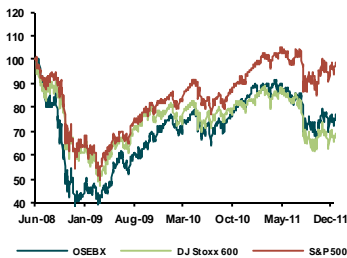


# Market Strategy

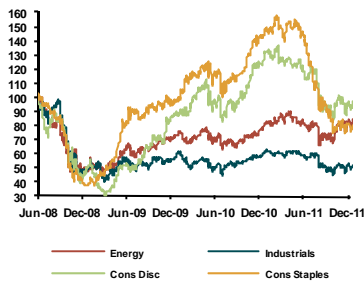
February 2011

- Foreign Equities ↗
- Foreign Bonds ↘
- Norwegian Equities ↗
- Norway gmt Bonds ↘
- Credit investm. grade ↗
- Credit high yield ↗

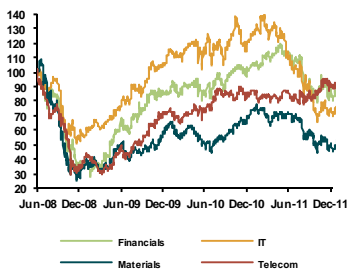
Norway, Europe and US



OSE Sector Performance



OSE Sector Performance



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## On track towards 480

### Asset Allocation

We recommend overweighting equities in February and in 2012. Our base case scenario of a 2012 with low, but acceptable world growth and flat earnings is about to unfold, and the risk of a severe Europe-led setback is sharply reduced following the ECB's "mini-bazooka". By the end of 2012, the risk of a "double dip" will have been reduced further as both European banks' and governments' balance sheets have improved. Markets will expect earnings growth to resume in 2013. We believe this will imply a normalization of the market's P/E multiple as well. With a P/E of 11 on a forward EPS (2013) of 44 (up from 43), we arrive at our yearend target of 480 for the OSEBX, 20% up from current levels

### Sector Choice

We remain positive towards the Energy, Consumer Discretionary, Financials and IT, neutral towards the Telecom and Materials sector and recommend staying away from the Consumer Staples and Industrials/Other sectors.

Buy	Funding	Sector	Recommendation	Previous
ATEA	FRO	Energy	Strong Buy	Buy
FAR	GJF	Cons. Disc.	Buy	Strong Buy
SUBC	KVAER	Financials	Buy	Neutral
RIG	MHG	IT	Buy	Reduce
AKSO	ORK	Materials	Neutral	Buy
ASC	SAS	Telecom	Neutral	Buy
DESSC		Cons. Staples	Reduce	Reduce
DNB		Industrials/Other	Reduce	Reduce
SCH				
SNI				

	Percent returns			
	31-Jan-12	October	2012	Since June 99
OSEBX	397,4	3,2 %	3,2 %	136 %
MSCI World Local	865,0	4,2 %	4,2 %	15 %
First Model Portfolio		3,8 %	3,8 %	375 %
First Buy Portfolio		11,6 %	11,6 %	2206 %
First Sell Portfolio		9,3 %	9,3 %	-94 %

Please note that analyst certification, important disclosures pertaining estimates, recommendation structure, investment banking relationships and limitation of liabilities are in the back of this report. The material in the report should not be copied and/or distributed without the consent of First Securities AS.

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## Asset Allocation

### Asset allocation

	First %	Bench- mark	Diffe- rence	Change weight	Jan ret %	2012 ret %	2011 ret %	Benchm. range
<b>Cash (ST1X)</b>	<b>22,0</b>	<b>15,0</b>	<b>7,0</b>	<b>4,0</b>	<b>0,1</b>	<b>0,1</b>	<b>2,4</b>	<b>5 - 35</b>
<b>Bonds</b>	<b>50,0</b>	<b>60,0</b>	<b>-10,0</b>	<b>-6,0</b>	<b>1,0</b>	<b>1,0</b>	<b>9,5</b>	<b>45 - 75</b>
Norwegian	38,0	40,0	-2,0	-3,0	1,1	1,1	7,8	25 - 55
<i>Gov bonds (ST5X)</i>	16,0	25,0	-9,0	-9,0	0,6	0,6	9,5	15 - 35
<i>Investm grade (First est.)</i>	15,0	10,0	5,0	5,0	1,0	1,0	5,9	5 - 20
<i>High yield (Global index, M-L)</i>	7,0	5,0	2,0	1,0	3,8	3,8	2,8	2 - 10
Foreign (JP M Germ. 5-7y)	12,0	20,0	-8,0	-3,0	0,6	0,6	12,9	10 - 30
<b>Equities</b>	<b>28,0</b>	<b>25,0</b>	<b>3,0</b>	<b>2,0</b>	<b>3,7</b>	<b>3,7</b>	<b>-10,0</b>	<b>20 - 30</b>
Norwegian (OSEBX)	14,0	12,5	1,5	1,0	3,2	3,2	-12,5	9 - 16
Foreign (MSWI, local curr.)	14,0	12,5	1,5	1,0	4,2	4,2	-7,6	9 - 16
<b>Total (currency hedged)</b>	<b>100,0</b>	<b>100,0</b>			<b>1,56</b>	<b>1,6</b>	<b>4,2</b>	
<b>Return % Last month</b>	<b>1,60</b>	<b>1,56</b>	<b>0,04</b>					
Year to date	<b>1,60</b>	<b>1,56</b>	<b>0,04</b>					

Source: Swedbank First Securities, Reuters EcoWin

The benchmark exemplifies a typical Norwegian Life Insurance Portfolio

Foreign investment returns are calculated on a fully hedged basis using 3-month interest rates

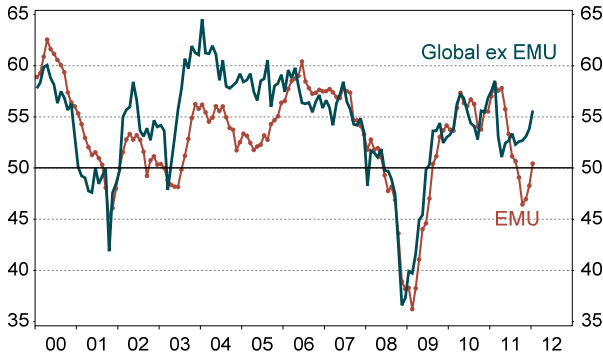
Our Benchmark for foreign bonds is JP Morgan Germany Government Bond Index (5-7 years)

The Brix index is discontinued, and we have adjusted returns to DnB NOR All Credit Bonds Index

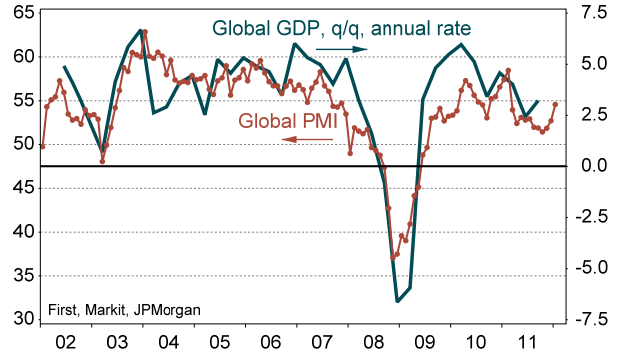
From September 2010 we include a global high corporate bond yield index as a part of our portfolio with a benchmark weight at 5%

# Economic Outlook

**PMI Composite**



**Global PMI vs. GDP growth**



Source: Swedbank First Securities, Reuters EcoWin

**We have revised our 2012 global GDP growth forecast upwards to 3¼% from 2¾% following several downgrades during 2011. The 2013 estimate is nudged up ¼ percentage point to 4¼%.**

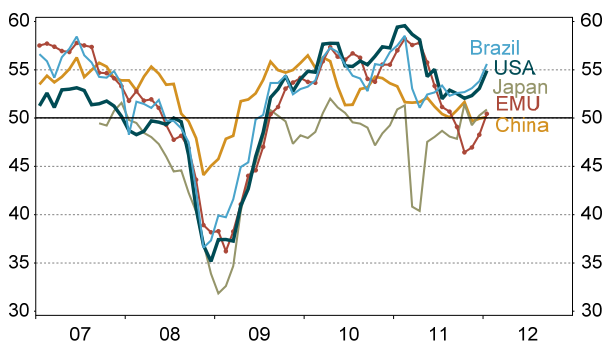
Our underlying story remains the same: yes, there is a substantial fiscal drag in several European countries and, yes, the banking system is not in good shape, especially not in Europe. Something nasty might follow the Greek debt debacle or something might run out of control in the Middle East (like Iran). The financial consolidation in the private sector in the rich part of the world is not finished yet.

At the same time, we have emphasized that there is no need for fiscal tightening in other parts of the world. Not even in most rich countries will the private sector have to increase financial savings further, they will just have to continue to save and strengthen balance sheets at a quick pace. US housing investments have been at record-low levels and will turn up one day. Global inflation will peak and disposable real income will increase again and consumption will follow suit.

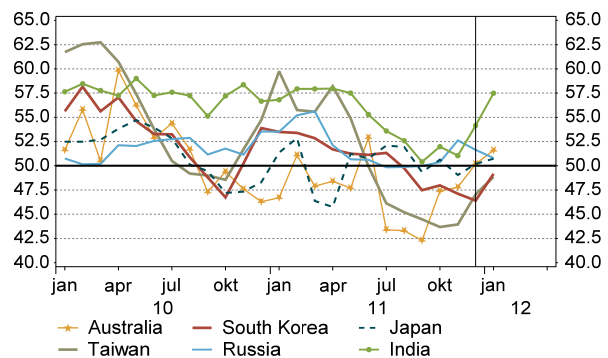
Thus, the world will not collapse but growth will not be brisk either. Between these two extremes, there are many possible scenarios. The two main reasons for our upgrade is that:

- Business surveys, at least outside China, have been far more upbeat in recent months than we assumed and global household demand has recovered somewhat (also including China)
- The ECB's long-term financing operations of the European banking system have eased the pressure both on bank funding and reduced government borrowing costs in several European countries substantially.

**PMI – Composite**



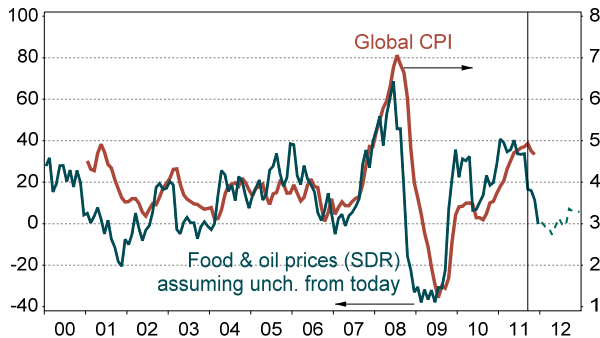
**PMI – Manufacturing**



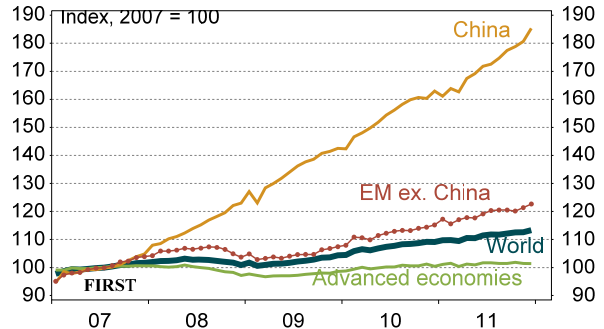
Source: Swedbank First Securities, Reuters EcoWin

**The lift in the global PMI has been impressive**, to 54.6 in January from 51.4 in October. The correlation with global GDP growth is not too close, but could imply an increase in global growth by at least 1 pp - a substantial change. Furthermore, the January print was above the average for this index since 1997. The level is still below the median level, as the 2008/09 crisis reduced the mean substantially, and the PMI is not necessarily signalling growth above trend yet. That said, the recoveries in the US (ISM), Brazil and India are impressive, and the ex. Eurozone PMI is well above average after a steep increase since last April (well before the Eurozone debt debacle). Even the Eurozone index has climbed rapidly since October, and crossed the 50 line in January, as did the Australian PMI. The PMIs in Sweden and even more so in Norway soared in January. Some 'smaller' countries in Asia have recovered too but remain below the watermark. Something has happened and we believe it is for real.

**Global CPI vs. food, energy prices**



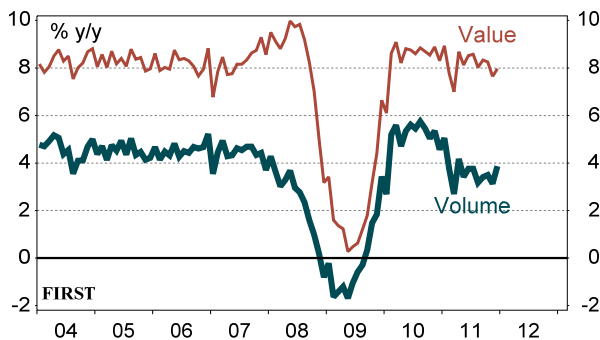
**Global retail sales**



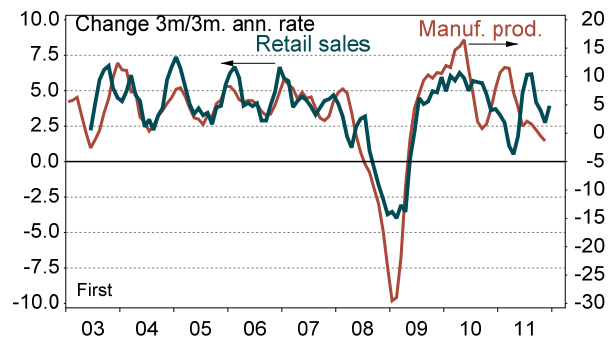
Source: Swedbank First Securities, Reuters EcoWin

In fact, inflation has peaked and we expect a further decline in the coming months, and consumption is already picking up steam, according to our calculations. Retail sales in EM are recovering and auto sales have strengthened substantially since the bottom last May, and were back to a record-high level in November and December. China has not yet reported January sales but sales ex. China most likely rose further in January.

**Global retail sales, value vs. volume**



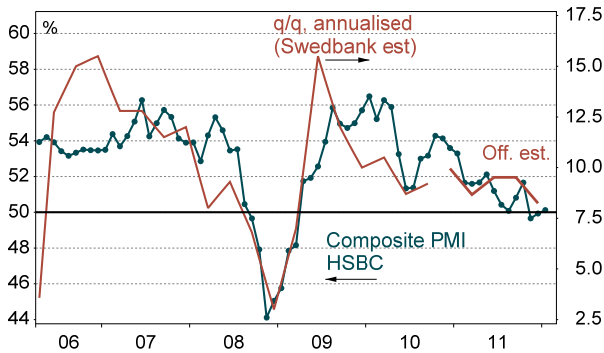
**Global manufacturing and retail sales**



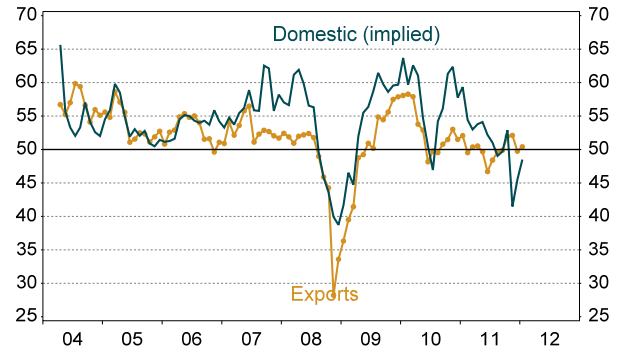
Source: Swedbank First Securities, Reuters EcoWin

**China is the exception in this broad-based recovery:** the PMI is above 50 but has not impressed much in recent months. Actual export figures have been soft, but the PMIs have been weaker on the domestic front, reportedly due to a sharp contraction in construction activity. The authorities' long fight to curb excessive housing speculation and at the same time dampen inflationary expectations seems to have been rewarded. Credit policy has already been eased somewhat, as inflation has fallen sharply (mostly due to falling house prices) and a social housing program has been established, to compensate for lower private housing activity.

**China GDP**



**China PMI (HSBC) – New orders**

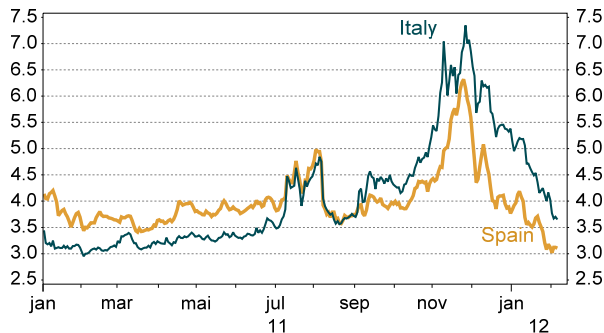


Source: Swedbank First Securities, Reuters EcoWin

Even if the authorities try to stabilise the economy, there is always a risk they will not succeed, as in so many countries before. The investment to GDP ratio is unprecedented and has already probably contributed to overcapacity in some sectors. Still, China has more levers to pull than most other countries have at their disposal and we think the soft landing scenario is more likely than a crash induced by a large reduction in private sector investments. China is not dependent on foreign funding. Monetary policy is still tight, as both interest rates and reserve requirements are high. Fiscal policy is far from exhausted even if local administrations might be dependent on property sales to the private sector.

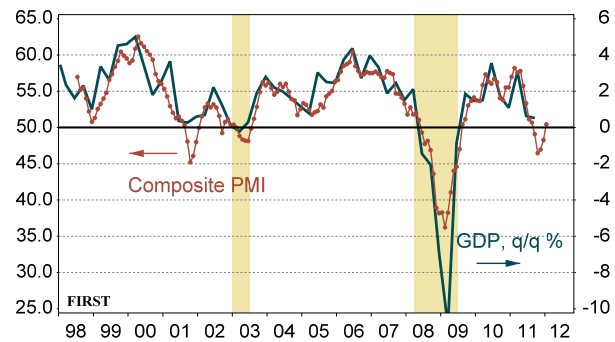
**Avg yields on government bills/bonds**

Avg of 6m, 2y, 5y, 10y



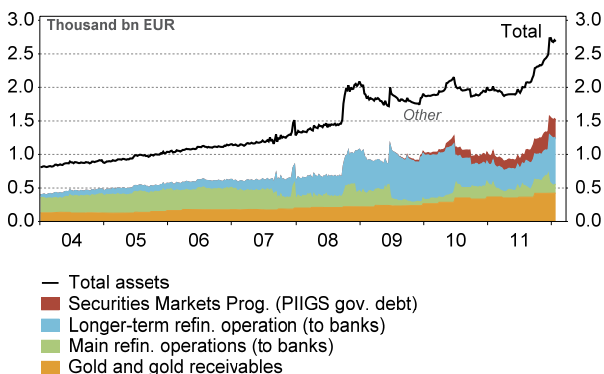
Source: Swedbank First Securities, Reuters EcoWin

**EMU – PMI vs. GDP**



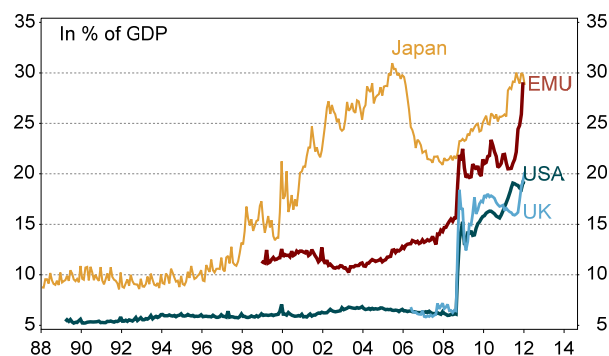
**In Europe, the mood has changed dramatically in recent weeks.** The Greek write-down has not been concluded and the final outcome is still uncertain, and Portuguese bond yields have soared. However, bond yields in other more or less exposed EMU countries have almost collapsed, especially at the short end of the curve. Probably not by coincidence, this has happened at the same time as the ECB has flooded the market with liquidity almost for free. Some banks might have used these proceeds to buy higher yielding government bonds betting that a default is unlikely, as least in the coming years. Or, some other investors might have reasoned that the ECB has now fired a real bazooka and even if the central bank has not aimed directly at the weak government markets, its firing power will in the end hit these bond markets – so better buy before it is too late. Anyway, borrowing costs have fallen sharply.

**ECB Balance, assets**



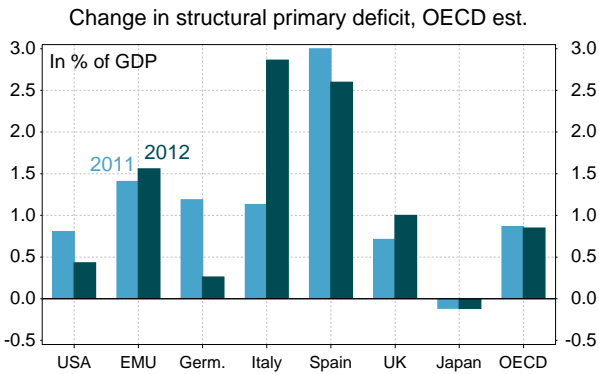
Source: Swedbank First Securities, Reuters EcoWin

**Central banks' balances**



Another, more fundamental reason might be that bond investors have appreciated policy measures taken by the new technocrat government in Italy and by the new (elected) Spanish government. In addition, the ECB action might indicate that Germany has accepted that the southern countries need some form of last lender of back-up for funding their debt. The Germans have got what they wanted; the 'sinners' must show willingness and ability to change tack and promise to stay on the straight and narrow in the future. The new fiscal compact, the agreement on stability, coordination and governance among all EU countries except the UK and the Czech Republic, should secure long-term stability, the Germans believe. Few economists judge the compact rules as sensible budget policy rules, but in the short term it is probably necessary to establish some ambitious deficit and debt targets in order to convince the Germans that they at some stage must accept that they will have to do something in order to save the Eurozone.

**Fiscal stance**



Source: Swedbank First Securities, Reuters EcoWin

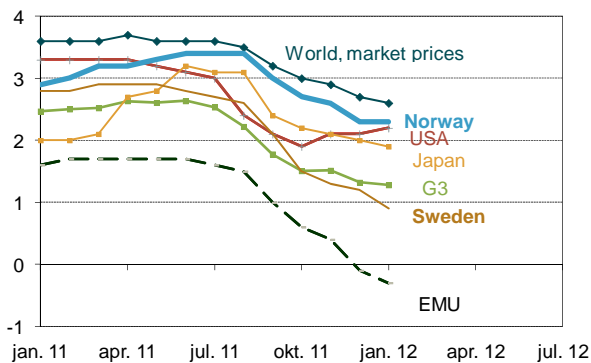
Anyway, bond yields have fallen and businesses are reporting that activity is stabilising, on average. German companies are reporting growth above trend and unemployment is still falling rapidly. Some countries further south are not that lucky, but the speed of decline has slowed. We expect just a minor contraction in EMU in 2012 and modest growth next year. Fiscal tightening will be at its maximum in early 2012, but less aggressive next year (and 2012 is not that much worse than 2011, when the EMU eked out 1.6% growth, not far below the 1.8% US expansion, where the fiscal tightening was mild compared to the measures taken in the EMU).

The US is still running much larger fiscal deficits than the EMU and will have to conduct some sort of tightening in the coming years. That is the most important reason why we are not too optimistic on US growth in 2013. In Europe, the banking sector will be a drag on growth, even if the ECB has supported banks with liquidity. The sector's equity is far too slim and banks will not be aggressive on the asset side (lending) in the coming quarters. Regrettably, the authorities have not forced the banks to raise capital immediately, if necessary, at the expense of the present owners.

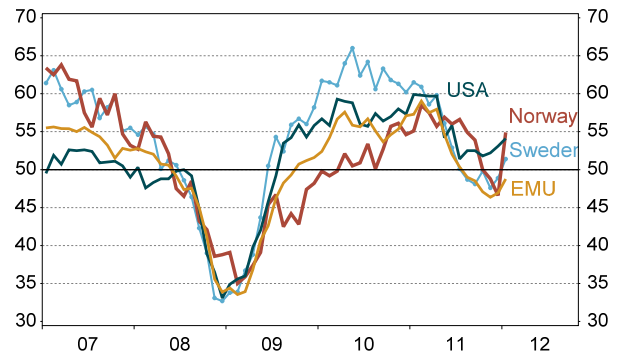
**The Norwegian Economy**

Growth estimates have come down here too, but we are quite confident that the downgrading is now behind us. The manufacturing sector has reported strong activity data recently, unemployment is falling, the housing market is still going strong, oil investments are on the rise, and banks are not signalling any further tightening vs. businesses.

**GDP 2012 - Consensus**



**Manufacturing PMI**



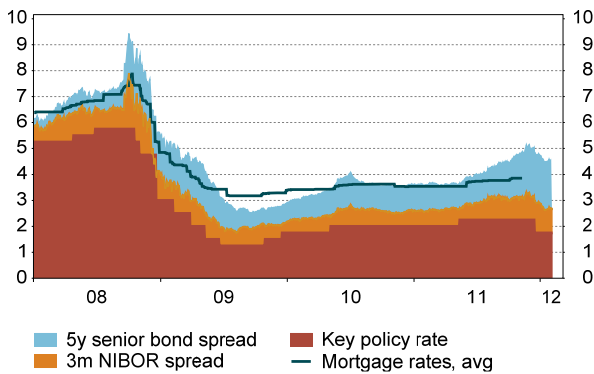
Source: Swedbank First Securities, Reuters EcoWin

The household sector might meet less cooperative banks, as banks have to comply with significantly tighter credit standards (max. loan to value adjusted to 85%, from 90%, max 3x income in debt and a stress test via a 5 pp increase in mortgage interest rate). A bank official has said that 30% of last year's new loans would not have passed the new guidelines from the Financial Supervisory Authority. There is a substantial downside risk on

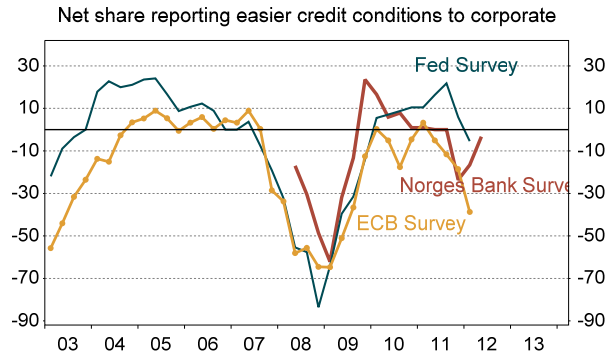
house prices in the coming years. Short term, the macroeconomic consequences should be rather limited, if the housing market calms down quietly, which is our main scenario. Debt levels are high, but savings are not dangerously low.

Price inflation is low, wage inflation moderate and the outlook not frightening. Norges Bank will not cut rates further and a hike is likely by the end of 2012, but rates are still very low. The NOK exchange rate is not too troublesome for Norwegian companies.

### Norwegian interest rates



### Bank surveys

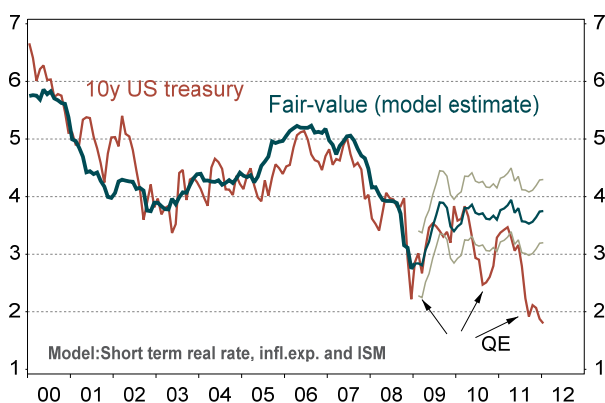


Source: Swedbank First Securities, Reuters EcoWin

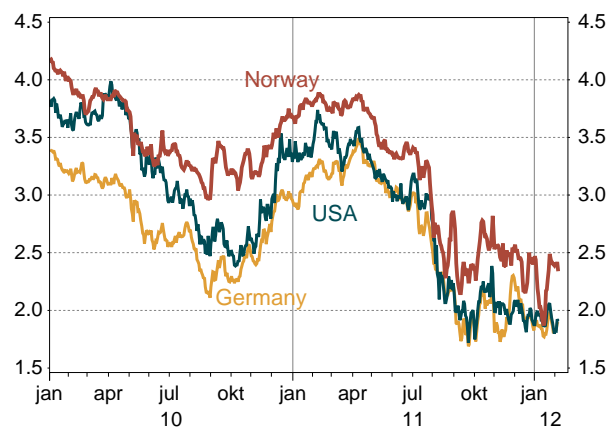
Fiscal policy is now quite neutral and will be slightly expansionary in the coming years, as the Petroleum fund increases in value and the long-term budget allows more to be spent annually. The contrast to most other countries is of course striking.

## Government Bonds

### USA Model for 10y Treasury yield



### 10 y Government bonds



Source: First Securities, Reuters EcoWin

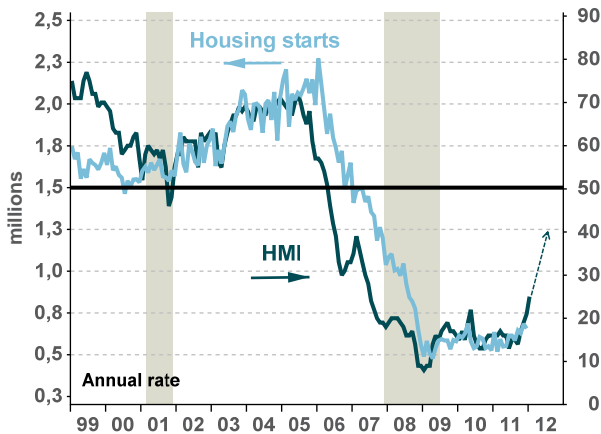
The economy has recovered in recent months, and economic news has surprised on the upside in most places. The equity market has recovered too, but bond yields remain at rock-bottom levels in 'safe' markets. Yields on real government bonds are negative. Deduct the insurance premium against default (which happens to be some 10 basis points even among the best countries) and the expected return is extremely low. We judge the downside risk on low yielding government bonds to be very high if our main growth scenario turns out to be correct. Stay out. We recommend overweighting private credit risk instead (see next chapter).

## Equities

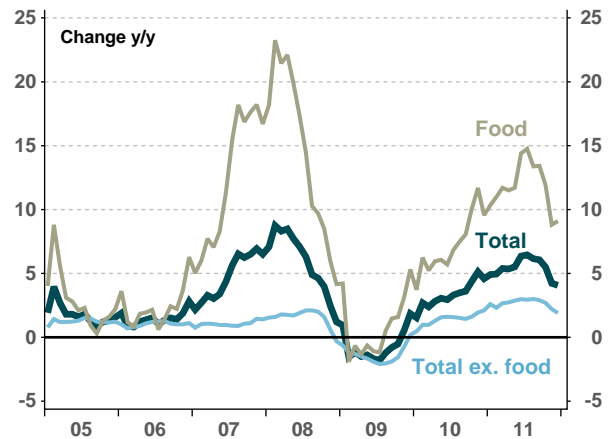
We recommend overweighting equities in February and in 2012. Our base case scenario of a 2012 with low, but acceptable world growth and flat earnings is about to unfold, and the risk of a severe Europe-led setback is sharply reduced following the ECB's "mini-bazooka". By the end of 2012, the risk of a "double dip" will have been reduced further as both European banks' and governments' balance sheets have improved. Markets will expect earnings growth to resume in 2013. We believe this will imply a normalization of the market's P/E multiple as well. With a P/E of 11 on a forward EPS (2013) of 44 (up from 43), we arrive at our yearend target of 480 for the OSEBX, 20% up from current levels

2012 appears to unfold according to our base case – a year with world GDP growth of 3.2% (raised today from 2.7%). Economic growth in the Euro area will be hampered by budget cuts and less access to financing, but risk of a sharp setback is sharply reduced following the "mini bazooka" offered to banks by the ECB in December. The U.S. should benefit from a revitalization of house building, as the inventory of unsold properties has been reduced to normal levels. China is in many ways the "dark horse" as there is a risk of a housing bust and a sharp decline in investments; however our base case is that easing policy will lead to decent growth. The oil market will experience some difficulties in 2012, as OPEC will have to cut production to offset a combination of increasing non-OPEC production and zero demand growth. However, both the OSEBX and Energy shares have been seen to be more affected by the global growth outlook than by spot oil prices.

### Homebuilders market index



### China CPI



Source: Swedbank First Securities, Ecowin

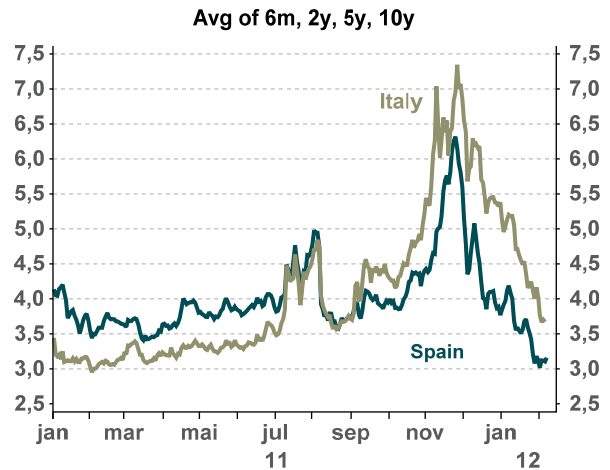
Very weak 4q11 reports have been offset by a series of reassuring macroeconomic reports. We expect equity risk premiums to fall further going into February – extending the January small cap rally another month. Both the US and emerging markets reported strong PMI's in January. The biggest positive surprise, however, was the uplifting EMU PMI readings, indicating that Europe will have limited negative impact on global growth in 2012. In order to reflect this, we upgrade in our global GDP target for 2012 to 3.25% (2.7%) – in line with our base case of a 2012 with moderate, but acceptable growth and flat earnings.

In addition to the uplifting macroeconomic backdrop, Spanish and Italian funding costs also appear to be moving in the right direction. Last month, both Italy and Spain managed to issue bonds at a cost lower than in December. On January 31st, Italy auctioned 10-year papers at a yield of 6.08%, in comparison with nearly 7% it had to pay at the previous auction in December. Lower funding costs improve the probability of a positive outcome of the debt crisis, triggering further cuts in interest rates. The improved outlook for the Euro area has reduced the risk of a collapse of the monetary union, leading to a large drop in equity risk premiums.

**Global PMI vs Manufacturing Production**



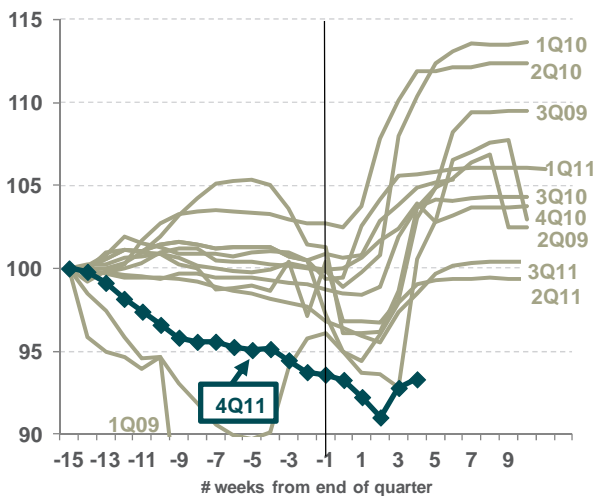
**Spain vs Italy Government bills/bonds**



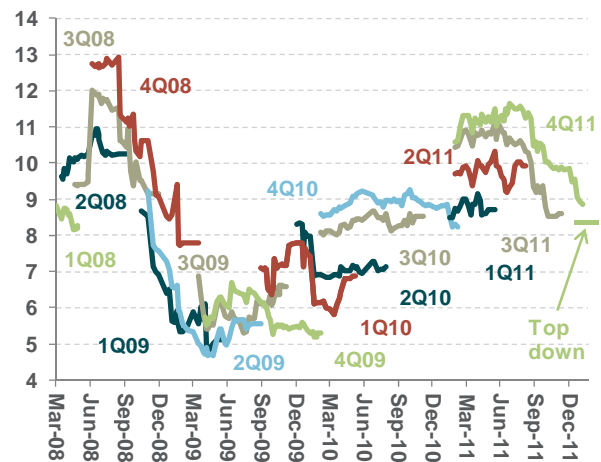
Source: Swedbank First Securities, JPM/Markit, Ecowin

Although the future looks slightly brighter, results from the fourth quarter quantified the extent of the economic downturn of 2H2011. Quarterly results in the US have disappointed, despite a low entry point. By the time 15% of the S&P index had reported, companies that underperformed estimates outnumbered the ones that outperformed estimates – a result not even seen during the financial crisis in 2008. Although the “surprise factor”, indicating the number of companies beating estimates, has picked up somewhat, thanks to a strong Technology sector, 4q11 is beyond rescue both abroad and at home. Almost 70% of the OSEBX will report in the second week of February, and we believe that the results will be disappointing here as well. We expect to see our top-down estimates, which suggest that 4q11 earnings will end up in line with 3q11, realized within the coming weeks.

**S&P 500 4q11 quarterly earnings estimates**



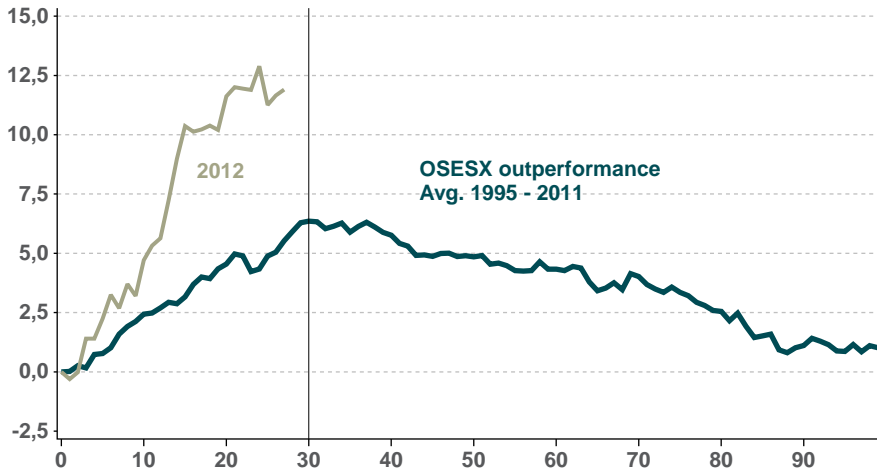
**Quarterly EPS estimates, OSEBX**



Source: Swedbank First Securities, Reuters

The small cap rally should last another month. The positive macroeconomic backdrop has changed the sentiment enough to offset the now fully anticipated 4q11 results. The effect of lower equity risk premiums has been especially strong on small caps. After an underperformance of 20% in 2011, the OSESX has outperformed the OSEBX by 13% YTD. We believe the unusually strong outperformance is set to continue in February. Although the outperformance for small caps over large caps on average ends in the middle of February, we often find that these effects last longer when the outperformance is strong. However, for the months after February, we would expect the usual reversal to occur.

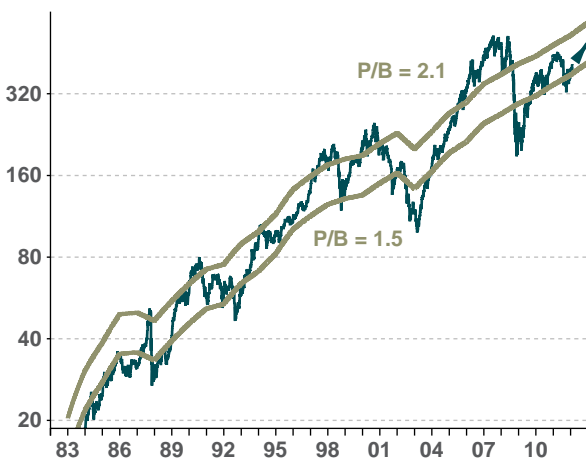
**OSESX outperformance**



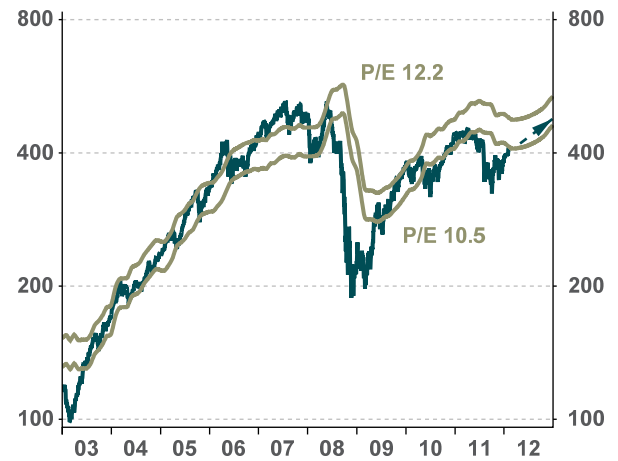
Source: Swedbank First Securities, Ecowin

**The OSEBX will reach 480 by the end of 2012, as the outlook for 2013 will be considerably brighter.** We do not expect earnings to grow much in 2012, as we believe the economy needs some time to get its wheels going again. More important for the OSEBX index, however, is how the foundation for global growth in 2013 is by the end of the year. By that time, European banks and state finances are under control and a 4.2% global GDP growth is supported by a revitalized US construction industry, China and other emerging markets should benefit from easing policies as inflation has been curbed. The oil market will face stronger demand growth and lower non-OPEC growth.

**P/B OSEBX ex. Shipping & Finance**



**P/E OSEBX**



Source: Swedbank First Securities, Ecowin

## Sector Recommendations

### Energy – Strong Buy

We raise our recommendation for the Energy sector from Buy to Strong Buy. Oil & gas producers will continue to profit as long as oil prices remain close to current levels, which is our base case. This will enable these companies to maintain record-high levels of E&P spending in the years to come – creating a positive backdrop for oil service companies. Although we fear that the sector's heavyweight, Statoil, currently has limited upside potential, this is offset by a large upside in the Oil Service sub-sector. Within Oil Service, we are particularly bullish towards the supply shares.

### Information Technology – Buy

We also raise our recommendation for the Information Technology sector from Reduce to Buy. We are positive to the sector as a whole as we expect the January small cap rally to continue going into February. In addition, key constituent Atea underperformed sharply in January for no clear reason. The company has a rock solid market position in the Nordic region where the economic fundamentals are relatively stable and EBITDA-margins have proven to be stable in previous downturns.

### Consumer Discretionary – Buy

We lower our recommendation for the Consumer Discretionary from Strong Buy to Buy, as we fear that Royal Caribbean Cruises (RCL) might face headwinds after the Costa Concordia accident last month. We still believe that low capacity growth will counterbalance lower demand, but wait and see how volumes and prices develop in the coming weeks. Despite our cautious stance towards RCL, we are positive towards the sector as U.S. consumer confidence, as well as global PMI readings, continued to improve. Moreover, we believe Schibsted is undervalued and we find its less cyclical business model (key profit drivers are online classifieds) highly profitable and appreciate the company's ability to replicate it, going into new markets.

### Financials – Buy

We upgrade our recommendation for the Financials sector from Neutral to Buy as we no longer view the European funding challenges as equally risky to the bank sector. The "mini bazooka" offered to banks by the ECB in December appears to have had an effect, although we are not in the clear just yet. We remain overweight both in the regional savings banks and DnB as we expect a shift in business-focus from market share competition and price wars to a focus on increasing margins. If the European financial situation continues to improve in the coming months, we expect to see a reprising of bank assets.

### Telecom – Neutral

The Telecom sector's key constituent, Telenor, has proved its ability to outperform the market in a turbulent market, but has struggled since their Indian licenses were revoked. Although we find Telenor's valuation attractive, we don't expect the company or the sector to outperform a strong market market fuelled by small caps.

### Materials – Neutral

We lower our take on the Materials sector from Buy to Neutral going into February. Although we believe that at Urea prices might be set for a rebound, we wish to remain cautious towards materials, as Chinese demand situation is somewhat unclear. This also applies with regards to Hydro. We are not bullish on the short term demand for aluminum, although the medium to long term demand could pick up as an extension of a revitalization of the US construction industry.

### Industrials/Other – Reduce

We reiterate our Reduce recommendation for the Industrials/Other sector. Orkla still seems like an attractive buy from a defensive point of view, being an excellent dividend case, but we are underweight the stock in January as the market outlook for SAPA has deteriorated during 2H11 and Orkla's large cap and defensive nature is poorly adopted to our top-down view. Our underweight view on the sector is also affected by a negative stance towards the broad shipping market which continues to suffer from supply overhang.

### Consumer Staples – Reduce

Again, we choose to avoid the Consumer Staples (i.e. fish farming) sector altogether. Although valuations are looking fairly attractive, we expect conditions to go from bad to worse as the industry is entering another period of cyclical headwind, despite somewhat increasing salmon prices the recent weeks. Several of the companies in the sector are now struggling financially and some will end up breaching covenants in 2012. Although the sector will eventually rebound, we believe it is too early to enter the sector yet.

## First Securities' Buy Portfolio

### Atea – Strong Buy

Based on Atea's rock solid market position and further growth outlooks, we believe the share is attractive valued at 12m fwd P/E 8x, both absolute and relative to peers. Additionally, the revised dividend policy (mid-point payout ratio of 85%) provides Atea with an industry best in class position in terms of dividend yield, around 9% in 2011 vs. peer average of 4%. We believe the 4q report will not stand out in positive terms, but further back the positive earnings trend in the company. Strong Buy and TP NOK 80 reiterated.

### Farstad Shipping – Strong Buy

The utilisation rates are improving for all offshore support vessel (OSV) segments, and the high tendering activity is about to materialize in long-term contract awards. Controlling a fleet of 64 vessels, including 8 vessels under construction, FAR is well positioned to reap the benefits of improving markets, with a strong foothold in key high-end OSV regions. The company stands out as the single OSV operator listed on OSE that has been able to improve the equity ratio in recent years, facilitating continued growth and increased market share. We expect FAR to reach mid-cycle margins in 2013, which implies EPS of NOK 30 and a fair share price in the NOK 250-300 range. Trading at P/E 7.6x and EV/EBITD 6.3x on 2012e appears attractive both absolute and relative, and the current Price/book level of 0.84x is in the middle of the historical P/B band, indicating modest expectations.

### Subsea 7 – Strong Buy

SUBC has a strong balance sheet and "limited" macro exposure; with earnings supported by all-time high backlogs and substantial drilling commitments. Furthermore, SUBC is a global leader in an attractive industry niche which should see strengthening order momentum in 2012 as oil companies move to develop last 6Y's exploration successes in deep waters. The timing to buy SUBC is good – earnings expectations are low and the stock is down 7% last 3m, thus underperforming OSEBX by 7%. Finally, we find SUBC attractively valued trading at 2012 PE of 13.9x, EV/EBIT of 8.8x, and goodwill adjusted P/B (end-2011 BV) of 2.0x (vs. 2008 avg. trough of 1.5x)

### Transocean – Strong Buy

RIG offers the largest upside among the large cap drilling contractors in our view, with the current USD 47 share price offering 52% upside to our USD 72 TP based on fleet valuation. The share suffered during 2011 due to continuous earnings downgrades resulting from sub-par operational performance and higher maintenance costs, toppled by the Dec-11 dilutive equity issue. These issues should now be well digested, and we believe the company is well positioned for a solid earnings recovery through 2012-2013, driven by the completion of its equipment inspection and certification program and as the strong UDW market benefits directly and also spills over to strength in it's the lower tier rig segments. Current valuations at 1.2x P/BV (ex GW) and ~USD 550m implied value per UDW rig are still near through levels, and positive readings on the Macondo liability risk lately together with the previous investigation reports support our base case of controllable risk for RIG related to the trial starting late Feb.

### Aker Solutions – Buy

AKSO should show strong earnings growth this year; we expect EPS to increase from NOK 2.9 in 2011 to NOK 6.0 in 2012 and NOK 8.6 in 2013. Growth is driven by turn-around in loss making divisions Subsea and Oilfield Services & Marine Assets in 2012 – we expect only moderate improvements for other divisions. We do not find our earnings growth estimate aggressive; by just eliminating write-downs related to Subsea Brazil, AKSO's EPS will improve by NOK 1.6 yoy, whereas a turn-around within Aker Oilfield Services and Marine will result in an improvement of NOK 1.0 yoy. Thus the implied earnings improvement, mainly related to backlog execution within product services is NOK 0.5 per share only.

### ABG Sundal Collier – Buy

ASC have reported several M&A transactions since 3Q, indicating improved market conditions in the segment, but also ASC's strong position. Although stockbroking volumes remained petty throughout 2H11, we now see somewhat better prospects on the back of the recent small cap rally, and climbing average margins as more volume arrive from Tier 2 clients. We estimate that ASC holds NOK 0.80 per share in excess capital which vouch for a solid dividend yield of 11-16% for the coming years.

### Deep Sea Supply – Buy

The company is set to benefit from improved market both within term and spot. DESSC is positioned with vessel availability in various regions, which we expect will see improved earnings and contract news flow in the near- to medium-term. Industry fundamentals in the offshore support vessel industry are about to improve, both in terms of spot and term markets, driven by increased global rig utilization and less new builds being delivered from yards. Valuation is attractive; DESSC is currently trading at a P/E of 6.2x and a EV/EBITDA of 7.1x for 2012e, which we find attractive.

### DnB - Buy

The share price has been lagging peers due to fear of a substantial increase in shipping loan losses in Q4, following the high level reported by Nordea last week (209bp). We believe DNB will report significant lower losses (59 bp), in particular as DNB held a shipping presentation in December which did not indicate a rapid increase in loan losses from shipping. On the contrary, they stated that the level of expected loan losses was down from end Q3 and into Q4 (Oct). As this presentation was held on Dec 16th, that should be a good indication that loan losses will be at moderate levels in Q4. The positive read across from Nordea was the strong net interest income in Nordea Norway, being before any significant effect from declining money markets rates. As banks have desisted from lowering its mortgage rates, it may be that net interest income estimates in general are too low. The bank is favourably priced at 0.93X book value (ex GW at Q3).

**Schibsted – Buy**

Adjusting for the cost of new initiatives in SCM, Schibsted trades at 12,3 times 2012 EPS. Given the strong outlook for EPS growth, the valuation seems to be undemanding. P/Book at 2,4 is low compared to what Schibsted has traded at. Aftenposten and the similar newspapers increase circulation revenues despite the modest circulation volume decline. The tabloids VG and Aftenbladet are much more exposed to circulation declines, but this does not ruin the upside to investors. The established successes FINN and Blocket continue to grow with sustainable high margins. New international ventures, especially in France seems to follow suit. Booked losses from new ventures are significant, but only half of one success like Blocket is required to justify these cost. Through the acquisition of Aspiro, Schibsted will strengthen mobile services and become majority owner of the online streaming service Wimp.

**Stolt-Nielsen – Buy**

We recommend to Buy Stolt-Nielsen Ltd with a target price of NOK 160/share. With the world's largest fleet of chemical tankers, a large tank container operation and a further expansion into the tank terminals industry, the company is well set to benefit from attractive medium- to long term chemical tanker market fundamentals. While many of its peers struggle after more than three years of challenging market conditions, Stolt-Nielsen remains financially strong and makes transactions that will further enhance its position in the marketplace. The company currently trades at a P/NAV of 0.78x and at attractive EV/EBITDA multiples of 7.9x, 6x and 5.2x for 2012, 2013 and 2014 respectively.

## First Securities' Sell Portfolio

**Frontline – Reduce**

While its modern assets, newbuilding commitments and debt is acquired by Frontline 2012, FRNT, FRO now operates a fleet of chartered and leased tonnage in addition to one vintage Suezmax and newbuilding contracts for two Suezmaxes. With a reduction in lease and debt obligations and slashed newbuilding commitments, estimates are positively impacted, cash reserves are strengthened and leverage reduced. However, with a relatively old fleet, few owned assets and a soft market outlook over the next 2-3 years, we repeat our Reduce recommendation as the share trades far above underlying values.

**Gjensidige Forsikring – Reduce**

Although the company has proved solid operations in the Norwegian non-life business, and the combined ratio for 2011 is expected to come in the low end of the long term guidance of 90-93%, we see limited potential for further earnings improvements. The new tariffs are being implemented, but now with diminishing impact on premium growth as the main segment (Motor) has been completed. Together with its disappointing growth story in the Nordics, we find Gjensidige fully priced at P/B 1.5x and P/E 11.6x 2012 earnings.

**Kværner – Neutral**

Expectations are too high - our EPS estimates of NOK 1.0 for 2012 and NOK 1.2 for 2013 are 32-34% below consensus. We find both volume and margin expectations too high – especially considering a historical margin at 3.7%. KVAER is currently seeing good operations within GBS; but jackets struggle with poor performance at the Nordsee Ost project, Stord faces temporary lay-offs and early phase construction, International lacks work and US downstream struggle with high legal costs and few projects. With potentially four out of five business areas underperforming this year; we struggle to see how KVAER can substantially outperform its historical profitability. Additionally, there is risk for write-downs - in a negative scenario, problem projects like Longview and Nordsee Ost can reduce cash by NOK 2-4/Share

**Marine Harvest – Neutral**

The share price of Marine Harvest increased 23% outperforming the OSEBX significantly in January despite salmon prices averaging only at the production cost level. The re-pricing is partially justified by an attractive valuation at the start of the year based on normalized long-term assumptions, but the near-term fundamentals remain challenging as global supply is expected to increase by up to 25% y/y in February. The key figures for Q4 have been pre-announced and we do not expect the report due 8 February to offer any significant triggers. Preparing for a challenging year, the company has implemented cash preservation measures and we do not expect any change to this strategy. We do not expect the outperformance to continue near-term and include Marine Harvest as a funding candidate in February.

**Orkla – Neutral**

Orkla is about to streamline the conglomerate structure and become a branded consumer goods company. However, the complexity of divesting large businesses like SAPA, Borregaard and REC is probably larger and the processes may be more time consuming than generally expected. Orkla thus has a potential for underperforming against expectations of a rapid break up. Our sum of parts valuation is close to the current share price. However – our valuation is based on peer multiples, not potential acquisition prices. Positive surprises may thus occur, however, in our opinion, hardly near term.

**SAS – Reduce**

The competition remains fierce and SAS is experiencing load pressure and reduced number of high yield passengers due to reduced business travel. Combined with negative effects from the European financial crisis and a relatively high cost level, earnings are likely to remain subdued. The risk is high due to the weak balance sheet and continued losses.

## Performance in January 2012

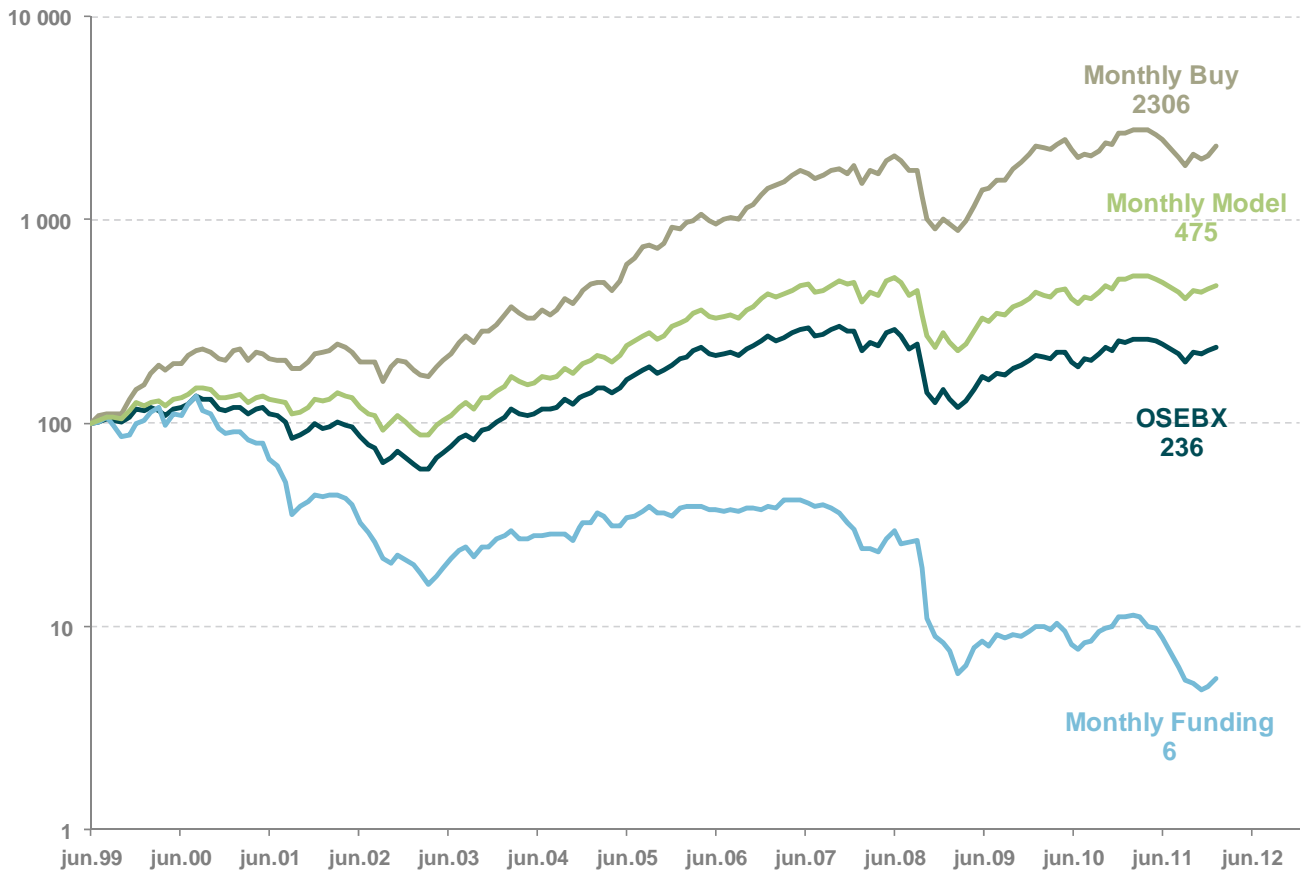
## Buy and Funding portfolio performance in December

Buy portfolio				Funding portfolio			
Company	In	Out*	Jan return	Company	In	Out*	Jan return
EMGS	13,90	16,50	18,7 %	SDRL	201,90	218,00	8,0 %
SUBC	115,60	118,80	2,8 %	PAR	1,91	1,44	-24,4 %
RIG	238,55	277,28	16,2 %	NAT	75,17	81,25	8,1 %
YAR	252,90	236,10	-6,6 %	FRO	25,90	29,90	15,4 %
RCL	155,30	158,60	2,1 %	SAS NOK	6,60	7,87	19,2 %
SCH	153,30	167,40	9,2 %	GJF	68,45	67,85	-0,9 %
FAR	150,00	159,00	6,0 %				
DESSC	8,27	10,20	23,3 %				
DNBNOR	58,25	61,90	6,3 %				
Average			8,7 %	Average			4,2 %

	Jan return	YTD
Buy portfolio	8,7 %	11,6 %
Funding portfolio	4,2 %	9,3 %
Model portfolio	1,4 %	3,8 %
OSEBX	0,8 %	3,2 %

Source: First Securities, Reuters EcoWin

## Portfolios vs OSEBX



Source: First Securities, Reuters EcoWin

# First Securities' Model Portfolio – February 2011

## Model portfolio

Ticker	Sector/Company	Recomm.	Portf. weight	OSEBX weight	Diff.	31-Jan price	Previous recomm.	January return
<b>Financials</b>		<b>Buy</b>	<b>14,7%</b>	<b>12,5%</b>	<b>2,2%</b>		<b>Neutral</b>	<b>5,2 %</b>
DNBNOR	DnB NOR	Buy	10,2%	8,4%	1,8%	61,90		6,3%
ASC	ABG Sundal Collier	Buy	2,5%	0,2%	2,3%	4,50		20,0%
STB	Storebrand	Buy	1,9%	1,4%	0,5%	29,00		3,6%
<b>Consumer Staples</b>		<b>Reduce</b>	<b>0,0%</b>	<b>2,5%</b>	<b>-2,5%</b>		<b>Reduce</b>	<b>12,9 %</b>
<b>Consumer Discretionary</b>		<b>Buy</b>	<b>6,0%</b>	<b>5,1%</b>	<b>0,9%</b>		<b>Strong Buy</b>	<b>5,0 %</b>
SCH	Schibsted	Buy	3,8%	1,8%	2,0%	167,40		9,2%
RCL	Royal Caribbean Cruises	Buy	2,2%	1,8%	0,4%	158,60		2,1%
<b>Industrials/Other</b>		<b>Reduce</b>	<b>4,3%</b>	<b>9,3%</b>	<b>-5,0%</b>		<b>Reduce</b>	<b>7,2 %</b>
ORK	Orkla	Neutral	2,3%	5,4%	-3,1%	47,55		5,7%
SNI	Stolt Nielsen	Buy	2,0%	0,6%	1,5%	126,00		2,4%
<b>Materials</b>		<b>Neutral</b>	<b>10,6%</b>	<b>10,2%</b>	<b>0,4%</b>		<b>Buy</b>	<b>-1,8 %</b>
YAR	Yara	Buy	6,4%	6,1%	0,3%	236,10		-6,6%
NHY	Norsk Hydro	Buy	4,2%	4,1%	0,1%	31,00		6,6%
<b>Energy</b>		<b>Strong Buy</b>	<b>49,9%</b>	<b>47,7%</b>	<b>2,2%</b>		<b>Buy</b>	<b>-0,1 %</b>
STL	Statoil	Buy	20,7%	22,7%	-2,0%	147,10		-7,5%
SUBC	Subsea 7	Strong Buy	7,8%	4,9%	2,9%	118,80		2,8%
SDRL	SeaDrill	Reduce	5,3%	8,7%	-3,4%	218,00		8,0%
AKSO	Aker Solutions	Buy	3,6%	1,6%	2,0%	71,95		8,1%
PGS	Petroleum Geo Service	Buy	3,2%	2,0%	1,2%	75,10		9,9%
FAR	Farstad Shipping	Strong Buy	2,4%	0,0%	2,4%	159,00		6,0%
RIG	Transocean	Strong Buy	2,4%	0,0%	2,4%	277,28		16,2%
PRS	Prosafe	Buy	1,7%	1,4%	0,3%	45,50		6,4%
DESSC	Deep Sea Supply Plc	Buy	1,6%	0,0%	1,6%	10,20		23,3%
FOE	Fred Olsen Energy	Buy	1,2%	1,0%	0,2%	221,10		6,5%
<b>Telecom</b>		<b>Neutral</b>	<b>11,8%</b>	<b>10,9%</b>	<b>0,9%</b>		<b>Buy</b>	<b>-2,1 %</b>
TEL	Telenor	Buy	11,8%	10,9%	0,9%	95,65		-2,1%
<b>Information Technology</b>		<b>Buy</b>	<b>2,8%</b>	<b>1,8%</b>	<b>1,0%</b>		<b>Reduce</b>	<b>1,8 %</b>
ATEA	Atea	Strong Buy	2,8%	0,5%	2,3%	57,25		-5,0%
<b>WEIGHTS</b>			<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>			
<b>PORTFOLIO RETURN</b>								<b>1,4 %</b>
<b>MARKET RETURN</b>								<b>0,8 %</b>
<b>OUTPERFORMANCE</b>								<b>0,5 %</b>

Source: First Securities, Reuters EcoWin

## Norwegian Credit – Overweight

We started the year with a fairly conservative stance on credit allocation. Since then, the sovereign debt situation has looked brighter, helped among others by improved risk sentiment and not least the ECB's three-year funding programme, according to which we will see another big tranche at the end of this month. It remains the situation that the credit market still compensates for all "normal" outcomes, an ordinary recession included. Even though e.g. an unorderly Greece default could take place during the next month, we think the present pricing is rich enough to cover the risk, at least from a medium-term perspective.

European bank CDS has rallied significantly in the last month at the same time as Norwegian senior bank spreads have been fairly stable. With our positive view on the fundamentals of **Norwegian banks**, we therefore adjust our weights to overweight for Norwegian senior secured for all durations. We also remain positive towards covered bonds, but leave the Tier I and II capital at marketweight, as the spreads there have stayed fairly stable even during the period when this asset class underperformed in Europe. They will, however, eventually decline if we now see a tightening for senior bank bonds.

Among investment-grade corporates we still prefer unrated **utilities** (with a few exceptions), where we have shadow ratings for the regional players from A to BBB-. For **corporate IG** we think a possible decline in bank spreads will lower the spreads for corporate IG as well and we adjust to overweight.

In the **high yield** segment, we have seen a rally in Europe over the past month. Since we wrote our last report, the cross-over indices have tightened exactly 200 bps, in other words showing a substantial decline in the risk premium. In this light, we see even more value in the Norwegian high yield market, which has been relatively stable compared with what we see in the international market. We adjust our weight to overweight for single B/CCC and from modest overweight to overweight for the BB-segment.

This month we made one substitute in our high yield portfolio, substituting Floatel for Dannemora. **BB portfolio** yields now swap +480 bps versus + 510 bps last month. The **B/CCC portfolio** now trades at around 920 bps.

### Comments per segment

Issuer	Segment	Comment
Bank	Senior Unsecured	We adjust to <b>overweight</b> for senior bonds. There is a risk of a further setback in Europe but we still believe that state-supported funding intervention might take place if things get really bad. We continue to see extra value in small/medium S&L banks.
Bank	Covered Bond	On a risk/return basis this segment provides value. Great spread these days over treasuries. The cover pool of Norwegian entities is among the strongest in the world and the sponsor banks are well capitalised. Great substitute for sovereign debt. <b>Overweight</b> for all durations.
Bank	Tier II Bonds	Limited principal risk at the moment. Norwegian banks are well capitalised but even they will have to strengthen their capital base going forward. Market risk fairly mitigated through spreads, so all in all we keep our <b>marketweight</b> .
Bank	Tier I Bonds	<b>Marketweight</b> here as well, based on the same arguments as for Tier II bonds.
Industry	Investment Grade	Limited selection of names in the domestic market. Our favourite segment is the utility segment, where we see low default risk. We adjust to <b>overweight</b> for both general corporates and utility bonds.
Industry	High Yield	Low frequency of defaults in the short term and spreads have rallied internationally. We upgrade to <b>overweight</b> for all rating classes within the domestic high yield market.

Source: First Securities, Bloomberg

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**The BB Portfolio**

Issuer	Estimated rating*	Comment
Wilh Wilhelmsen	BB+/pos	A strong name that fits a more defensive portfolio these days. WWI holds a very efficient credit curve with all sorts of maturity. We see value through the curve but think the spread risk is relatively limited, so we recommend 2022 maturity that trades at mid-spread c. 465 bps these days.
Color Group AS	BB-/pos	Stable business, high gearing but decreasing over time. Head for duration through COLG08 (11/15) at some 446 bps and COLG09 due Aug 2016 with c. 500 bps.
Seadrill Ltd	BB+	The strongest Norwegian rig company. The \$-bond gives the most value at mid-spread some 580 bps (10/15).
AKER ASA	BB+	Safe haven these days. Cash-rich and deleveraged. AKER05 and AKER06 trade at an average of c. 450 bps.
Stolt Nielsen	BB+	Strong, robust and integrated business model, being the world's largest integrated marine transportation network for chemicals and other bulk liquids. With a leading position in the global markets and moderate leverage, we find c. 460 bps still attractive.

Source: First Securities, Bloomberg

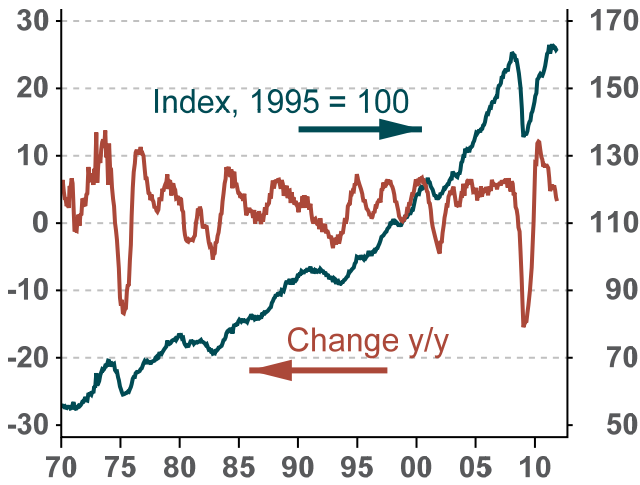
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**The B/CCC Portfolio**

Issuer	Estimated rating*	Comment
Dannemora	Ind CCC+	The project is progressing and production is scheduled to start during 2q12. 100% off-take secured the first two years. The company needs additional funding (probably equity) by end-2q12, according to our estimates. Mid spread of bond at c. 1560
Havila	B	Highly geared entity. We still like HAVI04 that holds a 1st lien in the PSV Havila Clipper. Estimated LTV at some 70% now. The bond trades mid-price at 89 with a spread at c. 610 bps.
Songa	B+	Order backlog of USD 4.3bn gives revenue visibility. Some 88% of the backlog is with Statoil. Further options of USD 4.7bn might translate into potential revenue drivers in the future. Trades at mid c. 940 bps.
DOF Sub	B+	High gearing but global player with a high degree of income transparency with a backlog of NOK 15.75bn. We see the credit metrics improving going forward, DOFSUB05 trades at c. 710 bps.
Golden Close	Ind CCC+	An SPV consisting of one high-spec drillship operated by Odfjell Drilling with a 1st lien bond of USD 460m. Currently on contract with BG (A2 /A/A) until end-2012. Trades at c. 790 bps.

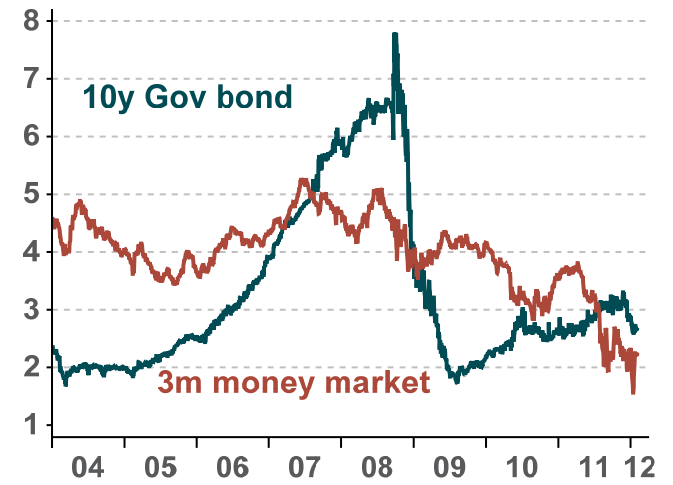
Source: First Securities, Bloomberg

**Global industrial production**



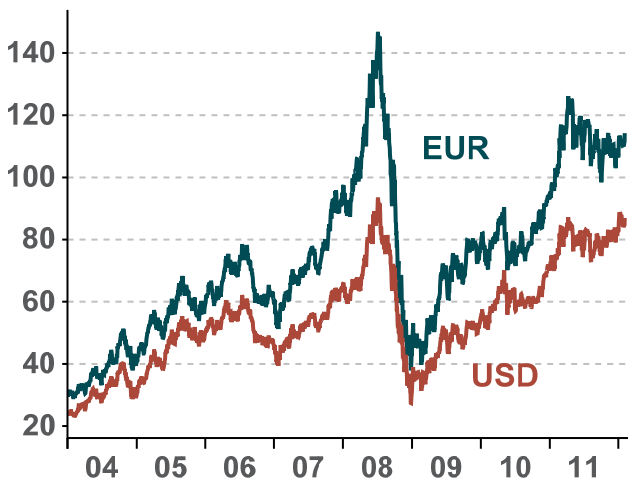
Source: First Securities, Reuters EcoWin

**Long and short term interest rates (Norway)**



Source: First Securities, Reuters EcoWin

**Crude Brent (2m forward)**



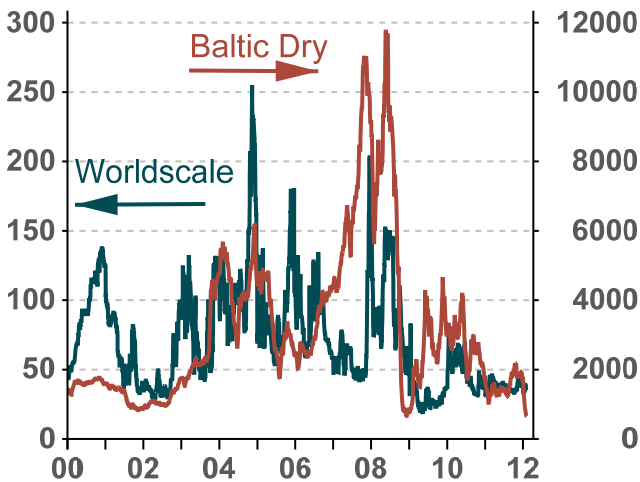
Source: First Securities, Reuters EcoWin

**Aluminium 3m forward (USD/tonne)**



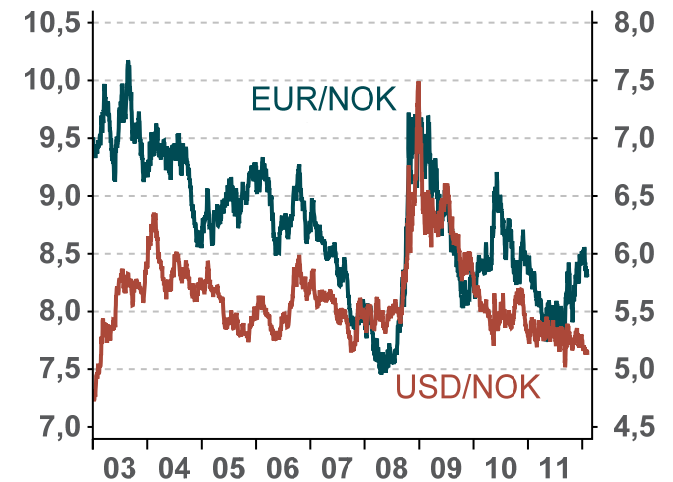
Source: First Securities, Reuters EcoWin

**Worldscale oil tanker rate & Baltic dry freight index**



Source: First Securities, Reuters EcoWin

**EUR/NOK & USD/NOK**



Source: First Securities, Reuters EcoWin

# First Securities Earnings Estimates

TICKER	RECOMMENDATION	RISK	SHARES (MILL)	PRICE (A)	WEIGHT	RECURRING EPS			EPS			P/E RECURRING			EV/EBIT			ROE			P/B			DPS			TARGET					
						1E	2E	3E	1E	2E	3E	1E	2E	3E	1E	2E	3E	1E	2E	3E	1E	2E	3E	1E	2E	3E		1E	2E	3E		
<b>CONSUMER STAPLES</b>																																
Marine Harvest	Neutral	High	3574.9	3.5	0.6%	0.5	0.5	0.1	0.3	0.9	0.3	0.1	0.3	12.1	5.4	4.15	12.6	6.1	11.3	26%	11%	3%	18	0.9	1.1	1.4	0.0	0.0	0.1	2.5		
Salm ASA	Neutral	Medium	103.0	31.4	0.2%	7.9	4.7	18	4.0	9.2	15	18	4.0	7.8	6.4	7.9	7.8	7.2	26.7	47%	7%	8%	2.7	1.5	1.4	4.0	0.0	0.7	16	32.5		
Leroy Seafood Group	Neutral	Medium	53.6	102.0	0.3%	22.4	15.1	4.2	8.5	26.5	7.1	4.2	8.5	8.9	5.6	24.5	12.0	6.6	11.3	29%	7%	4%	2.0	0.9	1.1	10.2	4.5	1.9	3.4	75.0		
Cermaq ASA	Neutral	Medium	92.5	82.3	0.4%	10.7	10.7	5.1	8.3	16.4	8.0	5.1	8.3	8.4	6.6	16.1	9.9	4.9	7.7	30%	13%	8%	1.5	1.1	1.3	5.4	4.8	2.3	3.7	70.0		
Grig Seafood	Reduce	High	11.7	5.8	0.03%	3.8	0.8	-1.1	0.4	5.6	-1.9	-1.1	0.4	4.9	5.8	nm	14.0	3.7	nm	38%	-12%	-8%	1.1	0.3	0.4	1.4	0.0	0.0	0.0	3.0		
Copeinca	Under Review		58.5	39.0	0.1%																											
Austevoll Seafood ASA	Under Review		202.7	26.5	0.3%																											
Rieber & Son	Neutral	Low	76.6	40.6	0.2%	3.7	2.8	3.6	3.7	3.9	2.8	3.6	3.7	11.4	13.9	11.3	10.9	8.1	10.6	15%	12%	16%	1.6	1.8	1.7	7.0	2.0	2.1	2.2	45.0		
<b>CONSUMER DISCRETIONARY</b>																																
Schibsted	Buy	Low	106.9	176.2	1.1%	8.6	7.6	9.1	11.6	27.0	6.8	9.1	11.6	20.1	19.7	19.4	15.2	13.0	11.0	49%	11%	15%	2.8	2.5	2.7	3.0	3.0	4.0	4.3	180.0		
Royal Caribbean Cruises	Buy	High	219.0	176.2	0.9%	11.5	16.4	16.3	25.6	14.3	15.5	16.6	25.6	24.1	9.1	10.8	6.9	23.8	14.7	7%	7%	7%	1.3	0.7	0.7	0.0	1.1	2.4	2.3	295.0		
<b>TELECOMMUNICATION SERVICES</b>																																
Telenor	Buy	Medium	1608	95	1.5%	6.1	7.1	9.0	10.8	8.6	7.4	9.0	10.8	15.5	13.8	10.5	8.8	15.0	12.1	17%	14%	15%	1.8	1.8	1.5	3.8	4.6	5.9	7.0	114.0		
Tello	Buy	Medium	19	27	0.0%	2.7	3.3	3.1	3.3	3.8	3.5	3.2	3.4	12.0	7.8	8.8	8.3	6.3	4.7	75%	79%	57%	8.8	5.1	4.4	3.0	3.0	3.0	3.0	36.0		
<b>INFORMATION TECHNOLOGY</b>																																
Eltek	Neutral	High	323.2	4.3	0.1%	-0.8	0.3	0.6	0.7	-0.9	0.2	0.5	0.6	nm	12.1	7.1	6.4	9.9	6.1	-28%	9%	27%	1.2	2.0	1.9	0.0	0.0	0.0	0.0	4.0		
Nordic Semiconductor	Buy	High	168.7	19.6	0.2%	0.9	0.6	0.8	1.2	1.0	0.6	0.8	1.2	26.3	22.0	24.0	16.0	16.3	14.4	56%	27%	30%	12.4	5.7	6.6	0.4	0.4	0.4	18.0			
Opera Software ASA	Neutral	Medium	119.6	31.1	0.2%	0.4	1.3	1.9	2.8	0.2	1.3	1.9	2.8	72.0	22.8	16.2	11.0	29.0	14.2	5%	23%	29%	5.5	4.6	4.2	0.2	0.5	0.8	1.2	34.0		
EDB Ergo Group	Neutral	Medium	267.3	11.1	0.2%	-0.3	1.1	1.7	1.9	-2.0	1.1	1.5	1.7	nm	8.9	6.6	5.7	25.7	8.1	-6%	5%	7%	0.8	0.5	0.5	0.0	0.0	0.6	0.7	12.0		
Vizrt	Buy	High	67.0	20.00	0.1%	0.8	1.6	1.9	2.4	0.1	1.2	1.7	2.1	30.4	12.0	10.4	8.5	89.4	9.3	1%	12%	15%	2.5	1.8	1.7	0.0	0.8	1.0	1.2	27.0		
Atea	Strong Buy	Medium	99.6	59.8	0.4%	4.0	5.1	5.6	6.0	5.2	6.0	5.9	6.3	14.7	11.7	10.7	10.0	12.4	8.9	16%	17%	13%	1.7	1.5	1.2	2.1	5.0	4.8	5.1	80.0		
<b>MATERIALS</b>																																
Norsk Hydro	Buy	Medium	2036.0	31.2	3.8%	1.3	2.0	1.4	3.8	1.4	3.7	1.4	3.8	32.8	14.2	22.2	8.3	2.13	8.0	4%	10%	4%	1.2	0.7	0.8	0.8	1.1	0.4	1.1	40.0		
Norske Skogindustrier	Neutral	High	189.9	7.2	0.1%	-6.0	-3.6	1.5	2.4	-12.9	-0.7	1.5	2.4	nm	nm	4.7	3.0	nm	nm	-22%	-22%	4%	0.3	0.1	0.2	0.0	0.0	0.0	0.0	10.0		
Yara International	Buy	Medium	287.5	255.5	4.6%	20.0	34.1	30.2	28.5	30.2	40.9	30.2	28.5	16.9	7.0	8.4	9.0	14.3	5.5	27%	29%	18%	2.8	1.6	1.4	5.5	7.3	5.4	5.1	300.0		

# First Securities Earnings Estimates

Ticker	Recommendation	Risk	Shares (mil)	Price (A)	Weight OSEBX	Recurring EPS			EPS			P/E Recurring			EV/EBIT			ROE			P/B			DPS			Target 2M		
						1E	2E	3E	1E	2E	3E	1E	2E	3E	1E	2E	3E	1E	2E	3E	1E	2E	3E	1E	2E	3E			
<b>OIL EXPLORATION &amp; PRODUCTION</b>																													
STL	Buy	Medium	3,63.0	149.7	33%	12.2	15.6	18.0	19.8	110	210	18.0	19.8	114	9.8	8.3	7.6	4.0	2.9	17%	27%	20%	2.0	1.8	1.6	6.3	6.5	7.0	185.0
Norse Energy	Reduce	High	743.0	0.2	0.0%	-0.5	-0.4	-0.1	-0.1	-0.6	-0.3	-0.1	-0.1	nm	nm	nm	nm	nm	nm	-98%	nm	nm	5.9	5.1	-2.4	0.0	0.0	0.0	0.1
Det Norske Oieselskap	Strong Buy	High	22.2	93.0	0.8%	-6.3	-3.4	-3.0	-0.6	-6.0	-3.5	-3.0	-0.6	nm	nm	nm	nm	nm	nm	-19%	-2%	-12%	0.9	3.3	4.0	0.0	0.0	0.0	120.0
DNO International ASA	Buy	High	949.9	8.4	0.4%	0.4	0.5	1.0	2.1	-0.3	0.7	1.0	2.1	23.4	14.3	8.1	4.0	57.6	9.6	-15%	28%	32%	4.1	2.7	2.2	0.0	0.0	0.0	12.0
Questerre Energy Corp.	Buy	High	232.1	4.4	0.0%	-0.3	0.2	-0.1	-0.1	-0.4	0.2	-0.1	-0.1	nm	14.6	nm	nm	nm	5.1	-8%	3%	-2%	1.9	0.6	0.8	0.0	0.0	0.0	6.0
Panoro Energy	Buy	High	24.19	4.8	0.1%	-0.6	-0.5	-0.4	-0.2	-0.5	-0.7	-0.3	-0.2	nm	nm	nm	nm	nm	59.4	-4%	-2%	-5%	1.1	0.7	0.8	0.0	0.0	0.0	16.0
Rocksource	Neutral	High	345.8	0.5	0.0%	-1.1	-0.4	-0.3	-0.2	-1.3	-0.4	-0.3	-0.2	nm	nm	nm	nm	nm	nm	-80%	-31%	-22%	2.3	0.2	0.4	0.0	0.0	0.0	0.5
North Energy ASA	Neutral	High	25.1	12.5	0.0%	-2.6	-5.1	-4.7	-1.7	-2.6	-5.1	-4.7	-1.7	nm	nm	nm	nm	nm	nm	-20%	-31%	-41%	1.2	0.6	1.3	0.0	0.0	0.0	12.0
Bridge Energy ASA	Buy	High	63.3	10.4	0.0%	-2.5	-0.7	-0.2	0.2	-2.7	-0.3	-0.2	0.2	nm	nm	nm	46.3	nm	nm	-30%	-2%	-2%	0.9	0.5	0.7	0.0	0.0	0.0	18.0
P.A Resources	Reduce	High	637.5	1.6	0.0%	-0.6	-3.0	-0.5	-0.3	-0.5	-2.9	-0.5	-0.3	nm	nm	nm	nm	14.0	nm	-6%	-51%	-12%	0.8	0.4	0.4	0.0	0.0	0.0	0.5
Lundin Petroleum	Buy	Medium	317.9	140.1	0.0%	-3.7	2.3	1.4	2.0	2.7	2.5	1.1	2.0	62.8	97.1	70.4	11.3	11.6	14%	14%	6%	4.3	7.8	7.2	0.0	0.0	0.0	164.6	
Norwegian Energy Company	Buy	High	254.5	6.9	0.1%	0.1	-3.4	-0.6	1.4	0.0	-3.1	-0.6	1.4	nm	nm	nm	4.9	nm	0%	-24%	-5%	1.3	0.4	0.6	0.0	0.0	0.0	13.0	
<b>OIL SERVICE</b>																													
AKD	Neutral	High	299.2	26.5	0.0%	1.4	2.2	1.9	1.6	0.9	2.1	1.9	1.6	29.0	12.2	14.0	16.6	21.4	12.7	3%	10%	7%	1.2	1.0	1.0	0.0	0.0	0.0	26.5
BWO	Buy	Medium	688.0	8.9	0.4%	0.3	-0.5	0.7	0.8	-1.3	-0.4	0.7	0.8	57.5	nm	12.2	11.5	53.2	53.2	-9%	-4%	7%	0.9	0.9	0.9	0.0	0.9	0.9	115
FOE	Buy	High	66.3	229.9	0.9%	30.6	32.7	30.6	34.3	29.2	31.5	30.6	34.3	8.4	6.1	7.5	6.7	9.7	7.3	31%	28%	25%	2.5	1.7	1.8	20.0	20.0	20.0	270.0
P-GS	Buy	Medium	217.8	77.3	1.0%	2.8	1.4	5.2	9.3	-0.2	1.0	5.3	9.3	32.6	48.1	15.0	8.3	25.7	22.5	0%	2%	11%	2.0	1.4	1.5	0.0	1.0	1.6	2.8
TGS	Neutral	Medium	1019	153.4	0.9%	8.9	9.5	12.0	12.9	9.2	8.9	12.2	12.9	14.7	14.0	12.8	11.9	8.8	8.4	19%	16%	20%	2.5	2.3	2.5	5.0	5.1	6.0	65
AKSO	Buy	Medium	269.0	79.6	1.1%	6.4	2.9	6.0	8.6	6.0	4.3	7.3	8.6	6.4	21.9	13.2	9.3	10.3	13.0	17%	11%	17%	2.6	1.6	1.7	2.8	1.6	2.6	3.1
Prod	Buy	High	255.2	18.3	0.0%	0.8	1.1	1.1	1.1	0.8	1.0	1.1	0.0	21.7	17.8	17.4	nm	7.6	15.5	4%	5%	5%	0.9	0.9	0.9	0.0	0.0	0.0	17.0
Sevan Marine	Neutral	High	526.1	12.7	0.0%	-1.3	-0.9	-0.2	-0.2	-1.8	-0.9	-0.2	-0.2	nm	nm	nm	nm	nm	nm	-18%	-11%	-2%	37.4	1.0	1.6	0.0	0.0	0.0	1.5
Subsea 7 Inc.	Strong Buy	Medium	339.9	126.5	2.5%	7.9	7.9	8.6	13.6	7.6	7.5	8.7	13.6	16.6	14.0	14.8	9.3	9.8	9.4	18%	10%	8%	2.8	1.1	1.2	0.0	0.0	0.0	165.0
Deep Sea Supply	Buy	High	126.9	10.5	0.1%	-0.7	-0.6	1.6	3.1	-0.1	0.3	1.7	3.1	nm	nm	6.5	3.4	67.3	71.0	-2%	4%	20%	1.6	1.0	1.2	0.0	0.0	0.8	15
Pro safe	Buy	High	222.9	47.9	0.6%	4.6	4.2	5.3	6.5	5.4	4.2	5.4	6.5	10.2	9.8	9.0	7.3	10.8	11.3	61%	36%	41%	4.3	3.3	3.4	1.7	2.7	3.3	49.0
DOF ASA	Buy	High	110	28.0	0.2%	-1.0	0.2	1.8	2.3	-2.1	-3.6	1.8	2.3	nm	86.0	15.6	12.0	42.3	23.6	-5%	-10%	5%	1.2	0.6	0.8	0.0	0.0	0.0	38.0
Scorpion Offshore	No recommendation	High	87.4	40.2	0.0%	3.5	5.7	5.7	5.7	4.1	5.4	0.0	0.0	11.4	7.2	nm	11.4	10.8	7.5	12%	13%	0%	1.1	0.9	0.0	0.0	0.0	0.0	40.5
Farstad Shipping	Strong Buy	Medium	39.0	160.0	0.4%	15.3	13.8	21.8	30.5	11	16.1	21.8	30.5	11.5	10.9	7.3	5.2	13.2	10.7	7%	9%	12%	1.0	0.9	0.8	3.0	4.0	5.0	220.0
Songa Offshore	Strong Buy	High	17.7	23.4	0.2%	4.2	2.3	3.3	5.5	7.1	2.0	3.4	5.5	7.4	8.0	7.0	4.3	7.1	16.6	23%	5%	8%	0.9	0.5	0.6	0.0	0.0	0.0	43.0
Seadrill Limited	Reduce	High	467.9	29.7	4.6%	16.5	16.3	17.3	18.0	16.3	21.8	17.6	18.0	12.0	12.2	12.7	12.2	14.9	14.4	24%	29%	22%	2.8	2.4	2.8	16.5	16.9	17.4	200.0
Standard Drilling Plc	Strong Buy	High	262.0	7.7	0.0%	0.0	-0.1	-0.1	0.2	0.0	0.9	-0.1	0.2	nm	nm	nm	46.8	nm	nm	-1%	14%	-1%	1.2	0.8	0.9	0.0	0.0	0.0	11.0
Northern Offshore Ltd	Buy	High	54.8	13.4	0.1%	2.5	0.3	2.6	3.1	-5.5	0.2	2.6	3.1	5.9	43.9	5.2	4.3	nm	24.2	-46%	2%	27%	1.6	1.4	1.3	0.0	0.5	1.5	19
Seabird Exploration	Neutral	High	320.9	0.3	0.0%	-1.3	-1.1	-0.2	0.3	-1.4	-1.1	-0.3	0.3	nm	nm	nm	0.9	nm	nm	-35%	-56%	-21%	0.7	0.1	0.1	0.0	0.0	0.0	3.0
Emgs	Strong Buy	High	17.4	17.8	0.2%	-1.7	0.1	1.8	2.7	-2.3	0.1	1.8	2.7	nm	nm	nm	9.9	6.6	nm	-456%	8%	53%	nm	5.1	4.1	0.0	0.0	0.0	24.0
Polarcus	Buy	High	467.1	4.7	0.0%	-0.4	-0.5	0.3	1.1	-0.4	-0.4	0.3	1.1	nm	nm	18.5	4.2	nm	61.3	-9%	-8%	5%	nm	0.5	0.8	0.0	0.0	0.0	4.8
Dolphin Group A SA	Strong Buy	High	250.2	4.4	0.1%	0.0	-0.1	0.6	1.6	0.0	-0.1	0.6	1.6	nm	nm	7.8	2.7	nm	nm	0%	-6%	21%	nm	nm	1.4	0.0	0.0	8.0	
Spectrum	Buy	High	410	24.2	0.0%	-3.0	1.7	2.9	3.7	-3.1	1.6	3.0	3.7	nm	10.7	8.2	6.5	nm	6.3	-39%	18%	22%	1.4	1.5	1.6	0.0	0.0	0.0	25.0
TTS Group	Buy	High	75.9	11.1	0.0%	-2.6	0.5	1.3	1.7	-2.6	0.3	1.3	1.7	nm	20.4	8.6	6.6	nm	11.0	-23%	3%	11%	0.7	0.8	0.9	0.0	0.0	0.0	13.0
Transocean Inc	Strong Buy	High	349.8	286.1	0.0%	31.7	9.6	19.6	41.8	18.0	8.7	20.0	41.8	12.7	23.9	14.6	6.8	16.1	15.8	5%	2%	5%	1.0	0.6	0.8	0.0	-7.2	17.0	166
Floate Intl	Neutral	High	96.7	19.2	0.0%	-1.2	2.0	3.7	2.4	-1.3	1.8	3.8	2.8	nm	10.1	5.2	6.8	nm	11.4	-11%	12%	21%	1.0	1.2	1.0	0.0	0.0	0.0	20.0

# First Securities Earnings Estimates

OTHER INDUSTRIES		Ticker	Recommendation	Risk	Shares	Price	Weight	Recurring EPS	EPS	P/E Recurring			ROE			P/B			DPS	Target						
										10	11E	12E	13E	10	11E	12E	13E	10	11E	12E	13E					
SAS	SAS	329.0	7.8	0.0%	-0.7	-0.9	-0.1	-4.3	0.1	-0.1	nm	nm	26.8	nm	16.9	-17%	0%	0%	0.5	0.2	0.2	0.0	10	2.0	3.0	6.9
Norwegian Air Shuttle ASA	NAS	35.1	79.5	0.1%	0.8	1.5	10.9	16.4	4.9	2.9	10.9	16.4	37.2	7.3	25.8	10%	6%	18%	2.2	1.0	1.2	0.0	0.0	0.0	0.0	100.0
Toma Systems	TOM	147.9	43.7	0.4%	2.2	2.8	3.1	3.2	0.5	2.6	2.9	3.0	17.7	14.3	10.1	4%	20%	18%	3.1	2.8	2.6	0.6	0.7	0.8	0.9	46.0
Orkla	ORK	1018.6	48.5	3.1%	3.7	3.8	4.1	4.3	-0.9	-0.1	4.1	4.3	13.8	11.9	10.2	-2%	0%	12%	1.1	1.3	1.4	2.5	7.5	2.8	3.0	43.0
REC	REC	987.9	5.2	0.2%	0.0	0.3	-0.3	-0.3	1.0	-8.5	-0.4	-0.3	nm	nm	8.1	5%	-46%	-3%	0.8	0.2	0.4	0.0	0.0	0.0	0.0	10.0
Hexagon Composites	HEX	133.3	3.4	0.0%	0.0	0.0	0.4	0.6	0.1	0.1	0.4	0.6	nm	19.2	15.8	7%	5%	16%	3.4	1.2	1.4	0.1	0.0	0.0	0.0	4.5
Kongsberg Gruppen ASA	KOG	120.0	12.0	0.9%	1.9	12.2	12.4	12.6	2.5	1.9	2.4	12.6	11.2	9.8	6.9	35%	27%	24%	3.3	2.5	2.2	2.0	3.8	3.6	3.7	145.0
Comrod Communication	COMROD	19.5	7.0	0.0%	1.5	0.4	0.8	1.0	1.4	0.5	0.8	1.0	8.6	14.3	7.4	18%	6%	9%	1.5	0.6	0.7	0.0	0.0	0.0	0.0	2.0
Scania Industriier	SCI	288.9	18	0.0%	-0.2	-0.5	0.2	0.4	-0.7	-0.4	0.2	0.4	nm	nm	nm	-15%	-10%	8%	1.4	0.6	0.6	0.0	0.0	0.1	0.1	2.5
<b>FINANCE</b>																										
ABG Sundal Collier	ASC	488.1	4.6	0.1%	0.6	0.2	0.3	0.5	0.6	0.2	0.3	0.5	13.8	17.2	8.9	23%	8%	14%	3.1	1.5	1.9	0.9	0.5	0.6	0.7	6.0
Acta Holding	ACTA	257.5	14	0.0%	-0.1	0.1	0.2	0.3	-0.1	0.1	0.2	0.3	nm	1.3	1.3	-6%	11%	18%	1.8	1.0	1.0	0.1	0.1	0.2	0.3	2.8
DNB	DNB	1628.8	66.2	6.4%	6.7	7.3	8.5	9.5	9.1	7.6	8.5	9.5	12.2	8.0	7.0	14%	11%	11%	1.3	0.9	0.9	4.0	2.0	3.0	3.3	82.0
Glensidige Forsikring	GJF	500.0	68.2	2.3%	6.3	5.6	6.2	6.4	5.9	5.5	5.9	6.1	9.3	12.4	10.6	46%	37%	47%	1.3	1.5	1.4	4.7	4.4	4.7	4.9	70.0
Storebrand	STB	449.9	30.2	0.9%	3.5	3.3	3.9	4.4	3.3	2.4	3.1	3.5	12.4	9.6	7.7	-13%	6%	8%	1.1	0.7	0.7	1.1	0.0	0.0	0.0	37.0
Norwegian Property ASA	NPRO	488.0	8.7	0.2%	0.7	0.7	0.7	0.6	1.1	1.3	2.1	0.9	14.6	10.5	13.5	11%	12%	17%	0.7	0.7	0.7	0.0	0.1	0.0	0.0	10.5
BWG Homes	BWG	98.3	13.5	0.1%	2.0	2.2	1.9	2.1	2.7	2.1	1.9	2.1	10.6	4.3	7.2	15%	11%	9%	1.1	0.5	0.6	0.0	0.0	0.0	0.0	7.0
AF Gruppen	AFGRA	80.8	43.9	0.0%	3.8	2.8	4.3	5.0	3.9	2.8	4.3	5.0	10.1	15.9	10.3	29%	21%	26%	nm	2.9	2.5	4.9	1.8	2.2	2.3	50.0
Storm Real Estate ASA	STORM	19.5	4.1	0.0%	0.5	0.6	0.6	0.8	1.7	5.9	1.9	2.1	26.4	20.2	24.1	8%	23%	7%	0.6	0.6	0.6	0.0	0.0	0.0	0.0	9.0
Havila Aiel	HAVA	21.2	21.9	0.0%	2.1	5.0	5.5	5.5	4.6	2.5	5.3	10.0	11.8	4.6	4.0	19%	11%	21%	0.6	0.6	0.6	2.0	2.0	2.7	2.1	36.0
SpareBank 1 SR-Bank	ROGG	199.5	39.0	0.0%	6.0	5.2	6.5	7.3	6.9	5.0	6.5	7.3	9.6	7.9	6.0	15%	10%	13%	1.1	0.8	0.7	2.8	1.5	2.5	2.8	62.0
SpareBank 1 SMN	MING	94.9	38.0	0.0%	5.7	6.8	6.5	7.2	6.4	6.5	6.5	7.2	9.5	5.8	5.8	14%	13%	12%	1.1	0.8	0.7	3.0	2.0	2.8	3.0	60.0
SpareBank 1 Nord-Norge	NONG	66.2	33.9	0.0%	5.2	3.0	4.9	5.5	5.9	3.6	4.9	5.5	8.1	10.8	6.9	15%	10%	11%	1.1	0.8	0.7	2.2	1.0	2.0	2.3	50.0
SpareBank 1 Buskerud-Vest	SBVG	3.8	45.0	0.0%	15.1	10.4	11.9	16.0	20.1	10.8	12.4	16.5	15	3.5	3.8	14%	7%	9%	0.2	0.3	0.3	8.6	6.3	7.0	8.0	130.0
Sparebanken Vest	SVEG	5.0	36.4	0.0%	4.3	4.7	5.6	5.7	4.1	5.1	5.6	5.7	11.0	6.7	6.6	11%	9%	9%	0.9	0.6	0.6	3.5	2.5	3.5	3.8	53.0
Sparebanken Møre	MORG	6.6	178.0	0.0%	23.1	22.5	25.1	27.2	26.9	22.1	25.1	27.2	9.0	7.9	7.1	15%	11%	12%	1.0	0.9	0.8	12.0	8.0	10.0	10.5	250.0
Helgeland Sparebank	HELG	18.7	32.4	0.0%	4.0	4.1	4.7	5.4	6.1	4.2	4.9	5.6	11.6	7.4	6.9	9%	6%	7%				2.8	2.0	2.5	2.8	48.0
To lens Sparebank	TOTG	4.3	68.5	0.0%	11.0	10.7	10.8	12.3	13.6	8.1	11.2	12.8	8.9	5.8	6.3	15%	7%	9%	0.8	0.5	0.6	7.8	6.0	7.3	8.5	115.0
Ryggesvåler Sparebank	RYSBG	1.5	84.0	0.0%	13.5	7.8	9.5	10.8	14.4	8.1	9.5	11.0	7.5	9.9	8.9	11%	6%	7%	0.7	0.5	0.6	7.3	4.0	4.8	5.5	165.0
SB 1 Netterøy-Tønsberg	NTSG	1.0	75.0	0.0%	6.6	8.8	10.7		11.1	9.0	10.9	11.9	14.6	8.3	7.0	10%	8%	9%	0.8	0.6	0.6	7.0	5.5	6.0	6.5	103.0

# First Securities Earnings Estimates

TICKER		RECOMMENDATION	RISK	SHARES	PRICE	WEIGHT	RECURRING EPS			EPS	P/E RECURRING			EVEBIT	ROE	P/B	DPS	TARGET											
							10E	11E	12E	13E	10E	11E	12E	13E															
<b>SHIPPING</b>																													
Frontline	PRO	Reduce	High	74.8	28.4	0.1%	10.3	-0.1	-0.6	-9.2	12.5	-17.5	-9.7	-9.1	14.6	nm	nm	nm	55.7	nm	23%	-38%	2.7	0.7	11	11.2	0.7	0.0	15.0
Jinhu Shipping & Transport	JIN	Neutral	High	84.0	10.7	0.1%	10.0	6.2	3.3	4.8	6.2	5.6	3.3	4.9	19	1.4	3.3	2.2	52.3	5.1	13%	10%	0.4	0.1	0.2	0.0	0.0	0.0	12.0
Odyssey	ODF	Buy	Medium	78.6	40.8	0.1%	-6.0	-0.4	2.1	6.8	-6.1	19.8	2.1	6.8	nm	nm	19.6	6.0	56.7	44.1	-10%	30%	10	0.5	0.5	0.0	0.0	0.0	65.0
Stolt-Nielsen Ltd	SNI	Buy	Medium	57.8	100.0	0.5%	11.0	9.4	11.7	19.1	10.7	10.5	11.9	19.2	10.6	12.3	11.1	6.8	159.5	19.0	7%	7%	0.7	0.8	0.8	3.0	5.6	5.9	160.0
Willy Wilhelmsen	WVI	Buy	Medium	49.6	140.0	0.3%	18.8	28.0	0.0	0.0	19.5	26.3	0.0	0.0	9.2	4.9	nm	nm	153.2	9.5	13%	16%	1.1	0.8	nm	9.1	14.0	160.0	
Golden Ocean Group	GOGL	Buy	High	457.0	5.1	0.1%	1.2	0.9	0.7	0.8	1.5	0.3	0.7	0.8	7.0	4.4	7.1	6.0	7.3	9.4	21%	4%	1.1	0.5	0.7	1.1	0.3	0.0	6.0
Eitzen Chemical ASA	ECHEM	Neutral	High	128.0	0.3	0.0%	-0.8	-0.5	-0.3	-0.1	-0.9	-0.5	-0.3	-0.1	nm	nm	nm	nm	16	nm	-45%	-54%	12	0.2	0.4	0.0	0.0	0.0	0.5
Im Skaugen	IMSK	Buy	High	26.7	28.5	0.0%	-2.2	2.7	4.8	0.0	-2.3	2.8	4.8	0.0	11.7	6.6	nm	nm	17.6	12.9	-12%	5%	2.1	1.7	1.3	0.0	0.0	0.0	50.0

	PRICE	WEIGHT	RECURRING EPS				EPS				P/E RECURRING				DPS			
			10E	11E	12E	13E	10E	11E	12E	13E	10E	11E	12E	13E	10E	11E	12E	13E
FIRST OSEBX	405.9	88.3%	29.7	33.6	40.2	49.1	32.4	36.0	40.5	49.1	15.1	11.5	10.2	8.3	17.9	16.0	17.9	20.5
FIRST OSEBX ex finance and shipping	405.9	77.0%	29.2	33.7	40.5	49.6	30.8	36.1	40.5	49.6	15.3	11.4	10.1	8.3	17.6	17.8	17.6	20.2

**ASSUMPTIONS**

Aluminium price (USD/tonne):	2,189	2,422	2,325	2,550
Oil price, Brent spot (USD/bbl):	78	108	100	105
VLCC-rate (USD/day):	44,500	18,125	15,000	16,000
Panamax bulk-rate (USD/day):	23,608	14,250	14,000	16,000
NOK/USD:	5.82	5.50	6.10	6.20
NOK/EUR	5.10	3.60	2.80	3.90
3 month NIBOR:	2.5%	2.9%	2.5%	2.7%
10 yr. Govt. yield:	3.5%	3.1%	2.7%	3.5%
GDP growth, Norway/Mainland:	2.0%	2.7%	2.4%	2.7%
GDP growth, world	4.8%	3.6%	3.3%	4.2%
CPI Inflation, Norway	2.3%	1.0%	1.4%	0.0%

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