



Tørrfiskseminar

Bodø













8 mai 2015

Introduction

Nordea Markets in brief

- Nordea Markets has a broad presence within the seafood sector with dedicated teams in
 - Investment Banking
 - Equity Research
 - Banking Norway

Selected transactions

<p>March 2014 PHARMAQ (Salar BidCo AS)</p>  <p>NOK 725m 5 year secured notes N+450</p> <p>Joint Bookrunner</p>	<p>February 2013/May 2013 Unsecured bond issue + Convertible bond</p>  <p>Deal value NOK 1,250m + EUR 350m</p> <p>Joint Lead Managers</p>	<p>January 2013 Bond issue</p>  <p>Deal value NOK 900m</p> <p>Joint Lead Arranger</p>	<p>January 2013 Bond issue</p>  <p>Deal value NOK 500m</p> <p>Manager</p>	<p>February 2012 Sale of</p>  <p>Deal value Undisclosed</p> <p>Advisor to Tine</p>	<p>April 2011 Acquisition of</p>  <p>Deal value DKK 1,100m</p>  <p>Advisor to Bakkafrost</p>
<p>July 2011 Private Placement</p>  <p>Deal value DKK 400m</p> <p>Advisor to Bakkafrost</p>	<p>March 2011 Sale of</p> <p>Bringsvor Laks AS</p> <p>Deal value NOK 141m</p> <p>Sell-side advisor</p>	<p>December 2010 Sale of</p>  <p>Deal value NOK 1,400m</p> <p>Sell-side advisor</p>	<p>March 2010 IPO</p>  <p>Deal value NOK 150m</p> <p>Joint Lead Arranger and Bookrunner</p>	<p>March 2010 IPO</p>  <p>Deal value NOK 715m</p> <p>Joint Global Coordinator and Sole Bookrunner</p>	<p>March 2010 Senior Unsecured Convertible Bond</p>  <p>Deal value EUR 225</p> <p>Co-lead Manager</p>

Strong organisation dedicated to Seafood

The seafood unit is located in Bergen and Ålesund with dedicated persons in other regions:

- 8 Senior Relationship Managers
- 4 Assistant Relationship Managers
- 1 Seafood Analyst
- Head of CSU Seafood is Louise Haahjem

- 5 Relationship Managers dedicated to seafood also in Trondheim, Tromsø and Bodø

- 5 full time employees dedicated to seafood within Corporate Finance, Equity Analysis and Debt Capital Markets

- Financing fishing activities in Norway, Faroes Islands, Iceland, Ireland, USA and Canada

Segments within Seafood:

- Fishing vessels
- Fish farming (salmon and trout)
- Processing/Exporters



Seafood exposure: Approx. BNOK 20

Growth initiatives based on industry knowledge

Strong Growth Potential for the Industry and for Nordea to Grow in Market Share Within the Seafood Industry

“Knowledge is everything”:

- Centralize and improve coordination of industry competency and customer activities
- Focus on quality of delivery and speed
- Monitoring market and regulatory development closely to help customers adapt
- Costs, prices, quotas, regulations, license issues, changes in security parameters, political risk, biological risks etc.
- Focus on efficiency and at the same time flexibility
- Increased credit quality, lowering overall margins to our customers

Increase Nordea’s Visibility and Bringing our Strength as a Leading European Bank to the Seafood Industry

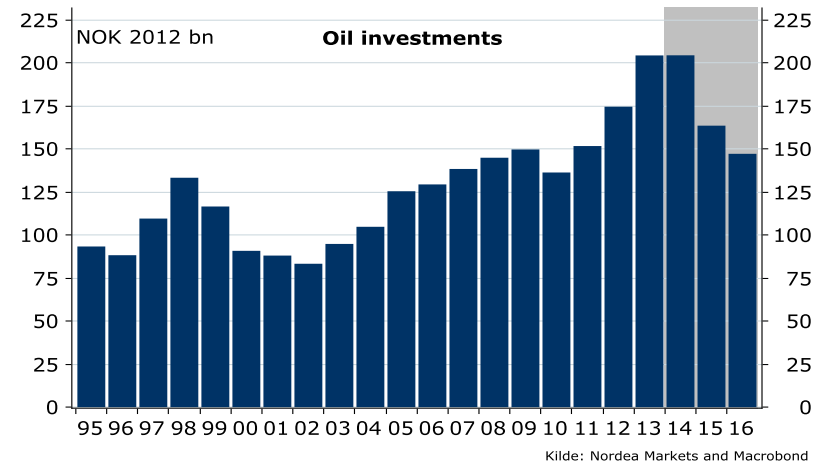
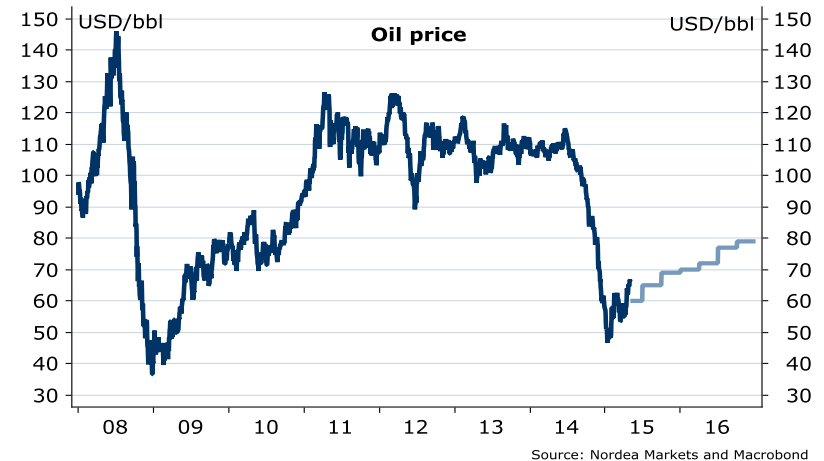
SECTION 1

Macro update

Oil driven downturn in Norwegian Economy

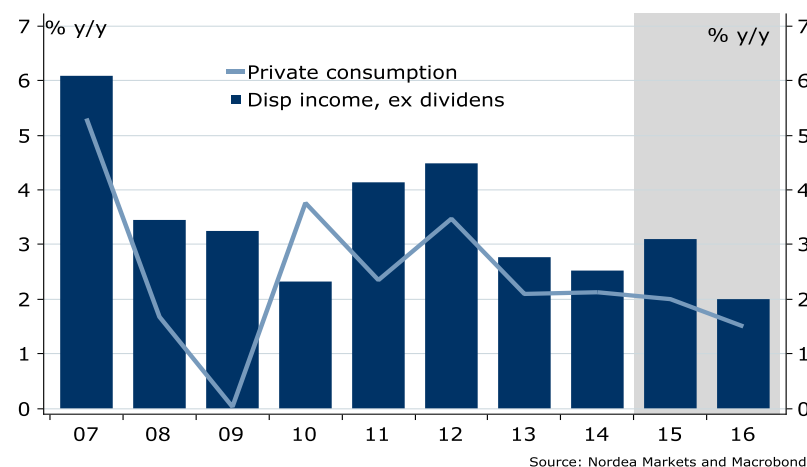
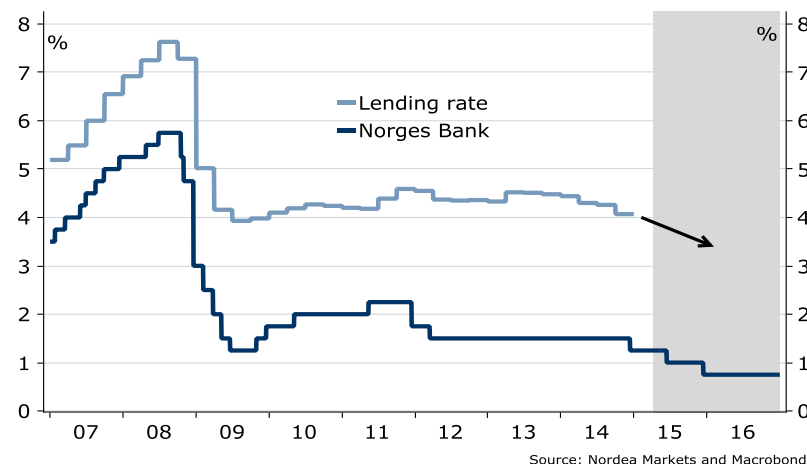
Lower oil price hits the Norwegian economy

- Growth in the Norwegian economy was already slowing when the oil price halved through last fall
- Oil investments have been a key driver of growth since the financial crisis. Now they are expected to fall significantly over the next two years, which is the key reason for lower growth in the Norwegian economy
- The direct effect from lower oil investments will be felt within oil related industry through lower demand from the oil sector
- However, the effects are also expected to be more widespread. High demand for labor from oil related industries have contributed to keep wage growth high in recent years. This will reverse now and we expect wage growth to slow



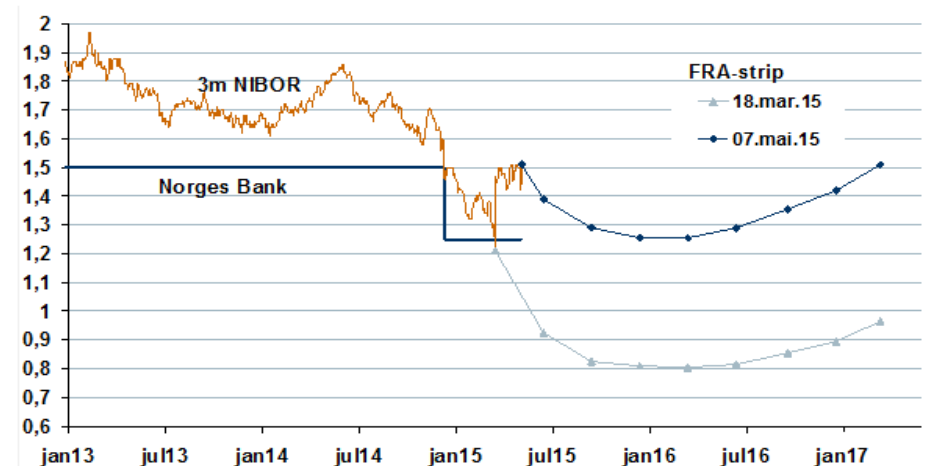
Households still a positive force

- Lower wage growth and higher inflation will cause the lowest *real wage* growth in decades
- We expect Norges Bank to lower its key interest rate to 0,75% in 2015. When this feeds into lower mortgage rates it will also boost household income. Thus *real income* growth will be decent, despite weak *real wage* growth
- Lower rates should also support the housing market. Although we expect growth in house prices to slow, prices will probably increase somewhat over the next two years which also should be stimulative for private consumption
- Another positive force will be the traditional export sector, who will benefit from a weak NOK and somewhat higher growth among our trading partners



Norges Bank set to cut rates in June

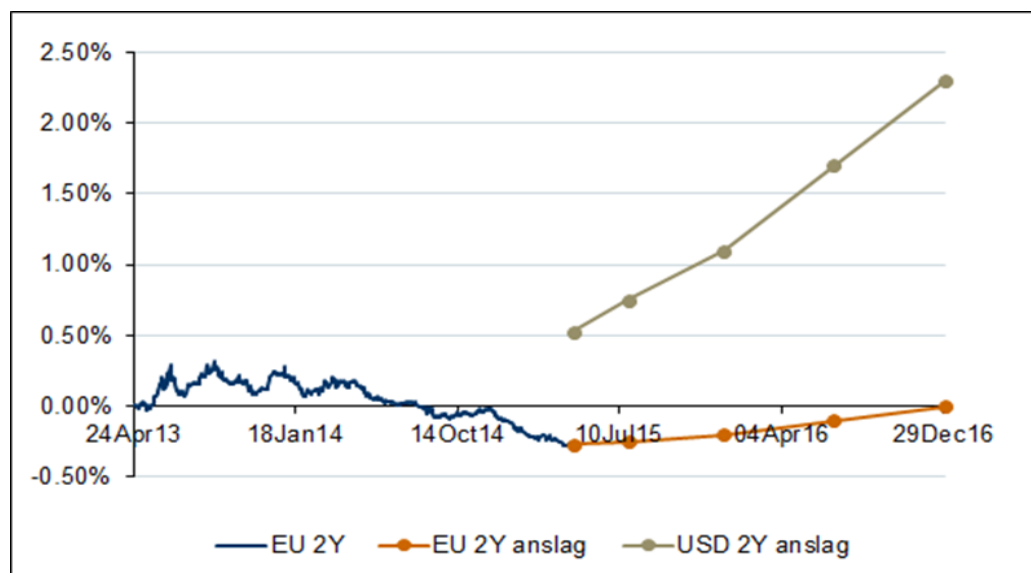
- Norges Bank kept rates at hold yesterday and put more weight on the risk of financial imbalances through high growth in house prices and household debt.
- However, the central bank confirms that there are *“still prospects that the key policy rate will be lowered in June”*.
- We think rates will be cut in June, but uncertainty has increased as Norges Bank shows greater concern for household debt and house prices. Markets are likely to price in some probability for rates on hold also in June, thus there is more downside potential in EURNOK, also from current levels of 8,32.



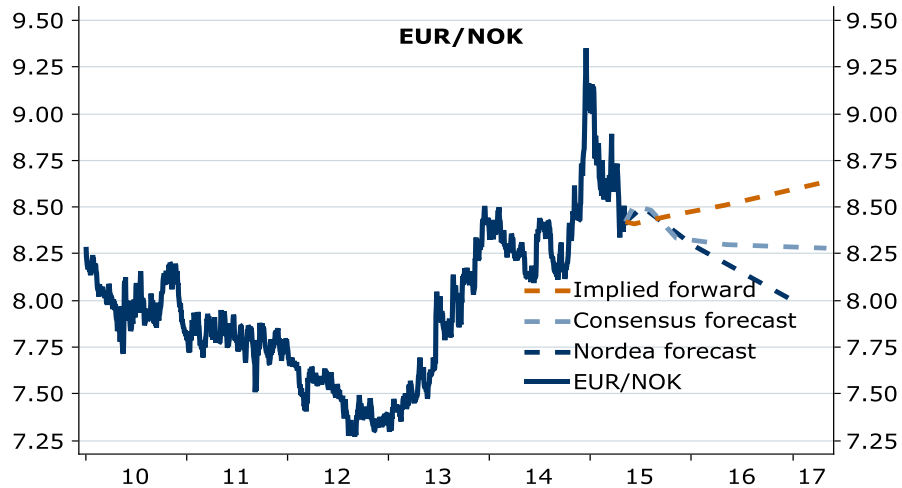
Deviating trends in US and Eurozone

- While the global economy is expected to grow in the coming years, there are large regional differences.
- The mismatch in economic trends between the US and the Eurozone is highly uncommon.
- Therefore we will see deviating rates going forward. And should expect stronger USD.

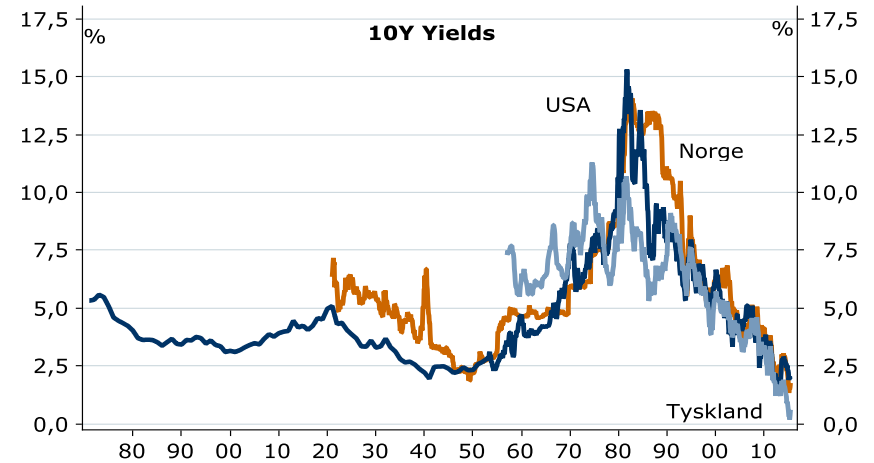
	2012	2013	2014E	2015E	2016E
World (PPP)	3.4	3.3	3.3	3.4	3.7
-USA	2.3	2.2	2.4	3.2	2.9
-Euro Zone	-0.7	-0.4	0.9	1.3	1.6
-China	7.7	7.7	7.4	7.0	6.8
-Japan	1.7	1.6	0.0	0.8	1.3
Nordic	0.5	0.9	1.7	2.0	2.0
-Denmark	-0.7	-0.5	1.0	1.5	1.9
-Finland	-1.4	-1.3	-0.1	0.0	1.5
-Mainland Norway	3.8	2.3	2.3	1.5	1.7
-Sweden	-0.3	1.3	2.1	2.9	2.6



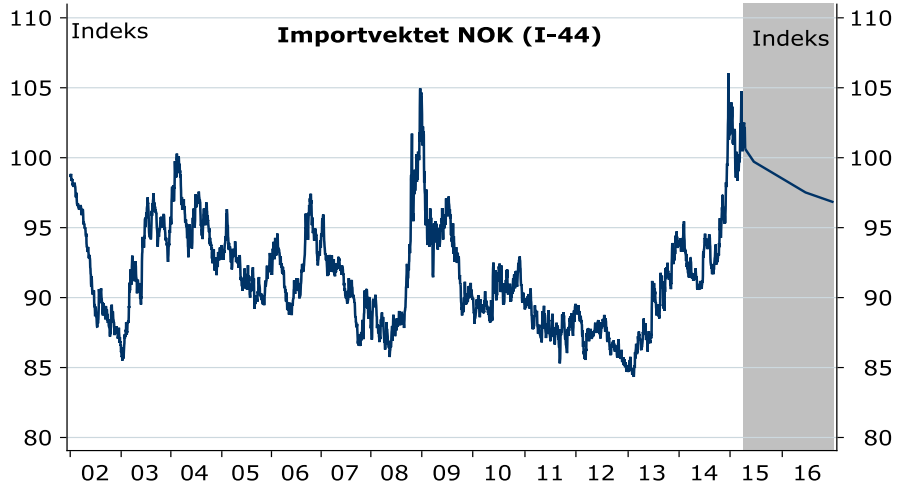
Rates and FX



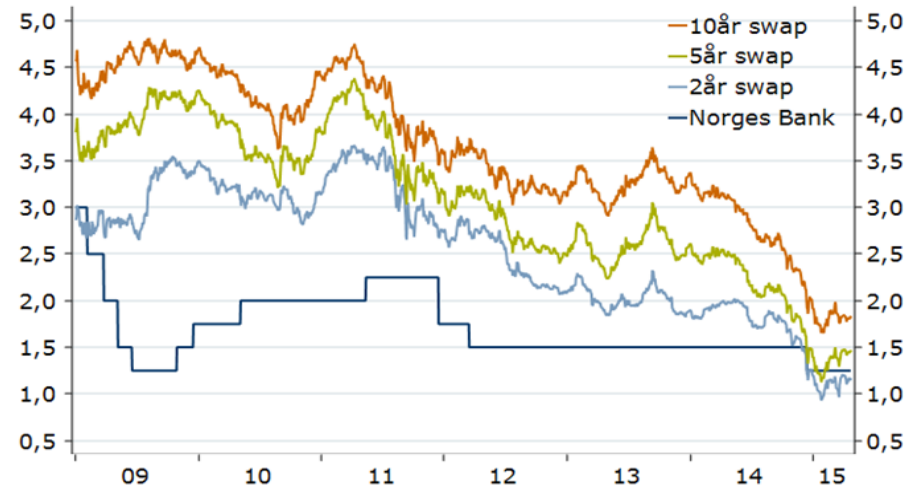
Source: Nordea Markets and Macrobond



Kilde: Nordea Markets and Macrobond



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Kilde: Nordea Markets and Macrobond

Nordea forecasts on Norwegian indicators

Norway: Macroeconomic indicators (% annual real changes unless otherwise noted)

	2011 (NOKbn)	2012	2013	2014	2015E	2016E
Private consumption	1,125	3.5	2.1	2.1	2.0	1.5
Government consumption	587	1.6	1.7	2.5	2.4	2.5
Fixed investment	596	7.6	6.8	1.2	-4.0	-0.7
- gross investment, mainland	431	7.4	2.9	1.8	2.5	2.2
- gross investment, oil	148	15.1	17.1	0.0	-20.0	-10.0
Stockbuilding*	126	-0.3	0.5	0.4	0.0	0.0
Exports	1,154	1.4	-3.0	1.7	2.0	2.1
- crude oil and natural gas	568	0.5	-7.6	0.9	0.8	0.6
- other goods	316	-0.2	1.0	2.7	3.8	4.1
Imports	796	3.1	4.3	1.6	-0.2	1.2
GDP	2,792	2.7	0.7	2.2	1.3	1.5
GDP, mainland	2,158	3.8	2.3	2.3	1.5	1.7
Unemployment rate, %		3.2	3.5	3.5	4.1	4.4
Consumer prices, % y/y		0.8	2.1	2.0	2.3	2.0
Core prices, % y/y		1.2	1.6	2.4	2.7	1.9
Annual wages, % y/y		4.0	3.9	3.1	2.8	2.8
Current account balance (NOKbn)		368.6	307.7	266.7	176.0	276.0
- % of GDP		12.4	10.0	8.5	5.4	8.2
Trade balance, % of GDP		12.9	10.2	8.4	5.0	7.8
General government budget balance (NOKbn)		410.6	347.7	285.4	218.7	277.2
- % of GDP		13.8	11.4	9.1	6.7	8.2

* Contribution to GDP growth (% points)

SECTION 2

Market update

White fish

World wide supply of whitefish increase 2% in 2015

Supply (1,000 tonnes wfe)

	2008	2009	2010	2011	2012	2013	2014	2015E	Chg 2014
Atlantic cod	762	860	948	1 044	1 120	1 349	1 334	1 233	-8 %
Haddock	332	369	392	426	432	307	286	278	-3 %
Saithe	457	412	425	350	335	341	292	293	0 %
Redfish	148	153	165	148	140	149	150	162	8 %
Total Atlantic	1 699	1 794	1 930	1 968	2 027	2 146	2 062	1 966	-5 %
Alaska Pollock	2 591	2 480	2 605	3 139	3 228	3 326	3 256	3 385	4 %
Pacific cod	341	345	378	415	442	462	482	487	1 %
Hake	980	849	952	1 002	964	978	990	926	-6 %
Hoki	284	282	265	258	250	243	239	249	4 %
Total Pacific	4 196	3 956	4 200	4 814	4 884	5 009	4 967	5 047	2 %
Total wild catch	5 895	5 750	6 130	6 782	6 911	7 155	7 029	7 013	0 %
Tilapia	2 372	2 475	2 475	2 765	2 850	2 808	2 625	3 197	22 %
Pangasius/Catfi:	1 847	1 660	1 800	1 508	1 450	1 675	1 686	1 727	2 %
Other	690	750	690	680	700	700	700	700	0 %
Total farmed	4 909	4 885	4 965	4 953	5 000	5 183	5 011	5 624	12 %
Grand total	10 804	10 635	11 095	11 735	11 911	12 338	12 040	12 637	5 %
Growth rate		-2 %	4 %	6 %	2 %	4 %	-2 %	2 %	

Comments

- The world wide supply of white fish will be increased marginally in 2015

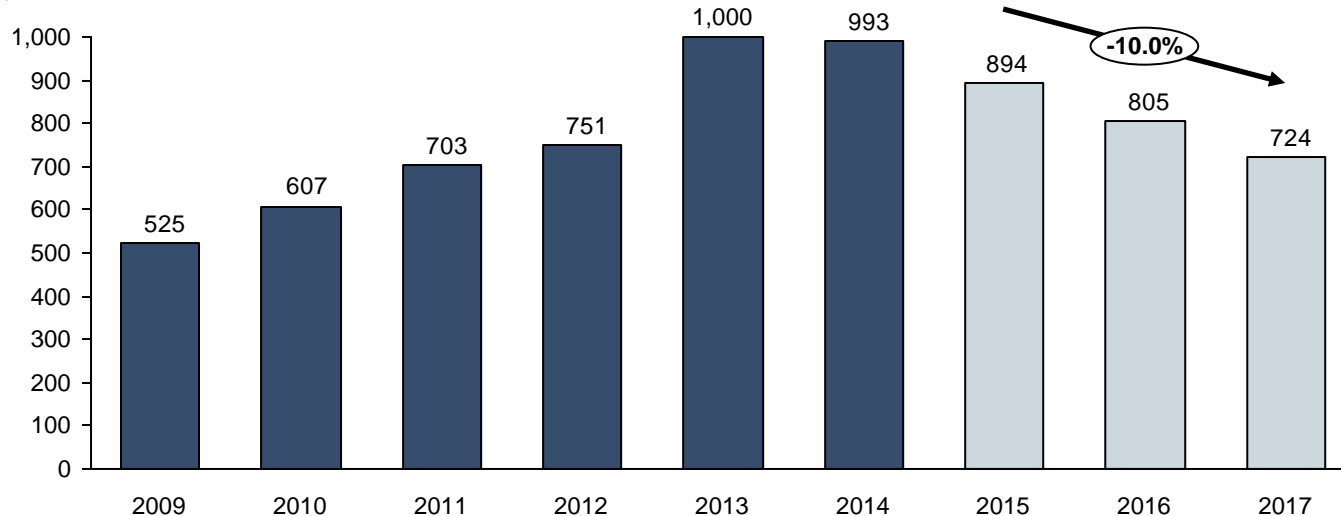
North East Atlantic Cod and Haddock quotas are decreasing

Supply (1,000 tonnes wfe)

NE Atlantic	2009	2010	2011	2012	2013	2014	2015E
Atlantic cod	525	607	703	751	1 000	993	894
Haddock	194	243	303	318	200	179	165
Saithe	225	204	173	164	140	119	122
Total Atlantic	944	1 054	1 179	1 233	1 340	1 291	1 181
- chg y/y		11,7 %	11,9 %	4,6 %	8,7 %	-3,7 %	-8,5 %
Atlantic cod		15,6 %	15,8 %	6,8 %	33,2 %	-0,7 %	-10,0 %
Haddock		25,3 %	24,7 %	5,0 %	-37,1 %	-10,8 %	-7,6 %
Saithe		-9,3 %	-15,2 %	-5,2 %	-14,4 %	-15,3 %	2,5 %

Supply (1,000 tonnes wfe) – Atlantic Cod

1,000 tonnes WFE



Source: Kontali

Comments

- The quota of cod and haddock have decreased with about 10% in 2015
- Saithe quotas are unchanged
- Norway and Russia have reached an agreement with regard to the fisheries of 2015
 - Norway will receive 401,240 tonnes of the total quota of cod, including 21,000 tonnes of coastal cod
 - Norway will receive 88,115 tonnes of Haddock

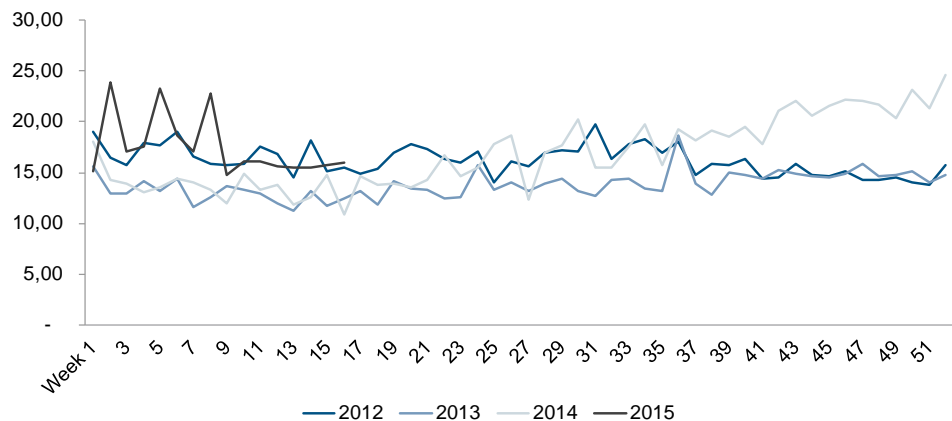
Comments

- Going forward Nordea expects a decrease of 10% per year until 2017
- This decrease will result in increased competition on raw material and increased prices going forward

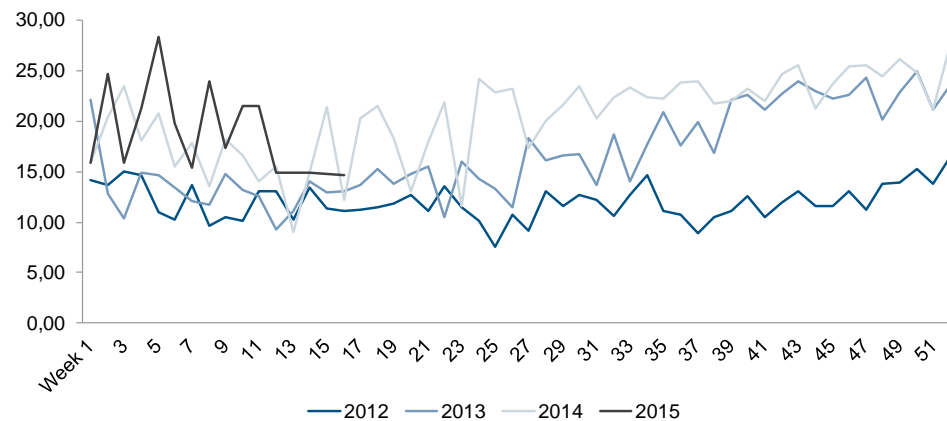
Prices has been strong throughout Q1

Round weight – First hand

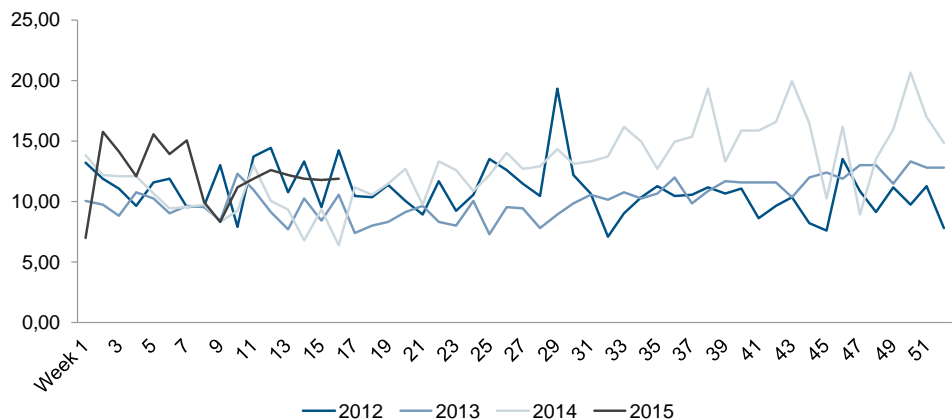
Cod – Frozen - NOK



Haddock – Frozen - NOK



Saith – Frozen - NOK



Comments

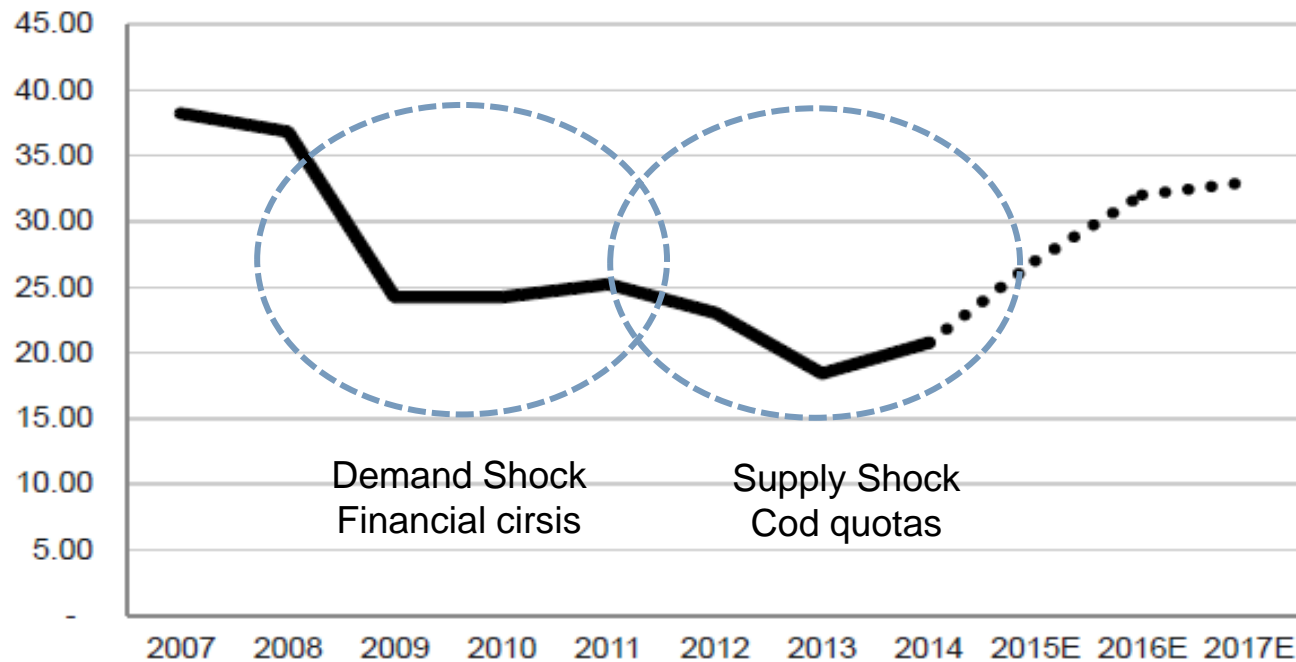
- Prices are trending upwards for all species
- Offsetting the negative effects from volume decrease

Note:
Source:

Still more to go!

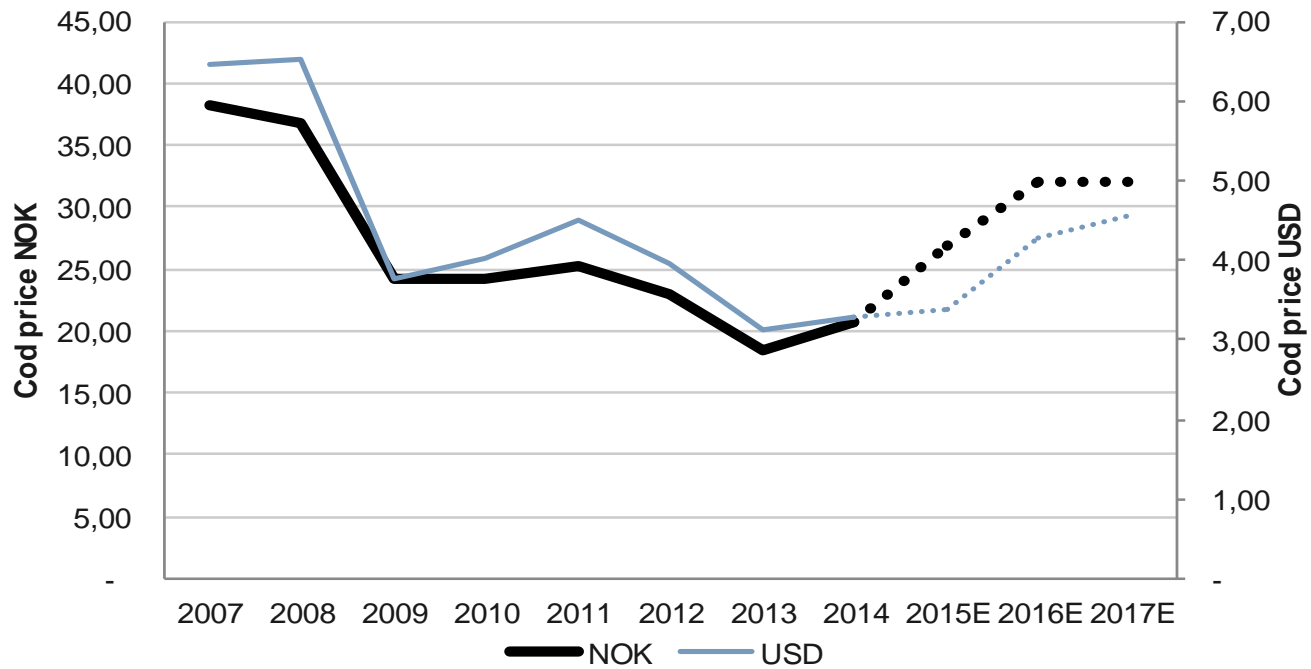
HG prices

Cod prices and estimates 2007-2017E (NOK per kilo)

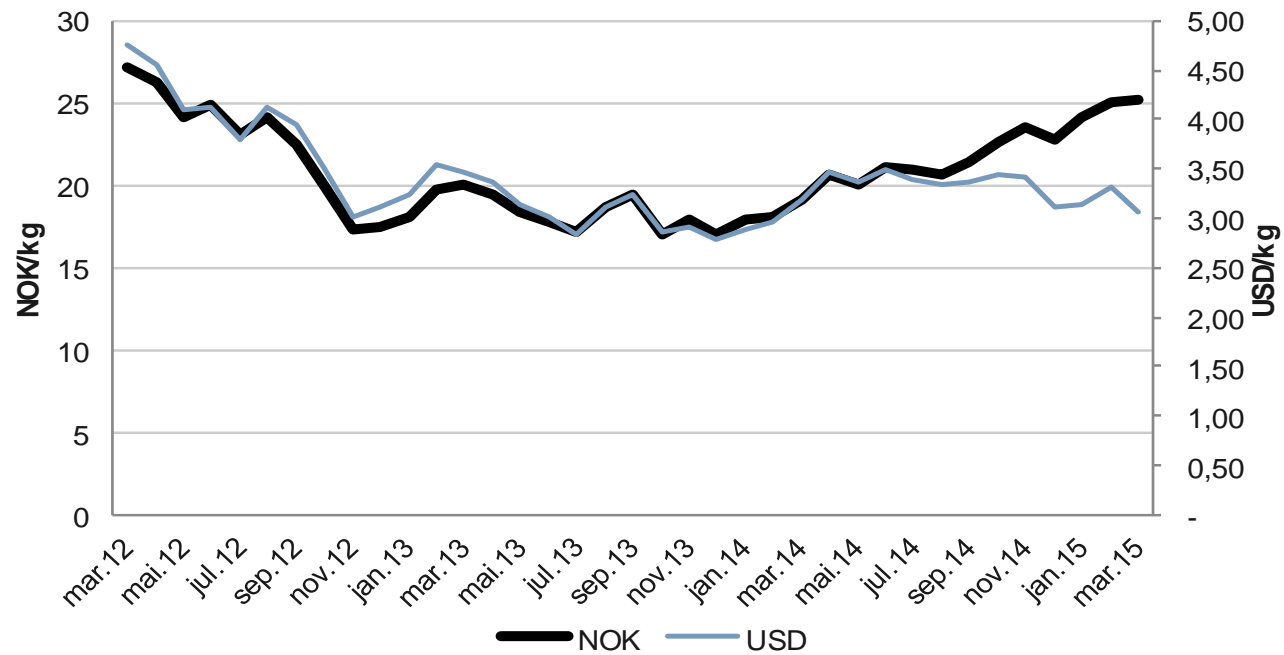


Source: SSB and Nordea Markets

Cod prices in USD 2007-2017E indicates even more potential



Cod prices in USD 2012- 2015 shows flat prices nominated in USD

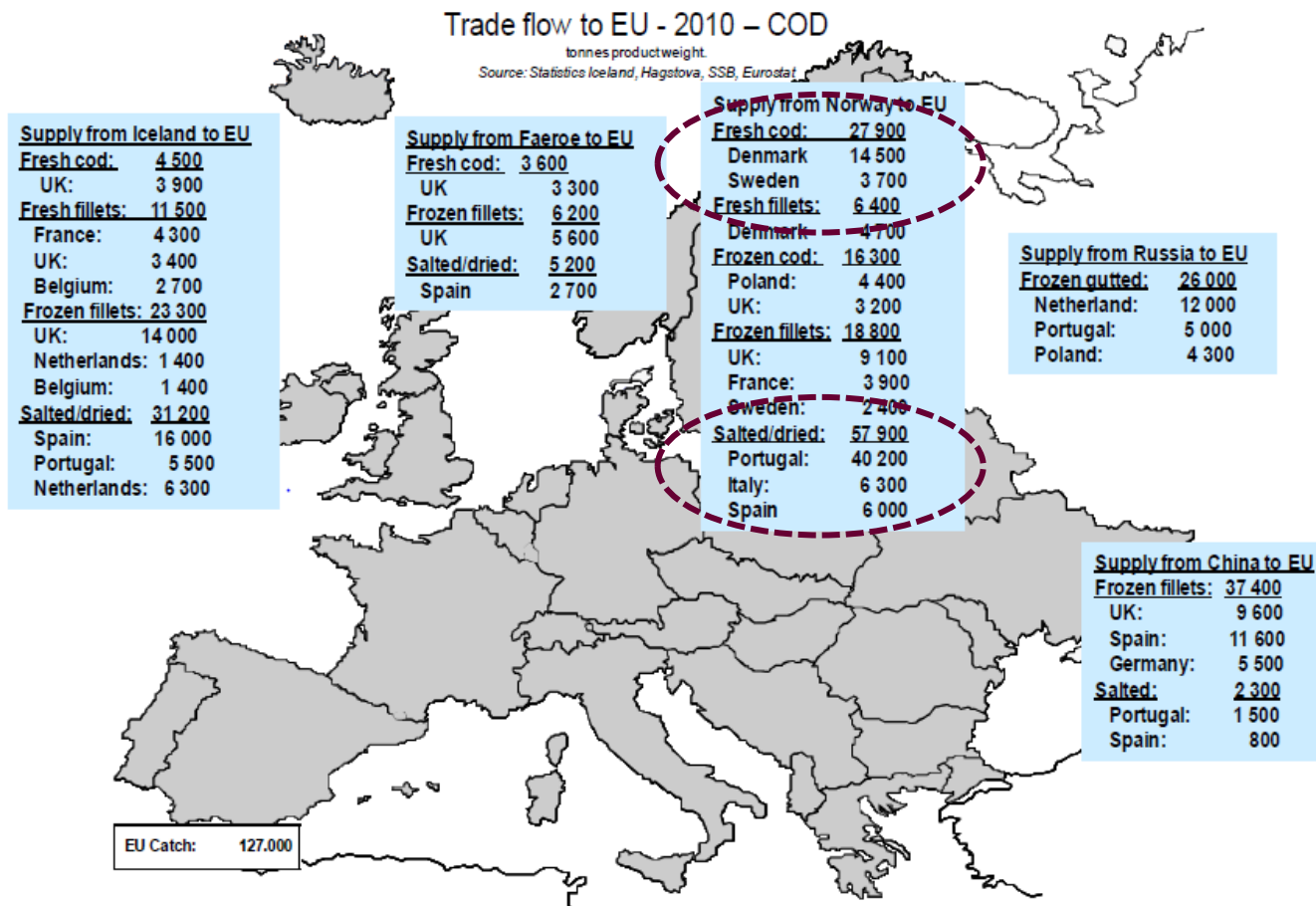


SECTION 3

Effects on the industry

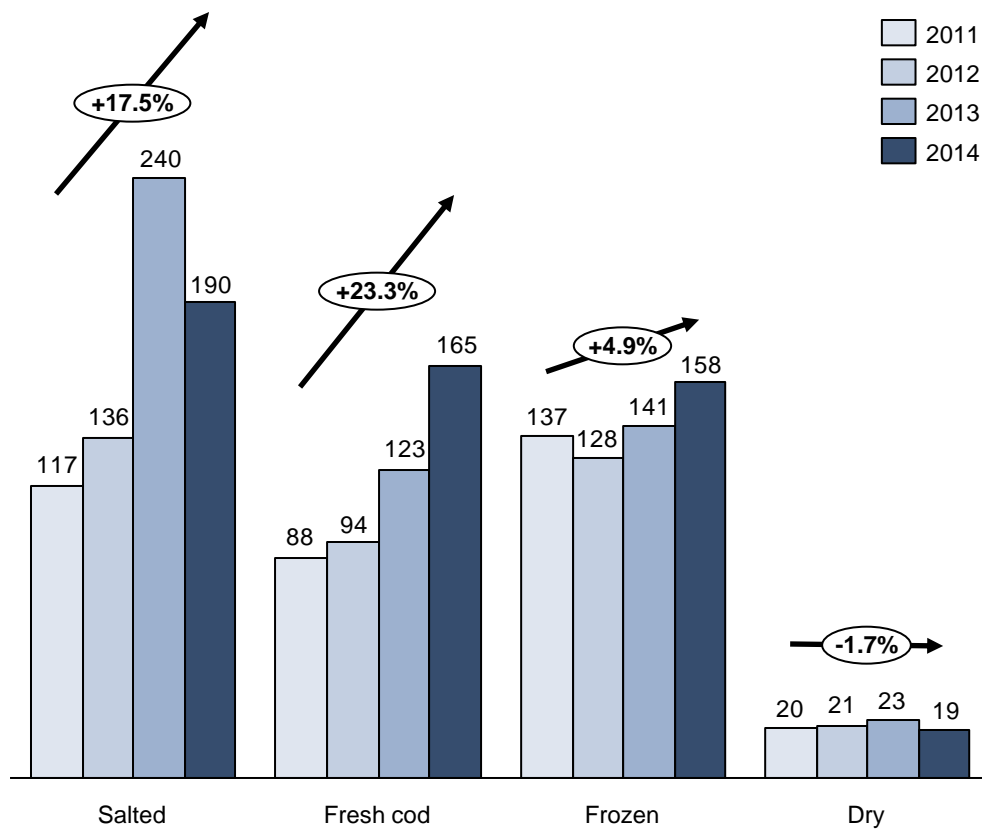
Product mix might change?

From conventional to fresh products?



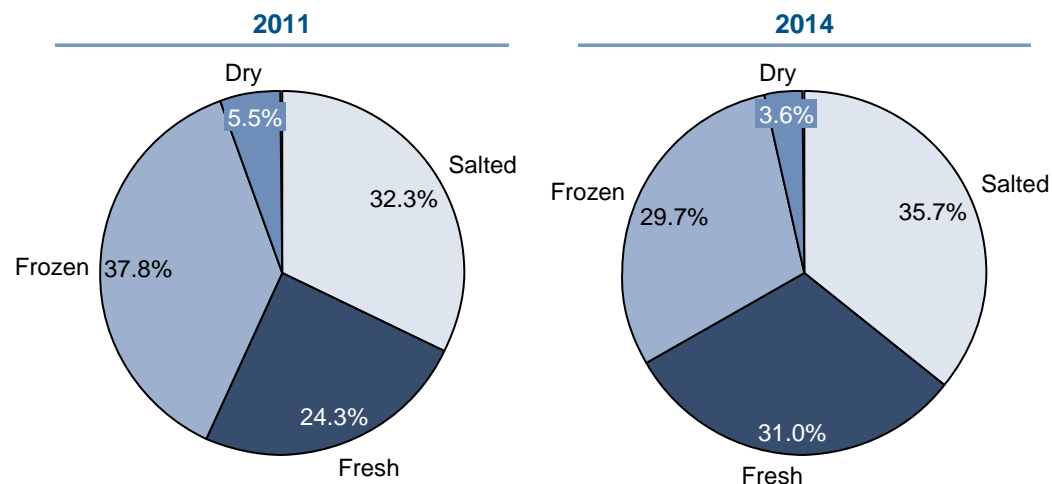
Increased demand for fresh products going forward?

Use of raw material – Cod – 2011 to 2014 – Round weight 1000 tonnes



Comments

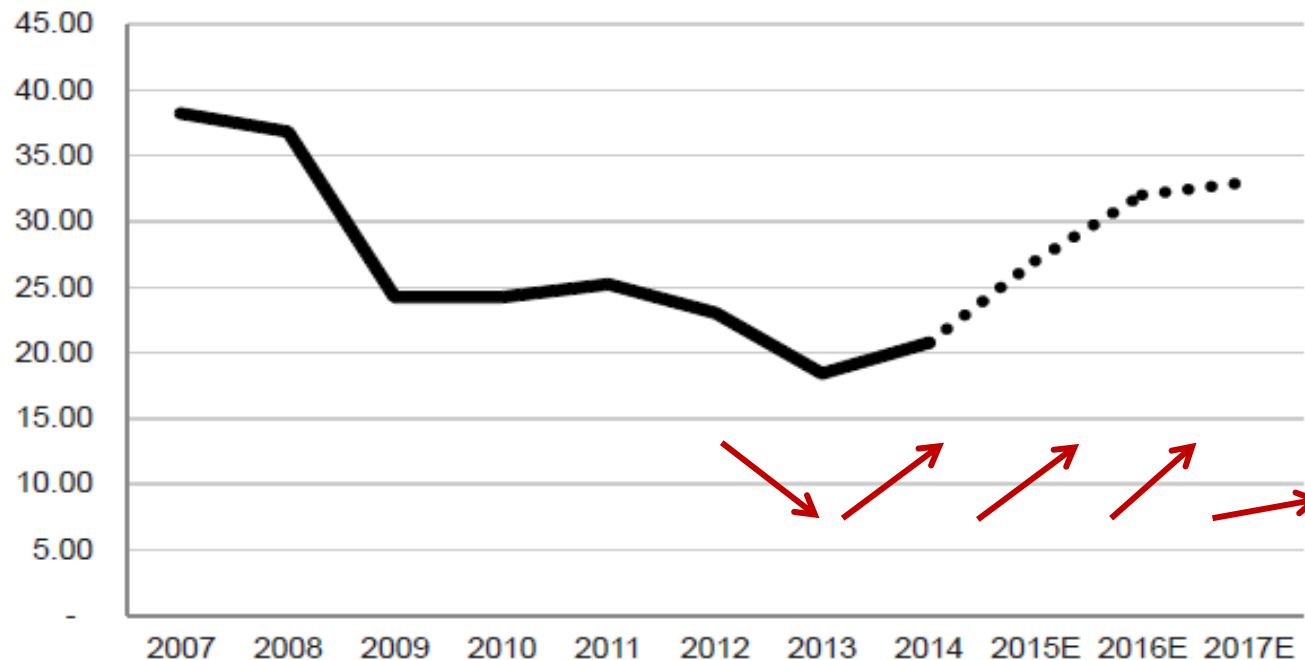
- Looking at the recent data from Råfisklaget, we see an increased usage of cod towards fresh products
- Increased focus on campaigns and product development driving demand
- Frozen cod still growing, but at a slower pace
- Dry cod, drying up?



Note:
Source: Råfisklaget

What about margins? Following the price patterns?

Cod prices and estimates 2007-2017E (NOK per kilo)



Source: SSB and Nordea Markets

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