

**PESQUERA EXALMAR S.A.A**  
**Financial Statements**  
**MANAGEMENT DISCUSSION ANALYSIS**  
**THIRD QUARTER 2013**

**1. Introduction:**

As of September 2013, the first season has concluded and it has been caught 97.2% of the assigned quota, with a participation of Exalmar in the total production of 10.8%.

Exalmar's participation refers to the own catch according to the assigned quota of 6.45% plus third parties, with a total participation of 10.8%, due to the close relationship with independent vessel owners, permitting a better use of facilities, less fixed costs and a higher total EBITDA.

Regarding sales, as of September 2013 it has been sold 82% of the processed fishmeal of first season, remaining in stock 8.7 thousand MT of fishmeal and 1.6 thousand MT of fish oil.

Regarding financial results, as of September 30<sup>th</sup>, we were affected mainly by the quota of the second season 2012 (0.81 thousand MT) and by the quota of the first season 2013 (2.05 thousand MT). This represents for the industry a total processed and sales of fishmeal and fish oil of 2,724 thousand MT of anchovy, which is an unusual volume and has an impact on financial results.

Thousand of MT	As of September 30, 2013		
	Second Season 2012	First Season 2013	Total
Global Quota C-N	810	2,050	2,860
Effective Catch	732	1,992	2,724
Effective catch/ quota (%)	90.36%	97.17%	95.24%
Season (beginning - end)	22/11-31/01	17/05-31/07	

Thousand of MT	As of September 30, 2012		
	Second Season 2011	First Season 2012	Total
Global Quota C-N	2,500	2,700	5,200
Effective Catch	2,448	2,623	5,071
Effective catch/ quota (%)	97.92%	97.14%	97.51%
Season (beginning - end)	23/11-31/01	02/05 - 31/07	

Otherwise, the Minister of Production established the quota of north.center for the second season 2013 at 2,304 thousand MT (810 thousand MT in the same season 2012). This quota is explained by IMARPE's research and recommendation of a quota no higher than 2.3 million MT. The season will start on November 12<sup>th</sup> and will end once the limit of maximum total catch is taken or, otherwise, on January 31, 2014.

**2. Indirect Human Consumption:**

- The quota for the first season 2013 in north-center area was declared by PRODUCE at 2,050 thousand of MT (2,700 thousand MT in the same season, 2012), 24.1% less than the first season of last year. The season began on May 17th and ended on July 31st. The effective

capture as for September was 1,992 thousand MT (97.2% share) versus 2,623 thousand MT (97.1% share) in 2012.

Thousand of MT	First Season 2013	First Season 2012
Global Quota C-N	2,050	2,700
Effective Catch	1,992	2,623
Effective catch/ quota (%)	97.2%	97.1%
Exalmar's catch	216	272
Exalmar's catch participation	10.8%	10.4%
Season (beginning - end)	17/05-31/07	02/05 - 31/07

- The first season of 2013 began on May 17<sup>th</sup>, while in 2012 the first season began on May 2. The delay in the start of the season and the lower production affected the sales volume, gross margin and therefore the net profit as for September 2013.
- Regarding the first season 2013, Exalmar caught 132.0 thousand of MT (162.4 thousand of MT in the same period of 2012), while the third parties purchase was 83.7 thousand MT (109.2 thousand MT in the first season of 2012).
- The total production in the first season represented 10.8% of the global effective quota (10.4% in the second season 2012), becoming the third largest producer of fishmeal and fish oil in Peru, corresponding to 61% of own catch and the remaining 39% of third parties purchases.

Thousand of MT	1st Season 2013	1st Season 2012	Var. %
Own Cath	132.0	162.4	-19%
	61%	60%	0
Third Parties	83.7	109.2	-23%
	39%	40%	0
<b>Total Processed</b>	<b>215.8</b>	<b>271.6</b>	<b>-21%</b>
Fishmeal produced	49.1	62.8	-22%
Fish Oil produced	10.1	16.3	-38%

- The lower fishmeal production corresponding to the capture of November and December 2012 affected the beginning stocks of the year. This stock, in addition to the production as for September 2013, represented a volume available for sales of 68.2 thousand MT (120.3 thousand MT in the same period of 2012), out of which 60.6 thousand MT were sold. The final stock is 8.7 thousand of MT (12.8% of beginning stock in addition to the production). On the other hand, due to the higher beginning stock for the same period of 2012, 102.7 thousand MT were sold, which resulted in an ending stock of 17.5 thousand MT (14.5% of beginning stock in addition to the production).

#### Fishmeal:

Thousands MT	9M-13	9M-12	Var. %	2012
Beginning stock	11.1	40.6	-73%	40.6
Production	57.1	79.7	-28%	90.6
Sales	60.6	102.7	-41%	120.2
Reprocessing	1.1	-0.1		0.1
Ending Stock	8.7	17.5	-50%	11.1

- For the first nine months of 2013, 10.4 thousand of MT of Fish Oil were sold, which resulted in an ending stock of 1.6 thousand of MT, accounting for 12.0% of the beginning stock in addition to the production (3.4% in the same period of 2012).

**Fish oil:**

Thousands MT	9M-13	9M-12	Var.%	2012
Beginning stock	1.0	8.2	-88%	8.2
Production	11.1	20.3	-46%	21.4
Sales	10.4	27.3	-62%	28.3
Reprocessing	-0.1	-0.3	-81%	-0.3
Ending Stock	1.6	1.0	63%	1.0

**3. Direct Human Consumption:**

- In Direct Human Consumption, Exalmar caught 3.9 thousand of MT of jack mackerel and mackerel with three of our six vessels with RSW system (6.39% of the effective capture). It is worth mentioning that in the catch of jack mackerel and mackerel there is no individual quota system but an overall quota in which only vessels with assigned license participate. The global quota assigned for the year was 106,000 MT.

Thousand of MT	2013	2012
Global Quota C-N	106,000	160,000
Effective Catch	60,329	112,310
Effective catch/ quota (%)	56.9%	70.2%
Exalmar's catch	3,857	6,777
Exalmar's catch participation	6.4%	6.0%

- Regarding the other species for HDC and referring to those produced at our plant in Paita, our relationship with local artisanal fishermen have been strengthened. Currently, artisanal fishermen are the only ones authorized to catch species such as the giant squid and the mahi mahi. Also, they have been providing us squid and scallop.
- It is worth mentioning that mahi mahi's catch is done between October and February, squid's catch goes from December until May, scallop's is done between August and December, while giant squid can be caught the whole year.
- After the announcement of the Public Bidding For Tuna Quota, on June 18<sup>th</sup> Exalmar awarded part of lot 1, corresponding to 739.94 m3. It is estimated that the catch would start at the end of 2014.

#### 4. Financial results:

(Millions of US\$)	3Q-13	3Q-12	%	9M-13	9M-12	%	LTM
Revenues	\$73.9	\$67.2	10%	\$136.9	\$187.1	-27%	\$166.7
Gross Profit	\$23.4	\$19.4	21%	\$34.4	\$53.8	-36%	\$39.3
Operating Income	\$17.7	\$13.2	34%	\$20.2	\$38.7	-48%	\$16.3
Pre-Tax Income	\$11.9	\$11.3	5%	\$3.2	\$31.9	-90%	(\$1.4)
Net Income	\$8.5	\$6.8	25%	\$6.4	\$21.3	-70%	\$6.3
EBITDA*	\$22.7	\$20.2	12%	\$34.8	\$56.5	-38%	\$38.8
<i>% of revenues</i>							
Gross Margin	32%	29%	10%	25%	29%	-13%	24%
Operating Margin	24%	20%	22%	15%	21%	-28%	10%
Net Income Margin	11%	10%	14%	5%	11%	-59%	4%
EBITDA Margin *	31%	30%	2%	25%	30%	-16%	23%

\* Calculated EBITDA does not consider other income / expenses for being a non-recurring items or the employee 's net profit sharing for being an item that is calculated at the end of the period with the income before taxes.

- Revenues as for September 2013 totaled US\$ 136.9 million, which represented a contraction of 27% compared to the same period in 2012, which is explained by the late beginning of first season 2013, lower beginning stocks and lower production for because of the lowers quota.
- The gross profit was US\$ 34.4 million which meant a lower gross margin, due to higher DHC costs and ban expenses that represented 15% of sales (11% as of September 2012).
- Net income as of September 2013 was US\$ 6.4 million, less than the \$ 21.3 million as of September 2012. This was primarily due to the lower gross profit and higher interest expense associated with the issuance of bonds earlier this year.

## 4.1 Revenues

Pesquera Exalmar S.A.A Revenues						
(Amounts in US\$ Thousands)	Q3			9M		
	2013	2012	%	2013	2012	%
Fishmeal						
MT	33,219	30,461	9%	60,559	102,691	-41%
US\$/MT	1,563	1,417	10%	1,675	1,279	31%
<b>Fishmeal Revenues</b>	<b>\$51,916</b>	<b>\$43,176</b>	<b>20%</b>	<b>\$101,428</b>	<b>\$131,296</b>	<b>-23%</b>
% of Revenues	70%	64%		74%	70%	
Fish oil						
MT	8,270	11,309	-27%	10,436	27,287	-62%
US\$/MT	2,093	1,791	17%	2,090	1,533	36%
<b>Fish Oil Revenues</b>	<b>\$17,311</b>	<b>\$20,256</b>	<b>-15%</b>	<b>\$21,810</b>	<b>\$41,843</b>	<b>-48%</b>
% of Revenues	23%	30%		16%	22%	
Other Revenues						
MT	4,995	4,654	7%	5,585	23,974	-77%
US\$/MT	274	306	-10%	279	244	14%
<b>Other Revenues</b>	<b>\$1,371</b>	<b>\$1,424</b>	<b>-4%</b>	<b>\$1,558</b>	<b>\$5,856</b>	<b>-73%</b>
% of Revenues	2%	2%		1%	3%	
<b>TOTAL INDIRECT HUMAN CONSUMPTION</b>	<b>\$70,598</b>	<b>\$64,856</b>	<b>9%</b>	<b>\$124,796</b>	<b>\$178,995</b>	<b>-30%</b>
% of Revenues	96%	96%		91%	96%	
Fresh Fish Direct Human Consumption						
MT				3,420	3,194	7%
US\$/MT				369	347	6%
<b>Total Revenues</b>				<b>\$1,262</b>	<b>\$1,109</b>	<b>14%</b>
% of Revenues				1%	1%	
Frozen Fish Direct Human Consumption						
MT	693	1,421	-51%	5,544	4,354	27%
US\$/MT	4,737	1,748	171%	1,951	1,636	19%
<b>Total Revenues</b>	<b>\$3,283</b>	<b>\$2,484</b>	<b>32%</b>	<b>\$10,817</b>	<b>\$7,121</b>	<b>52%</b>
% of Revenues	4%	4%		8%	4%	
<b>TOTAL DIRECT HUMAN CONSUMPTION</b>	<b>\$3,283</b>	<b>\$2,484</b>	<b>32%</b>	<b>\$12,079</b>	<b>\$8,230</b>	<b>47%</b>
% of Revenues	4%	4%		9%	4%	
<b>TOTAL</b>	<b>\$73,881</b>	<b>\$67,340</b>	<b>10%</b>	<b>\$136,875</b>	<b>\$187,225</b>	<b>-27%</b>

- As of September 2013, total revenues were US\$ 136.9 million (-26.9% as of September 2012). Revenues are explained by 91% from sales of IHC and 9% from sales of DHC.
- IHC revenues were US\$ 124.8 million (-30%), while DHC revenues were US\$ 12.1 million (+47%). This was explained by i) the delay in the beginning of the first season 2013, ii) lower beginning stocks and lower production because of the lower quota and, iii) better average prices in fishmeal (+31%; 1,675 \$/MT) and fish oil (+36%; 2,090 \$/MT) and iv) better DHC sales, mainly because of Paita's production.
- Fishmeal revenues were US\$ 101.4 million (-23%) and reflected lower sales volume in MT (-41%) which was partially offset by the better average price (+31%). Additionally, the final stock of fishmeal was 8.7 thousand of MT and would be sold in the fourth quarter.
- Fish Oil revenues were US\$ 21.8 million (-48%), mainly due to lower volume sold in MT (-62%), also partially offset by better average prices (+36%). The final stock of 1.6 thousand of MT would be sold in the fourth quarter.
- Regarding to human consumption, there was an increase in revenues by 47% as of September 2013, which was mainly due to higher frozen revenues (+52%) and better average sales prices (+19%).

#### 4.2 Gross Profit

(Millions of US\$)	Q3-13	Q3-12	%	9M-13	9M-12	%	LTM
Revenues	\$73.9	\$67.2	10%	\$136.9	\$187.1	-27%	\$166.7
DHC Cost of Sales	\$3.1	\$2.0	51%	\$12.5	\$5.8	114%	\$13.6
Ban Costs	\$7.2	\$9.0	-20%	\$20.5	\$20.9	-2%	\$26.7
<i>% of revenues</i>							
Cost of Sales	59%	58%	1%	60%	60%	0%	60%
Ban Expenses	10%	13%	-27%	15%	11%	34%	16%
Gross Profit	\$23.4	\$19.4	21%	\$34.4	\$53.8	-36%	\$39.3
Gross Margin	32%	29%	10%	25%	29%	-13%	24%

As of September 2013, gross profit was US\$ 34.4 million, 36% lower than the US\$ 53.8 million of the same period of 2012. The lower profit was due to i) lower sales (-27%), ii) higher ban expenses (11% of revenues and 15% as of September 2012).

#### 4.3 Cost of Sales

- Cost of Sales as of September 2013 accounted for 60% as percentage of revenues, similar to last year. Cost of Sales reflected a unit cost of \$ 988<sup>1</sup> per MT, higher than \$ 834 from the same period of 2012.
- In spite of the lower own catch (-28%) because of the lower quota and a higher fishing effort, it was accomplished a better use of storage capacity (65% as of September 2013 vs. 47% as of September 2012). The cost of anchovy catch was US\$ 109.0 per MT vs. 82.5 per MT as of September 2012. Thus, the cash cost without depreciation was US\$ 97.2 per MT, higher than US\$ 73.6 per MT as of September 2012. This was explained mainly by the lower volume of production because of the lower quotas, which affected fixed costs as maintenance (+US\$ 7.9 per MT). Other

<sup>1</sup> Considering fishmeal and fish oil sold in MT.

variations in fleet costs were higher fuel costs (+US\$ 3.1 per MT) and higher personnel costs (+US\$ 11.9 MT), due to increase in fishmeal price which is a reference for setting the fleet personal cost.

	Costs of own catch		
	9M-13	9M-12	Var. %
Own catch MT	154,097	214,496	-28%
Own catch cost US\$	16,795	17,697	-5%
<b>US\$/MT</b>	<b>109.0</b>	<b>82.5</b>	<b>32%</b>
Depreciation	1,816	1,909	-5%
Dep/ TM	11.8	8.9	32%
<b>US\$/MT without dep.</b>	<b>97.2</b>	<b>73.6</b>	<b>32%</b>
Others: Personnel	7,176	7,427	-3%
Personnel /MT	46.6	34.6	34%
Maintenance	2,101	1,240	69%
Mainenance/MT	13.6	5.8	136%
Fuel	4,206	5,180	-19%
Fuel/MT	27.3	24.1	13%
Others	1,496	1,941	-23%

- Third parties purchase comprises 39% of the total volume processed as of September 2013 vs. 48% in the same period in 2012, paying an average price of US\$ 337.7 per MT of anchovy (US\$ 315.7 per MT of anchovy as of September 2012). The lower volume of third parties purchase and higher purchase price affected the average cost of production.

	Third parties purchase costs		
	9M-13	9M-12	Var. %
Third parties purchase MT	97,122	129,979	-25%
Third parties purchase costs US\$	32,796	41,034	-20%
<b>US\$/MT</b>	<b>337.7</b>	<b>315.7</b>	<b>7%</b>

- Finally, the processing cost as of September 2013 (excluding material) was US\$ 183.0 per MT <sup>2</sup> versus US\$ 201.7 per MT in the same period of 2012. Excluding the impact of depreciation, cash processing cost was US\$ 149.7 MT versus 184.2 MT as of September 2012. This was due to a lower cost of fuel (-US\$ 18.7 per TM), lower personnel costs (-US\$ 8.0 per TM) and energy (- US\$ 1.7 per MT).

	Processing costs		
	9M-13	9M-12	Var. %
Total processed MT	251,219	344,475	-27%
Cost of processing	12,471	20,164	-38%
<b>US\$/MT</b>	<b>183.0</b>	<b>201.7</b>	<b>-9%</b>
Depreciation	2,265	1,749	30%
Dep/ MT	33.2	17.5	90%
<b>US\$/MT without dep.</b>	<b>149.7</b>	<b>184.2</b>	<b>-19%</b>
Others: Personnel	1,270	2,667	-52%
Personnel /MT	18.6	26.7	-30%
Energy	506	914	-45%
Energy/MT	7.4	9.1	-19%
Fuel	5,770	10,329	-44%
Fuel/MT	84.6	103.3	-18%
Others	2,660	4,505	-41%

<sup>2</sup> Includes production (MT) of fishmeal and fish oil.

- Finally, DHC costs did not have a positive impact on gross profit, mainly because the processed volume has not achieve an optimum level and also because the total assigned quota for mackerel and jack mackerel was not caught totally.

#### 4.4 Ban Costs

Ban costs, in absolute terms, were US\$ 20.5 million vs. US\$ 20.9 million from last year. Ban period was 165 days as of September 2013 (151 as of September 2012). Ban costs accounted for 15% of revenues vs. 11% from the same period of 2012, affecting gross margin and gross profit.

#### 4.5 Operatives Expenses

- Selling and Administrative Expenses**

As a percentage of revenues, total selling and administrative expenses represented 9% and 8% respectively as of September 2013 and 2012.

Administrative expenses in absolute terms were similar than the same period of 2012.

(Millions of US\$)	Q3-13	Q3-12	%	9M-13	9M-12	%	LTM
Selling Expenses	\$2.8	\$3.3	-14%	\$6.8	\$9.5	-29%	\$8.9
Administrative Expenses	\$1.4	\$2.1	-34%	\$5.1	\$5.2	-2%	\$8.5
Other Income	\$1.1	\$0.4	159%	\$2.3	\$3.7	-36%	\$3.0
Other Expenses	\$2.6	\$1.2	113%	\$4.6	\$4.1	13%	\$8.5
<i>% of revenues</i>							
Selling Expenses	4%	5%	-21%	5%	5%	-3%	5%
Administrative Expenses	2%	3%	-40%	4%	3%	34%	5%
Other Income	1%	1%	136%	2%	2%	-13%	2%
Other Expenses	4%	2%	94%	3%	2%	54%	5%
Operating Income	\$17.7	\$13.2	34%	\$20.2	\$38.7	-48%	\$16.3
Operating Margin	24%	20%	22%	15%	21%	-28%	10%

#### 4.6 Operating Income

As of September 2013, the operating income was US\$ 20.2 million (US\$ 38.7 million as of September 2012) representing an operating margin of 15% (21% as of September 2012). This decrease resulted from lower gross profit associated with lower sales and higher ban costs.

#### 4.7 Financial Expenses

The net financial expenses as of September 2013 totaled -US\$ 17.5 million, higher than -US\$ 7.4 million of the same period of 2012. This increase reflected the provision for interest on bonds for US\$ 200 million issued in January 2013.

(Millions de US\$)	Q3-13	Q3-12	%	9M-13	9M-12	%	LTM
Financial Income	\$0.0	\$0.1	-100%	\$0.2	\$0.3	-29%	\$0.7
Financial Expenses	(\$5.9)	(\$3.0)	98%	(\$17.7)	(\$7.7)	129%	\$20.1
Net Financial Expenses	(\$5.9)	(\$2.9)	106%	(\$17.5)	(\$7.4)	135%	\$20.8
%Revenues	-8%	-4%	88%	-13%	-4%	222%	12%



#### 4.8 Net Income

As of September 2013, net income was US\$ 6.4 million, while as of September 2012 it was US\$ 21.3 million, which was mainly due to the lower gross profit and higher interest expenses because of the increased debt by bonds issuance in January 2013.

#### 4.9 Indebtedness

Examar total net debt to September 30<sup>th</sup> totaled US\$ 219.7 million. The structural debt was US\$ 201 million (86%) of which US\$ 3 million corresponded to capital leasing. Short-term debt was US\$ 32 MM (14%), higher than the US\$ 43 million in December 2012 (23%) and was composed by working capital, backed by stocks and receivable. The syndicated loan debt for US\$ 140 million was replaced in January by the international bond issuance of US\$ 200 million, bullet with a maturity in 2020 and an interest rate of 7.375%.

Pesquera Exalmar S.A.A Indebtedness Position		
Millions of US\$	Sep 2013	Dec 2012
Total Short Term Debt	\$ 32.3	\$ 42.8
	14%	23%
Long Term Debt	\$ 200.7	\$ 142.0
Current Portion	\$ 2.5	\$ 9.3
Non Current Portion	\$ 198.1	\$ 132.7
	86%	77%
<b>Total Debt</b>	<b>\$ 232.9</b>	<b>\$ 184.8</b>
Cash	\$ 13.3	\$ 15.0
<b>Net Debt</b>	<b>\$ 219.7</b>	<b>\$ 169.9</b>

#### 4.10 Financial indicators

- **Liquidity**

The liquidity ratio (Current Assets versus Current liabilities) was 1.92 versus 1.07 in December 2012. This is explained by the higher current assets because of the greater availability of cash.

Pesquera Exalmar S.A.A Liquidity Position		
	Sep 2013	Dec 2012
Current Assets/Current Liabilities	1.92	1.07
Cash	13%	16%
Receivables	22%	5%
Other Assets	42%	47%
Related Entities Receivables	3%	4%
Stocks	20%	28%

- **Solvency Indicators**

As of September 2013, Exalmar maintains leverage ratio of 5.17 which is higher than 2.34 in December 2012. The increase in the leverage ratio is due to the lower level of EBITDA for the last twelve months as a result of lower fishing quotas. Furthermore, debt level increased in order to generate new investments.

<b>Pesquera Exalmar S.A.A Solvency Position</b>		
	<b>As of Sep 2013 LTM</b>	<b>Dec 2012</b>
Long Term Debt / EBITDA	5.17	2.34
Net Financial Expenses/ EBITDA	50%	15%

- **Profitability Indicators**

Profitability ratios were lower, due to lower revenues and production volumes.

<b>Pesquera Exalmar S.A.A Profitability Position</b>		
	<b>As of Sep 2013 LTM</b>	<b>Dec 2012</b>
Net Income/Equity	3%	9%
Net Income/Fixed Assets	2%	6%
Net Income/Revenues	4%	10%
Net Income/Shares	0.02	0.07

#### 4.11 CAPEX

Regarding CAPEX, there has been made investments for US\$ 30.5 million, from an annual budget of US\$ 36.5 million. Those were oriented mainly to IHC plants, fishing nets and vessels. Also, an important investment was the building and equipment of the frozen plant of Tambo de Mora.

## 5. Share capital, shareholders and shares

As of September 2013, issued capital was represented by 296'996,557 shares with rights to vote with a par value of S/. 1,00 each. Every share gives to the shareholder the same rights and obligations.

The shares of the company list at the Bolsa de Valores de Lima. As of September 30<sup>th</sup>, 2013, the market value of the 296'996,557 shares was S/.1.75 per share, while in December 31<sup>st</sup>, 2012, it was S/. 1.50.

<b>Shareholders</b>	<b>Shares</b>	<b>Participation</b>
Caleta de Oro Holding SA	180,048,423	60.6%
Caleta de Oro Holding del Perú SAC	25,000,000	8.4%
Stafedouble SL Sociedad Unipersonal	15,000,001	5.1%
Silk Holding Management LTD	5,058,466	1.7%
Floating	71,889,667	24.2%
<b>Total</b>	<b>296,996,557</b>	<b>100.0%</b>

## 6. Subsequent Events

Regarding the quota that was established by the Ministry of Production on October 5<sup>th</sup>, 2013, the quota for the second season 2013 for the north-centre area is 2,304 thousand MT (810 thousand MT in the same season 2012), 184.4% higher than the second season of 2012. This quota is explained by IMARPE's report, which recommended a quota no higher than 2.3 million MT. The season will start on November 12th and would end whenever the maximum catch limit is achieved or, otherwise, on January 31<sup>st</sup>, 2014.