, the new government implemented export levies and currency controls that have had a negative impact on the performance of the business. In Mozambique, the IDAI cyclone, that hit land at the beginning of the year, made difficult the commencement of the fishing operation, despite the excellent management there that minimized the impact on the income statement. The performance of the fleet, despite of all difficulties, has been positive increasing total catch by 1%, and reducing fishing cost in most of the fishing operations.

In the Aquaculture Division, and thanks to the changes that were put into practice in late 2018 and beginning of 2019, there have been significant improvements, above all in the vannamei operation. Farming yield has increased by 20% and total production by 22%. In Nicaragua there has been a 15% reduction in production costs, which allowed this operation to make profits after the losses in 2018. The turbot operation has been stable in terms of growth and costs.

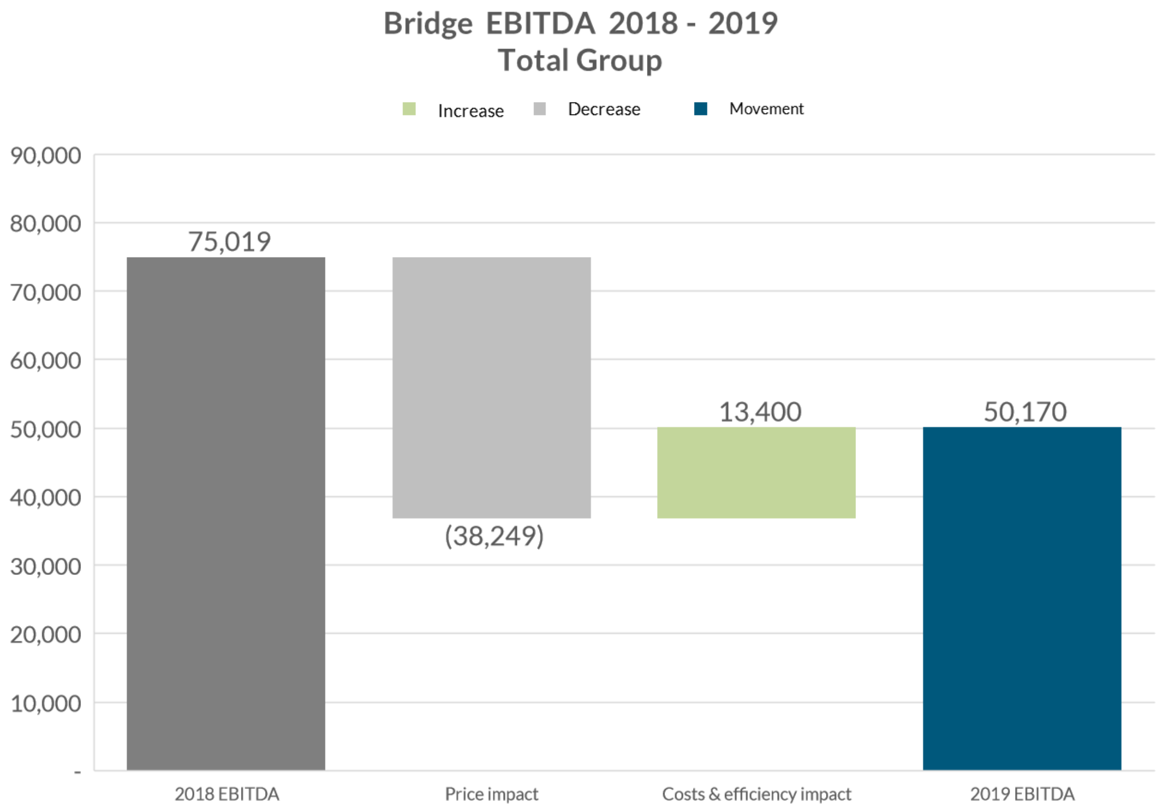
### Management EBITDA

The Group's management EBITDA in 2019 has reached €50 million compared to the €75 million attained in 2018.

The main negative impact refers to the abovementioned fall in prices for different species (€38 million impact), the Argentinean red shrimp being the most impacted. Improvement in efficiency and savings attained at processing plants as well as in fishing and aquaculture operations reached €13 million; the operation in Nicaragua (vannamei shrimp business) was the subsidiary that contributed most to these savings.

The price impact relates, mainly, to the fall in Argentinean red shrimp arising from high stocks in USA and Asia as well as in vannamei shrimp prices.

The Group continues to work conforming to its strategic plan, where one of its pillars was the generation of value through innovation, de-commoditization, and the transformation of the Group into a CPG company, more focused on the consumer without losing focus on its industrial side. In doing so, the Group relies on being able to mitigate sharp price variations, which are inherent in commodities, in the medium term.




## Net result

The fall in EBITDA in 2019, arising from the fall in prices, passed on to the Group's net result, recording losses for €41 million. In 2018 the positive result included extraordinary results from the sale of assets and companies (divestments) for €9.5 million.

The Group's high financial cost, especially arising from the impact of remeasuring insolvency debt at its amortized cost, implies that despite of having return levels similar to those of other companies in the seafood sector, it is difficult to break even.

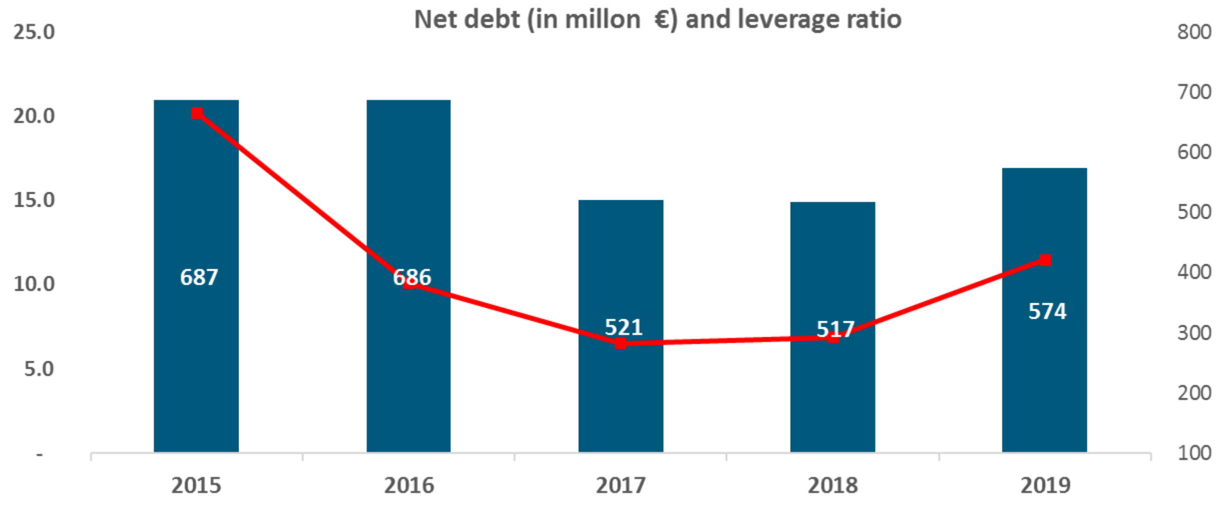
## Net debt

The Group's net debt, at fair/recognized value, has increased in 2019, owing to the investment in Katei and Abad, as well as for the Capex used in the year and the reduction in operating margin. On the other hand, the Group's leverage ratio measured on EBITDA is also worse due to the drop in EBITDA as shown in the table below:

| (In million euros) | 2019 | 2018 | 2017 | 2016 | 2015(**) |
|---|---|---|---|---|---|
| Short and long term debt with financial institutions (*) | 610 | 586 | 603 | 778 | 734 |
| Cash and cash equivalents | (36) | (69) | (82) | (92) | (47) |
| **Net debt at fair value** | **574** | **517** | **521** | **686** | **687** |
| **EBITDA** | **50** | **75** | **80** | **68** | **34** |
| **Leverage ratio (Net debt/EBITDA)** | **X11.5** | **X6.9** | **X6.5** | **X10.1** | **X20.2** |

**(*) Measured at amortized cost. Other non-current financial liabilites not included**

**(**) Unadited proforma figures for a 12 month period**




## 3) Pescanova brand

In 2019 the Group continued to invest in branding having allocated for MAP an amount similar to that of 2018. In addition, the strengthening of the Brand is extended to all commercial companies in the Group.

The effort in brand building investment as well as the innovation principles of the Group have taken Pescanova to the fifth position in CPG brand penetration and the eighth most chosen brand in Spanish households. Also, Pescanova ranks first in the top fastest-growing CPG manufacturing companies.

The Group has continued to bet on the Rodolfo Langostino icon, with the “Rodolfos” quality label and the motto “Because not all shrimps can be called Rodolfo”, Pescanova launched a top-quality product. This new product comes from a new and improved processing method, pioneer and unique in the world, by which shrimps are selected one by one, packed and cooked preserving their wholeness, so that their appearance and texture are insuperable, their long and unbroken whiskers being their quality assurance.



Betting on innovation, Pescanova has incorporated a new salmon offering to its most well-known product for kids: the Peskitos. The company has introduced new and different shapes that add to the already traditional hake Peskitos. Pescanova has also renewed the logo and image of its products for kids with a more eye-catching look for the little ones: the Pescanova Grumetes and the fun shapes of the portions as central character.

The Grumete (cabin boy) and the Grumeta (cabin girl) are the core icons for Pescanova’s products for kids, through which the company conveys to the little ones different values such as the need to care for the environment, be ocean lovers, gender equality and respect, or the importance of following a healthy diet, among other.


Continuing on the path of innovation, other Group's subsidiaries, like Nueva Pescanova France and Pescanova USA, are launching "Easy to Cook" products to satisfy consumers' demands.


## 4) Investments

The principal investments in 2019 are part of the investments included in the strategic plan approved in 2016. Below are the milestones for this year:

### Fleet

The building of two of the new vessels that will join the Group's fleet started in 2018 (three wetfish trawlers for Namibia and four freezer vessels for Mozambique). In conformity with the strategic plan, the Group earmarked 42.5 million euros for this project that is creating some 200 jobs in Galicia and is the most important ship building contract entered in Spain by a fishing company.

An example of this was the delivery, in November 2019, of the Lalandii 1, the first of the seven fishing units commissioned by the Group to renew its fleet. This vessel is the first of three wet-fish trawlers that will fish for the company's Namibian subsidiaries, NovaNam and Lalandii, devoted to hake processing.


As part of this same project, on January 21, 2020, the first of the four new freezer trawlers was launched, this is a 32-metre state-of-the-art freezer outrigger trawler, devoted to prawn fishing for the Mozambican subsidiary company, Pescamar.


Innovation is a trait of the Nueva Pescanova Group worldwide. This is validated by the fact that back in the 1960s and for the first time in history, the company put into operation a revolutionary technology, that allowed conception of the world's first freezer vessel.

These new fishing units are equipped with highly efficient engines; an improved processing deck; and their accommodation will provide greater comfort, improving the quality of life and working conditions of their crews.

## Pescanova Biomarine Center

In 2018, also saw the starting of the works included in the Strategic Plan approved in 2016, the Pescanova Biomarine Center, that will become the top R&D&I in aquaculture in Europe and its main objective will be the development and improvement of currently farmed species in terms of feeding, handling, health and genetics, as well the development of new species.

Octopus farming will be one of the main lines of study to be carried out at the Pescanova Biomarine Center, an international reference R&D&I center that will open its doors in O Grove (Pontevedra) in 2020, and whose team has already started its research work at the facilities of Nueva Pescanova in Chapela (Vigo). Proof of this is that the group of researchers of the Biomarine Center have managed to close the octopus breeding cycle in captivity in mid-2019. The company has succeeded in rearing the octopuses born in captivity to reach adulthood, that have also started to breed in an environment other than their natural habitat.
In particular, Pescanova's team of researchers is working with 50 octopuses (Octopus vulgaris) born in captivity in 2018. The research was initiated by the Spanish Institute of Oceanography, which achieved the survival of juvenile specimens born in captivity and, after entering an exclusive agreement for the use of the patent, Pescanova progressed in this research at its facilities. The commercialization and processing of this species is not expected until 2023-2024.

## IT Systems

In October 2018, another of the strategic investments in the Plan approved in 2016 was put into effect: the Spanish companies implemented a new business reporting and management system, based on the SAP tool. The implementation of this project started on October 1, 2018 and was concluded in 2019. In 2020 it will be implemented in the different companies in the Group.

## Corporate Social Responsibility

In 2019, our CSR Master Plan, our Responsible Action Plan and the 'Pescanova Blue' Sustainability Plan became aligned with the UN's 2030 Agenda for Sustainable Development. It was for this reason that on October 30, 2019 we joined the Spanish Network of the United Nations Global Compact. In 2019, we identified 668 actions that are linked to the 17 SDGs. The work done by our Corporate Social Responsibility Office, in 2019, has deserved the recognition as the first fishing company and the fifth seafood company most influential company when measuring its performance compared to the Sustainable Development Goals set by the UN, according to the World Benchmark Alliance.

## Investment in Solar Photovoltaic Energy

The Group, in line with its commitment to a responsible management of resources and its contribution to the UN's Sustainable Development Goals (SDGs), is moving towards the transition of energy resources by incorporating solar photovoltaic energy into its processing plants in different countries around the world.

Thus, a photovoltaic solar park of 3,132 square meters has been fitted at the processing plant in Lüderitz (Namibia), in 2020, this park will be extended to reach 13,500 square meters, which will allow the generation of approximately 317,000 kilowatts per month and will result in energy savings of up to 30%.

This investment is also taking place in different processing plants in Spain.


## 5) Main risks and uncertainties

The Nueva Pescanova Group works in determining and assess the different risks that may affect its workers, the environment, its creditors/suppliers and customers, quota holders and other stakeholders. The company has analysed such risks from the point of view of compliance, reporting, operation, funding… and at present is working in mitigating the same.

From the operation point of view, the main risk and uncertainties are related to the Group's activity above all fishing and aquaculture, these being directly connected to exogenous factors like weather, biology, regulatory and macroeconomic conditions. From a commercial point of view, the main risk is the change in raw material prices. It is for this reason that the geographical diversification of seafood origins (wild caught and farmed) is a key factor to mitigate such risks. The risk does not go away, but the probability and risk impact on the group's operating results are considerably reduced

In the accompanying notes to the consolidated annual account and in the non-financial statement, the Group informs about the main financial risks and the policies implemented by the Group in respect of the same.

## 6) Research and development activities

This section is not applicable to Nueva Pescanova, S.L. bearing in mind it is holding company. However, the companies that comprise the consolidated Group, of which it is the Parent Company, have undertaken several research and development activities as part of their usual operation.

The Group constantly works trying to develop the efficiency of its fleet and seafood farms, as well as the value adding processing activities.

Also, the building of the Pescanova Biomarine Center, whose main activity will be the research, study, farming, production, grow out and commercial exploitation of any finfish, crustacean, molluscs and any other sea living creatures, started in 2018 and is expected to start its activity in 2020.

Proof of this is that the group of researchers of the Biomarine Center have managed to close the octopus breeding cycle in captivity in mid-2019. The company has succeeded in rearing the octopuses born in captivity to reach adulthood, that have also started to breed in an environment other than their natural habitat.

## 7) Financial instruments

The accompanying annual accounts and notes describe the objectives and policies for financial risk management of Nueva Pescanova, S.L. and its group of companies, as well as their exposure to credit, liquidity and cash-flow risks.

As regards to financial instruments, the Group is exposed to currency risks due to the different places where it operates. At present no significant financial instrument is being used.

## 8) Own quotas

In 2019 there has been no transaction with own quotas.

## 9) Non-financial Statement

The Non-financial Statement of the Nueva Pescanova Group, pursuant to articles 49.6 of the Commercial Code and 262.5 of the Companies Law (as amended by Law 11/2018, of 28 December, as regards disclosure of non-financial and diversity information) is contained in a separate report named "*Non-Financial Statement of the Nueva Pescanova Group for the year 2019*".

## 10) Significant events for Nueva Pescanova, S.L. and its Group of Companies subsequent to the end of the reporting period

In March 2020 Abanca Corporación Bancaria, S.A., has strengthened its quota holding position in the capital of the Company.

At the date of authorization for issue of these consolidated annual accounts, the controlling partner and main creditor of Nueva Pescanova, S.L. has stated its present and future financial support necessary for the Company and its Group to meet its liabilities within the time limits established as reflected in its consolidated annual accounts at December 31, 2019, committing to make funding available to the Company to ensure the continuity of the Group's activity, consisting essentially in providing the Company with working capital lines necessary to cover the possible cash needs of the business, in order to ensure that the Company and the Group always have sufficient liquidity to meet its commitments up to the limit of fifty-five million euros (€55 million), and shall only require the payment of the debts incurred by the Company to the extent that the Company has the necessary financial resources to meet such debts.

On 11 March 2020, the World Health Organization declared the coronavirus COVID-19 outbreak a pandemic due to its rapid spread around the world, having affected more than 150 countries. Most governments are taking restrictive measures to contain the spread, including: isolation, confinement, quarantine and restriction on the free movement of people, the closure of public and private premises, except for basic needs and health care, border closures and drastic reduction of air, sea, rail and land transport. In Spain, the Government adopted Royal Decree 463/2020 on 14 March declaring the state of alarm for the management of the health crisis caused by COVID-19, which in principle would last for 15 calendar days. This period will probably be extended for at least another 15 calendar days.

This situation is affecting significantly the global economy, due to disruption or slowing in supply chains and a significant increase in economic uncertainty, evidenced by an increase in asset's price volatility, exchange rates and a decline in long-term interest rates.

To mitigate the economic impact of this crisis, on Wednesday, March 18, the Spanish Government passed the Royal Decree-Law 8/2020 of extraordinary urgent measures to address the economic and social impact of COVID-19.

The Group has implemented contingency plans applicable under these circumstances, and the organizational measures to continue to guarantee the health of our employees and the continuity of the business and is in a position to be able to extend them for as long as the authorities decide, without thereby putting the Group's activity in a critical situation.

The consequences arising from COVID-19 are considered to be a subsequent event which does not require an adjustment in the 2019 consolidated annual accounts, without prejudice to its recognition in the consolidated annual accounts for the 2020 financial year.

Although, as of the date of authorization for issue of these consolidated annual accounts, there has been no effect for the Group, significant consequences are expected in the future, for which it is not possible to make a reliable estimate.

During the 2020 financial year, the Group will assess the impact of the above-mentioned facts and those that may occur in the future on equity and financial position at December 31, 2020 as well as on the results of its operations and the cash flows for the year then ended.

Except for the above, no significant event other than those mentioned in these notes to the annual accounts until the date of authorization for issue of these financial statements.

The Directors of Nueva Pescanova, S.L. have authorized the issue of these Management Report on the Consolidated Annual Accounts of Nueva Pescanova, S.L. and subsidiary companies for the financial year ended December 31, 2018 which have been prepared from information provided by the Management of the Group.

These Management Report, together with the Consolidated Annual Accounts, shall be given to the auditor of the company for the issue of the audit report provided for in Article 269 of the Companies Law.

Madrid, March 26, 2020

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| Jacobo González-Robatto Fernández<br>Chairman | Ignacio González Hernández<br>Chief Executive Officer |
| Miguel Ruiz-Gallardón García de la Rasilla<br>Secretary | Fernando Valdés Bueno |
| Mariano Riestra Mañeru | Elena Salgado Méndez |
| Antonio Couceiro Méndez | José Luis Sáenz de Miera Alonso |
| Ricard Iglesias Baciana | Ramón Mas Sumalla |