



AEMEC has brought together a large group of minority shareholders, supported by Cartesian Capital Group, to take control of the Spanish fishing and fish processing company PESCANOVA, Galicia, presently in bankruptcy proceedings. It is the first time in its history that AEMEC undertakes such an attempt.

PESCANOVA, founded in 1960, is a market leader in frozen fish products with subsidiaries in many countries. The company has not only built a reputation for quality products, but has been profitable for many years, able to pay good dividends and managing its published debt well. In spring of 2013 the company foundered and had to declare bankruptcy. The share price fell from around 20 € to around 5 €. A financial gap of 1,6 bn € was revealed. It appeared that the President, a member of the founder family, had committed grave financial irregularities, falsified accounts and hidden the emerging crisis of the company. He has been indicted, and other members of the Board of Directors are also facing criminal proceedings. The collective responsibility of the Board is under scrutiny, and the lack of oversight by the auditors and the public regulating commission also need investigation.

The bankruptcy administrators and those Board members still able to function, but also most other shareholders, seek to avoid a collapse of the enterprise, considering that it has promise for the future and can return to profitability once the financial calamities are solved (e.g. by a major “haircut” for bank debt). The various factories in Spain and abroad thus continue to produce. A basic consensus emerged that while the bankruptcy administrators assess future prospects and remedial strategies, the former Board of Directors should collectively be removed, and the path be opened for a new Board, untainted by the irregularities, and totally independent. An Extraordinary Shareholder Assembly was called for this purpose. It met on September 12 and decided a total renewal of the Board.

PESCANOVA has a free float of shares around 70%. Among the remaining shareholders there is no single controlling group, but several that hold between 5 and 8% of the shares, the President himself commanding almost 8%. Other major groups include Luxempart and Damm.

AEMEC, jointly with Cartesian which holds 5% of the capital, set out to collect a package of minority holdings and managed to obtain proxies for more than 3% of the capital, i.e. 8% in all. The partners developed a list of 13 reputed and experienced Spanish economists and lawyers – a former president of the Constitutional Tribunal, several former CEOs of major enterprises – a list that would guarantee total independence from the misdeeds of the past, and capable, internationally recognized leadership for the troubled company. They were banking on the high percentage of free float, all presumably eager to see a clean slate of personalities in charge, and to reconstitute the value of their shares.

The Extraordinary Shareholder Assembly did not fulfill these hopes, mainly for three reasons. Only 54% of the capital was represented, which means that minority shareholders were clearly underrepresented. Secondly, the bigger shareholders (mainly Damm Luxempart and Iberfomento) teamed up to propose a new list of Directors which includes several personalities from the old guard, including renominating Board members, some of them facing legal proceedings; the proponents stipulated acceptance as a group, excluding a vote on individual Director candidates. The AEMEC proposal was open to election Director by Director, which is normal. The third element was the chairmanship of the meeting which was exercised by one of the now discharged Directors, assisted by the Secretary of the Board, whose partisanship and sympathies for the Old Board proposal was blatantly visible. Against our objection, he



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only put the Damm, etc. proposal to the vote, and declared the meeting closed once this proposal had obtained the majority of shares represented at the meeting (70%, equal to 35% of the total capital). Other motions, in part complementary to the winning proposal, were not considered.

AEMEC and Cartesian are considering to attack this result in court on the ground of the inadequacy of the chairmanship which gave a skewed result, and also because of conflict of interest, as Damm is a part competitor of PESCANOVA.

Thus, the battle is not over. The practically 30% of the vote which AEMEC obtained, and the doubts about the legal survivability of some of the reelected Board members should provide a good basis for these court proceedings. In addition, AEMEC had, throughout the period leading up to the PESCANOVA crisis and the Extraordinary Assembly, a broad echo in the Spanish press, marked by sympathy and support. AEMEC has been able to enhance its visibility and reputation.