



26 January 2012

## The Week Ahead

# 30th January - 3rd February 2012

### Europe-US Divergence?

VOLCANO attempts to answer a question many have raised recently – is a broad divergence taking place between European and US assets?

Our answer: depends on the asset class. As an example, we look at relative performances of US and European equity and credit. European equities have clearly underperformed their US counterparts from early October 2011 (i.e. after the contagious selloff of September ended). On the other hand, US and European IG credit indices have been highly correlated. The divergence story apparent in equities – typically driven by growth concerns – is not so clear in credit where concerns about Europe sovereigns/financials and global growth remain firmly entrenched. In rates, carry is the dominant theme but bearish hedges are getting more attention of late.

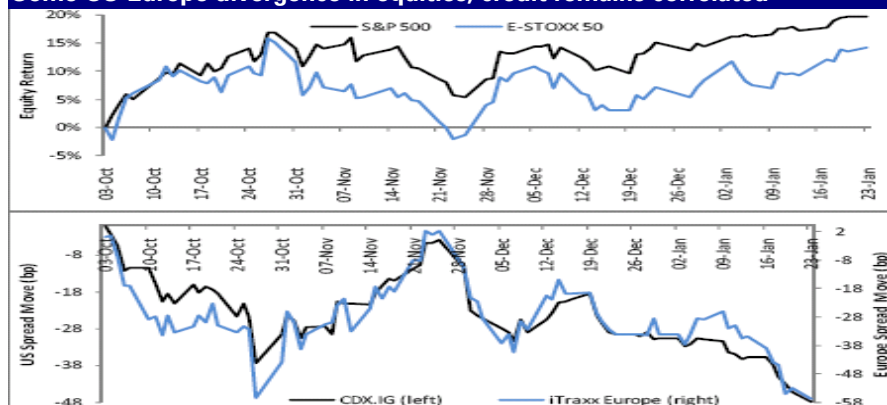
Our minimum spanning tree shed some more light on this topic. Spot prices reveal some bifurcation between European equities and growth-driven assets. But the correlation between these assets remains high. The story from looking at implied volatilities affirms this view – Europe remains the central driver of implied volatility.

The rally of the last few days has given rise to several interesting trades which we highlight here.

**Credit:** Buy 1M 125% calls on VIX to hedge tail risk in credit; CDX.IG and CDX.HY have lagged the rally in equities and VIX.

**Equity:** Best-of puts are an attractive tail risk hedge against a renewed contagious global sell-off.

### Some US-Europe divergence in equities; credit remains correlated



Source: Bloomberg Finance L.P., DB GM Research..

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# Company Diary (30th January– 3rd February 2012)

**Figure 1: 30th January– 3rd February 2012 (Prices as of 25<sup>th</sup> January) Cont'd on next Page....**

Country	Company	Results	Time	Currency	Closing Price	Rating	Ticker
<b>Monday 30 January</b>							
France	Alten	Q4 Sales	1740 CET	EUR	19.48	Buy	LTEN.PA
France	Groupe Eurotunnel	Q4 Sales & Jan Traffic Figs.	0745 CET	EUR	5.99	Buy	GETP.PA
Greece	Hellenic Petroleum S.A	EGM	0900 CET	EUR	6.12	Buy	HEPr.AT
Ireland	Ryanair*	Q3	0800 CET	EUR	4.01	Buy	RYA.I
Netherlands	Philips*	Q4/FY	0700 CET	EUR	15.38	Buy	PHG.AS
<b>Tuesday 31 January</b>							
Belgium	Colruyt	Q3 Sales	1745 CET	EUR	29.33	Buy	COLR.BR
Germany	GfK	Trading Update	0700 CET	EUR	34.00	Hold	GFKG.DE
Greece	Public Power Corp	General Meeting	0900 CET	EUR	3.57	Buy	DEHr.AT
Italy	Benetton	Prelims		EUR	3.16	Hold	BNG.MI
Italy	Enel	Prelims		EUR	3.05	Hold	ENEI.MI
Italy	Pirelli & C	Shareholders Meeting	1130 CET	EUR	7.16	Buy	PECI.MI
Spain	Banco Santander*	Q4/FY		EUR	6.02	Hold	SAN.MC
Spain	Repsol	Analyst Mtg.		EUR	21.56	Buy	REP.MC
Sweden	Atlas Copco*	Q4	1200 CET	SEK	161.20	Hold	ATCOa.ST
UK	Aquarius Platinum Limited	Q2	0700 UK	GBp	183.30	Buy	AQP.L
UK	ARM Holdings	Q4	0700 UK	GBp	597.50	Hold	ARM.L
UK	BSkyB*	H1	0700 UK	GBp	672.50	Buy	BSY.L
UK	Carpetright	Q3 Trading Update	0700 UK	GBp	628.00	Hold	CATVU.L
UK	F&C Asset Management	Trading Update	0700 UK	GBp	65.35	Sell	FCAM.L
UK	National Grid PLC	Trading Update	0700 UK	GBp	619.00	Sell	NG.L
<b>Wednesday 1 February</b>							
Finland	Fortum	FY	0900 EET	EUR	16.07	Buy	FUM1V.HE
Finland	Outokumpu	FY	0900 EET	EUR	7.78	Hold	OUT1V.HE
Finland	Rautaruukki	Q4/FY	0900 EET	EUR	8.73	Hold	RTRKS.HE
Finland	UPM*	Q4	0930 EET	EUR	10.19	Buy	UPM1V.HE
France	Unibail Rodamco	FY	0540 CET	EUR	145.15	Hold	UNBP.PA
Germany	Infineon Technologies	Q1	0730 CET	EUR	6.99	Hold	IFXGn.DE
Germany	Jenoptik	Prelims	1000 CET	EUR	5.34	Hold	JENG.DE
Germany	KUKA AG	FY	0700 CET	EUR	15.65	Hold	KU2G.DE
Italy	Benetton	Analyst mtg		EUR	3.16	Hold	BNG.MI
Italy	Fiat	Q4		EUR	4.56	Hold	FIA.MI
Italy	Fiat Industrial S.p.A.*	Q4		EUR	7.94	Buy	FI.MI
Italy	MPS	General Meeting	1030 CET	EUR	0.29	Hold	BMPS.MI
Sweden	NCC*	Q4		SEK	136.30	Buy	NCCb.ST
Sweden	Sandvik*	Q4 - 2011	0800 CET	SEK	98.00	Hold	SAND.ST
Sweden	Scania	Q4/FY	0900 CET	SEK	116.10	Hold	SCVb.ST
Switzerland	Roche*	Q4/FY	0700 CET	CHF	160.00	Buy	ROG.VX
UK	Imperial Tobacco	AGM & Trading Update	1430 UK	GBp	2263.00	Buy	IMT.L
UK	United Utilities	Trading Update	0700 UK	GBp	601.00	Buy	UU.L

Source: Deutsche Bank

\*Preview available for this week.

**Figure 1: 30th January– 3rd February 2012 (Prices as of 25<sup>th</sup> January)**

Country	Company	Results	Time	Currency	Closing Price	Rating	Ticker
<b>Thursday 2 February</b>							
Denmark	Novo Nordisk*	Q4		DKK	672.00	Hold	NOVOB.CO
Finland	Konecranes Plc*	Q4	0900 EET	EUR	18.51	Hold	KCR1V.HE
Finland	YIT Corporation	FY	0800 EET	EUR	13.87	Hold	YTY1V.HE
France	Altran Technologies	Q4 Sales	0700 CET	EUR	3.46	Sell	ALTT.PA
France	Maurel et Prom	Q4 Sales	1740 CET	EUR	12.80	Buy	MAUP.PA
Germany	Munich Re	Prelims	0745 CET	EUR	99.61	Hold	MUVGn.DE
Netherlands	Unilever	Q4/FY	0800 CET	EUR	25.35	Hold	UNIA.AS
Spain	Amadeus	Prelims - 2011	0800 CET	EUR	12.78	Buy	AMA.MC
Spain	BBVA*	FY		EUR	6.80	Hold	BBVA.MC
Sweden	Electrolux*	Q4/FY	0800 CET	SEK	125.40	Buy	ELUXb.ST
Sweden	Fabege	FY	0800 CET	SEK	58.55	Hold	FABG.ST
Sweden	Holmen*	Q4/FY	1200 CET	SEK	200.50	Hold	HOLMb.ST
Sweden	Loomis	FY - 2011	0800 CET	SEK	99.25	Hold	LOOMb.ST
Sweden	TeliaSonera*	Q4	0700 CET	SEK	44.76	Hold	TLSN.ST
UK	AstraZeneca*	Q4/FY	0700 UK	GBp	3035.00	Hold	AZN.L
UK	Compass Group*	Q1 Trading Update & AGM	0700 UK	GBp	599.00	Buy	CPG.L
UK	Great Portland	Trading Update	0700 UK	GBp	351.30	Buy	GPOR.L
UK	Royal Dutch Shell plc	Q4/FY	0700 UK	GBp	2278.00	Buy	RDSa.L
UK	Smith & Nephew*	Q4	0700 UK	GBp	605.50	Hold	SN.L
UK	Unilever Plc	Q4/FY	0700 UK	GBp	2050.00	Hold	ULVR.L
<b>Friday 3 February</b>							
Austria	OMV	Q4 Trading Update	0800 CET	EUR	25.48	Hold	OMVV.VI
Austria	Palfinger*	Q4		EUR	16.50	Hold	PALF.VI
Denmark	TDC*	Q4/FY	0800 CET	DKK	43.84	Buy	TDC.CO
Finland	Elisa Corporation*	FY	0800 EET	EUR	15.88	Hold	ELI1V.HE
Finland	Neste Oil*	Q4	0800 EET	EUR	8.79	Buy	NES1V.HE
Germany	Compugroup Medical AG	Q4/FY	0800 CET	EUR	8.52	Buy	COPMa.DE
Italy	Italcementi	FY Sales		EUR	5.50	Hold	ITAI.MI
Portugal	BCP	Q4		EUR	0.14	Sell	BCP.LS
Portugal	BES	FY		EUR	1.29	Hold	BES.LS
Spain	Banco Popular*	Q4/FY		EUR	3.41	Hold	POP.MC
Spain	Bankia	Q4		EUR	3.55	Hold	BKIA.MC
Sweden	Volvo	Q4/FY	0730 CET	SEK	87.10	Hold	VOLVb.ST
UK	BT Group PLC*	Q3	0700 UK	GBp	207.40	Hold	BT.L
UK	Electrocomponents	Trading Update	0700 UK	GBp	215.90	Hold	ECM.L
UK	Intl Airlines Group (IAG)	Jan Traffic Figs.	1500 UK	GBp	171.70	Buy	ICAG.L

Source: Deutsche Bank

\*Preview available for this week.

# Company Diary (6<sup>th</sup>– 10<sup>th</sup> February 2012)

**Figure 2: 6th– 10th February 2012 (Prices as of 25<sup>th</sup> January) (Cont'd on next Page....)**

Country	Company	Results	Time	Currency	Closing Price	Rating	Ticker
<b>Monday 6 February</b>							
Germany	BMW	Jan. Sales		EUR	63.59	Hold	BMVG.DE
Germany	Daimler	Jan. Sales		EUR	41.97	Hold	DAIGn.DE
Germany	GEA	Prelims	0730 CET	EUR	24.29	Buy	G1AG.DE
Luxembourg	Aperam	FY	1740 CET	EUR	14.83	Buy	APAM.AS
Switzerland	Julius Baer	FY & Analyst Mtg.		CHF	38.90	Buy	BAER.VX
UK	easyJet	Jan. Traffic Figs.	0700 UK	GBp	403.80	Hold	EZJ.L
UK	Randgold	Q4 & Analyst Mtg.	0700 UK	GBp	6825.00	Buy	RRS.L
<b>Tuesday 7 February</b>							
Finland	Cargotec	Q4	1200 EET	EUR	28.64	Hold	CGCBV.HE
Finland	Sanoma	FY & Analyst Mtg.	0830 EET	EUR	10.22	Sell	SAA1V.HE
France	Air France-KLM	Jan. Traffic Figs.	0800 CET	EUR	4.92	Sell	AIRF.PA
France	Klepierre	FY	1800 CET	EUR	23.49	Buy	LOIM.PA
France	Lagardere	Q4 Sales	0800 CET	EUR	21.78	Buy	LAGA.PA
France	Thales SA	Q4 Sales		EUR	25.27	Hold	TCFP.PA
France	Vinci	Q4	1740 CET	EUR	36.40	Buy	SGEF.PA
Germany	Air Berlin	Jan. Traffic Figs.	0700 CET	EUR	2.35	Sell	AB1.DE
Germany	Volkswagen AG	Jan. Sales		EUR	123.15	Buy	VOWG.DE
Luxembourg	ArcelorMittal	FY	0700 CET	EUR	16.11	Hold	ISPA.AS
Norway	Yara International ASA	Q4	0800 CET	NOK	243.00	Hold	YAR.OL
Spain	Enagas	Q4	0800 CET	EUR	14.78	Buy	ENAG.MC
Sweden	Alfa Laval	Q4	0730 CET	SEK	138.60	Hold	ALFA.ST
Sweden	SEB	Q4		SEK	42.75	Sell	SEBa.ST
Sweden	Tele2	Q4		SEK	128.60	Hold	TEL2b.ST
Sweden	Wihlborgs	Q4	0730 CET	SEK	92.75	Hold	WIHL.ST
Switzerland	UBS	Q4	0700 CET	CHF	12.72	Hold	UBSN.VX
UK	888	Q4 KPI Figs & Trading Update	0700 UK	GBp	46.25	Buy	888.L
UK	Beazley	Prelims	0700 UK	GBp	141.80	Buy	BEZG.L
UK	Bellway	Trading Update	0700 UK	GBp	725.50	Hold	BWY.L
UK	BP	Q4	0700 UK	GBp	474.55	Buy	BP.L
UK	GlaxoSmithKline	Q4	0700 UK	GBp	1426.00	Hold	GSK.L
UK	TUI Travel	Q1 & AGM	0700 UK	GBp	190.70	Buy	TT.L
UK	Victrex	Trading Update & AGM		GBp	1234.00	Hold	VCTX.L
UK	Xstrata	Prelims	0700 UK	GBp	1079.00	Buy	XTA.L
<b>Wednesday 8 February</b>							
Belgium	Mobistar	Q4 & Analyst Mtg.	0700 CET	EUR	37.98	Hold	MSTAR.BR
Denmark	Lundbeck	FY	0800 CET	DKK	108.60	Hold	LUN.CO
Finland	Kemira	Q4	0830 EET	EUR	9.48	Hold	KRA1V.HE
Finland	Nokian Tyres	Q4 & Analyst Mtg.	0800 EET	EUR	27.59	Buy	NRE1V.HE
Finland	Stora Enso	Q4	1300 EET	EUR	5.77	Buy	STERV.HE

Source: Deutsche Bank

**Figure 2: 6th– 10th February 2012 (Prices as of 25<sup>th</sup> January) (Cont'd on next Page....)**

Country	Company	Results	Time	Currency	Closing Price	Rating	Ticker
<b>Wednesday 8 February</b>							
Finland	Tieto	Q4	0700 CET	EUR	11.66	Hold	TIE1V.HE
France	Faurecia	FY	0800 CET	EUR	18.40	Buy	EPED.PA
France	Korian SA	Q4 Sales	1740 CET	EUR	13.05	Buy	KORI.PA
France	Nexans	Q4	0700 CET	EUR	47.32	Buy	NEXS.PA
France	Orpea	Q4 Sales	0700 CET	EUR	25.14	Buy	ORP.PA
France	Sanofi	FY	0730 CET	EUR	55.69	Buy	SASY.PA
France	Suez Environnement	FY		EUR	9.51	Hold	SEVI.PA
France	Vinci	Analyst Mtg.	0830 CET	EUR	36.40	Buy	SGEF.PA
Germany	Douglas	Q1		EUR	31.37	Hold	DOHG.DE
Germany	Gerresheimer	FY	0730 CET	EUR	36.58	Hold	GXIG.DE
Germany	Grenkeleasing	FY & Analyst Mtg.	0830 CET	EUR	38.65	Hold	GKLG.DE
Germany	Heidelberger Druck	Q3	0700 CET	EUR	1.49	Hold	HDDG.DE
Greece	Marfin Popular Bank	EGM	1500 CET	EUR	0.29	NR	MRBr.AT
Ireland	Smurfit Kappa	FY & Prelims	0800 CET	EUR	5.90	Buy	SKG.I
Norway	Norske Skog	Q4 & FY	0730 CET	NOK	7.15	Hold	NSG.OL
Norway	Statoil	Trading Update & Q4	0730 CET	NOK	148.20	Hold	STL.OL
Norway	Telenor ASA	Q4	0700 CET	NOK	92.00	Buy	TEL.OL
Spain	Mapfre SA	Q4		EUR	2.55	Hold	MAP.MC
Sweden	Hexagon	Q4	0800 CET	SEK	116.90	Buy	HEXAb.ST
Sweden	Skanska	Q4	0800 CET	SEK	117.10	Buy	SKAb.ST
Switzerland	Syngenta	FY	0700 CET	CHF	286.40	Buy	SYNN.VX
UK	BHP Billiton	Interims	0700 UK	GBp	2129.00	Buy	BLT.L
UK	Daily Mail & GT	Trading Update & AGM	0700 UK	GBp	438.30	Hold	DMGOa.L
UK	International Power	Prelims	0700 UK	GBp	324.70	Buy	IPR.L
UK	Reckitt Benckiser	FY	0700 UK	GBp	3365.00	Buy	RB.L
<b>Thursday 9 February</b>							
Belgium	KBC Group	Q4	0700 CET	EUR	14.08	Hold	KBC.BR
Belgium	Umicore	FY	0700 CET	EUR	35.43	Hold	UMI.BR
Denmark	Danske Bank	FY	0800 CET	DKK	83.85	Hold	DANSKE.CO
Finland	Metso Corporation	Q4	1200 EET	EUR	32.42	Hold	MEO1V.HE
Finland	M-real	Q4	0800 EET	EUR	1.86	Buy	MRLBV.HE
Finland	Outotec	Q4	0800 EET	EUR	39.47	Buy	OTE1V.HE
Finland	Sampo	Q4	0900 EET	EUR	19.84	Hold	SAMAS.HE
France	Dassault Systemes	FY	0700 CET	EUR	62.84	Sell	DAST.PA
France	GDF Suez	FY	0700 CET	EUR	20.54	Buy	GSZ.PA
France	Hermes	Q4 Sales	0730 CET	EUR	255.10	Sell	HRMS.PA
France	Legrand	FY	0700 CET	EUR	26.78	Hold	LEGD.PA
Germany	Daimler	FY	0730 CET	EUR	41.97	Hold	DAIGn.DE
Germany	Deutsche Lufthansa AG	Jan. Traffic Figs.	0800 CET	EUR	10.36	Hold	LHAG.DE
Germany	Hugo Boss	Prelims	0730 CET	EUR	67.39	Buy	BOSG_p.DE
Germany	Rhoen Klinikum	Prelims	0700 CET	EUR	15.84	Buy	RHKG.DE
Netherlands	ING	Q4		EUR	6.90	NR	ING.AS

Source: Deutsche Bank

**Figure 2: 6th– 10th February 2012 (Prices as of 25<sup>th</sup> January)**

Country	Company	Results	Time	Currency	Closing Price	Rating	Ticker
<b>Thursday 9 February</b>							
Norway	DnB NOR	Q4		NOK	61.15	Sell	DNB.OL
Sweden	Eniro	Q4	0830 CET	SEK	14.40	Hold	ENRO.ST
Sweden	Hufvudstaden	Q4	1100 CET	SEK	72.30	Buy	HUFVa.ST
Sweden	MTG	Q4	1300 CET	SEK	332.30	Hold	MTGb.ST
Switzerland	Credit Suisse Group	Q4	0630 CET	CHF	24.27	Hold	CSGN.VX
UK	Aquarius Platinum Limited	Interims	0700 UK	GBp	183.30	Buy	AQP.L
UK	BG Group	Q4 & Prelims	0700 UK	GBp	1458.50	Buy	BG.L
UK	British Land	Q3	0700 UK	GBp	491.90	Buy	BLND.L
UK	Catlin	Prelims & Analyst Mtg.	0700 UK	GBp	416.50	Hold	CGL.L
UK	Diageo	H1	0700 UK	GBp	1418.00	Buy	DGE.L
UK	Enterprise Inns	Trading Update & AGM	0700 UK	GBp	33.25	Hold	ETI.L
UK	McBride	Interims	0700 UK	GBp	115.25	Buy	MCB.L
UK	Rio Tinto	FY	0700 UK	GBp	3711.50	Buy	RIO.L
UK	Rolls-Royce Group PLC	Prelims	0700 UK	GBp	739.00	Hold	RR.L
UK	Shire PLC	FY	0700 UK	GBp	2113.00	Buy	SHP.L
UK	Vodafone Group Plc	Trading Update	0700 UK	GBp	174.55	Buy	VOD.L
<b>Friday 10 February</b>							
Finland	Uponor	Q4	0800 EET	EUR	8.06	Hold	UNR1V.HE
France	Alcatel-Lucent	Q4	0700 CET	EUR	1.38	Buy	ALUA.PA
France	Eiffage	FY Sales	1750 CET	EUR	23.22	Hold	FOUG.PA
France	Michelin	Q4	0700 CET	EUR	52.38	Buy	MICP.PA
France	Rexel	Q4	0700 CET	EUR	14.46	Buy	RXL.PA
France	Total SA	Q4	0800 CET	EUR	40.33	Hold	TOTF.PA
Germany	Fraport AG	Traffic Figs.	0700 CET	EUR	44.05	Buy	FRAG.DE
Portugal	Galp Energia	Q4		EUR	12.88	Buy	GALP.LS
Sweden	Assa Abloy	Q4	0800 CET	SEK	181.90	Hold	ASSAb.ST
Sweden	Boliden AB	Q4		SEK	116.50	Hold	BOL.ST
Sweden	SSAB	FY & Analyst Mtg.		SEK	72.80	Hold	SSABa.ST
UK	Barclays	Prelims	0700 UK	GBp	217.25	Buy	BARC.L
UK	C&W Communications	Q3 TRADE	0700 UK	GBp	41.35	Buy	CWC.L

Source: Deutsche Bank

**AstraZeneca****Hold**

Reuters: AZN.L Exchange: LSE Ticker: AZN

**Q4/FY**

Price (GBP)	<b>3,056.50</b>
Price target (GBP)	<b>3,080.00</b>
52-wk rge (GBP)	<b>3,194.00 - 2,543.50</b>
Market cap (GBP)(m)	<b>41,662.6</b>
Shares outstanding (m)	<b>1,369</b>
FTSE 100 INDEX	<b>5,751.9</b>

**FYE 12/31 2010A 2011E 2012E**

Revenue (USD)	33,269	33,469	29,281
DB PBT (USD)	13,086	12,603	10,249
Stated PBT (USD)	10,977	12,598	9,582
DB EPS (USD)	6.67	7.20	5.94
DPS (USD)	2.55	2.75	2.80
P/E (DB EPS) (x)	7.1	6.6	8.0

- 4Q11 impacted by charges; guidance will be the focus** AstraZeneca's 4Q results are due 2 February. Although the company will have benefited from an abnormally low tax rate (arising from a US settlement), the benefit to Core EPS will have been cut by a 21c/share (\$381m) write-down on pipeline drugs TC-5214 (depression) and olaparib (oncology). We nevertheless expect Core EPS to have grown by c.12% (to \$1.55 vs \$1.38), taking the total for the year to \$7.23 (vs \$6.71). This is consistent with company guidance for FY11 EPS to be in the lower half of the \$7.20-7.40 range after R&D charges. 4Q revenues are likely to have been broadly flat (-1% in CER) as a result of topline pressures from patent losses (Nexium, EU; Arimidex, EU), together with slower EM growth and a probable stalling in Crestor's US sales growth (3Q11 growth of 20% included wholesale inventory stocking, while 4Q will have featured both de-stocking and increased price discounting to counter generic Lipitor). The slow pace of Brilinta's rollout in Europe together with 3Q pipeline filling in the US is likely to mean the drug will have offered little respite in the quarter (we forecast 4Q sales of just \$5m and \$26m for the year). Of most interest will be the FY12 guidance and any adjustments to the company's midterm (2010-2014) planning assumptions. We expect the company to set a Core EPS guidance range for 2012 that spans \$6.00/share, implying a c.15-20% decline - this will reflect tough tax rate comparisons with 2011, the US/EU patent expirations of Seroquel, and pressure on the Crestor franchise, partly mitigated by further cost savings. If the company chooses to comment on (or update) its mid-term planning assumptions (sales \$28-34bn, pre-R&D Core margin 48-54%), any movement to the mid-point will likely be downwards.
- Investment stance** Faced with the loss of up to 40% of sales to generic competition over 2011-17, AstraZeneca has taken an aggressive approach to costs (\$4.3n of savings are underway and further savings are expected from downsizing its US sales force), invested in EMs, and attempted to re-build its R&D pipeline. The limited success of the latter has placed a greater onus on efficiencies such that AstraZeneca cannot in our view avoid flat to declining sales and EPS. Overall, we forecast sales and EPS CAGR over 2010-15 of -3% and -2%, respectively, and we highlight the risk of major declines in the subsequent two years due to the expiration of Crestor's US and EU patents in 2016/17. The company recognises the uncertainties in the coming years and has chosen to focus on returning cash to shareholders by maintaining an attractive yield and by using surplus cash for share buybacks (\$5bn in 2011E). We rate the shares Hold given that these tough fundamental prospects appear largely reflected in the low PE multiple. The potential confounding factor here is the possibility that the company may decide, in view of pipeline attrition, to alter its strategy and direct cash flow towards external opportunities, ie, M&A.
- Risks & Valuation: Hold, PT 3.080p** We value AstraZeneca on PE (30% discount to the sector in 2013, given its position in the patent cycle, with Nexium and Crestor US expiries in 2014/16), supported by DCF (WACC 9% based on beta of 1, ERP 5.5% and RFR from local 10-year govt bond yields; TGR 0%). The main upside and downside risks to the shares relate to the sales trajectories of key drivers Crestor, Brilinta and EMs, to the impact of patent losses, and to the company possibly resorting to M&A in response to its growth challenges.
- Originally published on 23 January 2012**

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## AstraZeneca

## AstraZeneca – 4Q11 Preview

(USD m)	4Q 10 A	4Q 11 E	ch%	FY 2010	FY 2011	ch%
Nexium	1,231	1,039	-16	4,969	4,401	-11
Losec / Prilosec	243	214	-12	986	912	-8
Crestor	1,587	1,560	-2	5,691	6,411	13
Seloken/Toprol XL	253	241	-5	1,210	991	-18
Atacand	375	363	-3	1,483	1,467	-1
Onglyza	32	70	118	69	210	204
Brilinta	0	10	NA		26	NA
Symbicort	741	804	9	2,746	3,113	13
Pulmicort	233	232	0	872	901	3
Rhinocort	52	53	1	227	215	-5
Arimidex	278	169	-39	1,512	759	-50
Casodex	148	138	-7	579	546	-6
Zoladex	302	323	7	1,115	1,204	8
Iressa	115	163	42	393	568	45
Seroquel	1,340	1,392	4	5,302	5,674	7
Local anaesthetics	162	171	5	605	625	3
Zomig	110	111	1	428	423	-1
Diprivan	81	92	13	322	319	-1
Synagis	397	505	27	1,038	1,069	3
Merrem	183	144	-21	817	613	-25
FluMist	51	68	33	174	195	12
Aptium Oncology	54	57	5	219	226	3
Other products	649	617	-5	2,512	2,602	4
<b>Total Sales</b>	<b>8,617</b>	<b>8,534</b>	<b>-1</b>	<b>33,269</b>	<b>33,469</b>	<b>1</b>
Core CoGS	-1,725	-1,740	1	-6,245	-6,136	-2
Gross Profit	6,892	6,794	-1	27,024	27,333	1
Distribution costs	-87	-76	-13	-335	-337	1
Core R&D	-1,294	-1,646	27	-4,219	-4,987	18
Core S,G&A	-2,878	-2,541	-12	-9,777	-9,913	1
Other operating income	232	150	-35	910	2,245	147
Reported EBIT	2,411	2,427	1	11,494	13,055	14
<b>Core EBIT</b>	<b>2,865</b>	<b>2,883</b>	<b>1</b>	<b>13,603</b>	<b>13,060</b>	<b>-4</b>
Net financial income	-128	-144	12	-517	-457	-12
Core profit Before Tax	2,737	2,739	0	13,086	12,603	-4
Tax Expense	-769	-691	-10	-3,416	-2,722	-20
Tax rate %	28.1	25.2	-10	26.1	21.6	-17
Minority interests	-11	-3	-74	-28	-29	3
Reported net income	1,621	1,679	4	8,053	10,176	26
Core net Income	1,957	2,045	5	9,642	9,852	2
EPS - basic	1.14	1.27	11	5.60	7.47	33
EPS - diluted	1.14	1.27	11	5.57	7.43	33
<b>Core EPS (AZ-defined)</b>	<b>1.38</b>	<b>1.55</b>	<b>12</b>	<b>6.71</b>	<b>7.23</b>	<b>8</b>
<b>Core ratios</b>						
...COGS	20.0	20.4		18.8	18.3	
...R&D	15.0	19.3		12.7	14.9	
...SG&A	33.4	29.8		29.4	29.6	
...Gross Profit	80.0	79.6		81.2	81.7	
...Pre-R&D EBIT	45.6	51.6		54.4	53.9	

Source: Deutsche Bank, company data



**Atlas Copco****Hold**

Reuters: ATCOa.ST Exchange: STO Ticker: ATCOa

**Q4**

Price (SEK)	<b>159.50</b>
Price target (SEK)	<b>150.00</b>
52-week range (SEK)	<b>177.40 - 115.50</b>
Market cap (SEK)(m)	<b>194,406.6</b>
YE Sh outstanding (m)	<b>1,220,400,000</b>
Shares outstanding (m)	<b>1,219</b>
OMX Stockholm Index	<b>324.0</b>

<b>FYE 12/31</b>	<b>2010A</b>	<b>2011E</b>	<b>2012E</b>
Revenue (SEKm)	69,875	80,396	85,357
DB PBT (SEKm)	14,022	17,295	18,219
St PBT (SEKm)	13,495	17,390	17,872
DB EPS (SEK)	8.54	10.65	11.09
DPS (SEK)	4.00	5.00	6.00
P/E (DB EPS) (x)	14.3	15.0	14.4

- **Q4 due January 31 – Top-quality fundamentals warrants premium multiples, but relative rerating potential capped**
- **Q4 expectations;** Organic orders to grow to 6% YoY. For the group we expect Atlas Copco to report organic sales growth of 10% (of which +8% volume and +2% price), which implies a sequential moderation from 22% in Q3. In terms of earnings we expect clean EBIT to grow 15% YoY to SEK 4.708m. This would equate to a 21.9% margin, up 80bps versus last year. In terms of orders we model a 6% organic increase (5% in CT, 14% in IT, 10% in Mining and -5% in Construction) to SEK 20.8bn. In terms of outlook we expect management to keep its phrasing from Q3 that “overall demand is expected to weaken somewhat”.
- **Small changes to forecasts.** Ahead of the results we have done some trimming of forecasts, with EPS being lowered by 2% for 2011 and 3% for 2012-13.
- **Premium valuation** warranted by quality fundamentals. During the most recent downturn, Atlas Copco proved its best-in-class resilience, while the balance sheet remains strong, which has enabled not only a sustained run of dividend pay-outs (17% average annual increase since 1983, plus extra dividends and buy-backs) but also earnings enhancing M&A. Looking ahead, Atlas Copco is well placed to manage a new recession equally well or even better than in 2009 and the stock clearly deserves the current 20-25% valuation premium. However, this also caps the relative rerating potential in the shorter term why we retain Hold. We also maintain our target price of SEK 150.
- **Originally published on 19 January 2012**

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# Atlas Copco

## Quarterly profit & loss

SEKm	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411E	2010	2011E	2012E	2013E
<b>Sales</b>	<b>16,301</b>	<b>17,430</b>	<b>17,743</b>	<b>19,401</b>	<b>18,223</b>	<b>19,951</b>	<b>20,739</b>	<b>21,483</b>	<b>69,876</b>	<b>80,396</b>	<b>85,367</b>	<b>89,439</b>
Growth	-7.7%	7.9%	17.6%	21.7%	19.1%	14.5%	16.9%	10.7%	9.6%	15.1%	6.2%	4.8%
of which volume	-3.6%	8.7%	16.9%	22.1%	25.1%	25.7%	20.4%	7.7%	10.8%	19.2%	2.0%	3.4%
of which price	1.0%	1.2%	1.3%	1.2%	1.6%	1.6%	1.9%	2.0%	1.2%	1.8%	1.2%	1.4%
of which acq/div	0.6%	1.5%	2.0%	2.6%	2.6%	0.9%	2.4%	1.6%	1.7%	1.8%	1.2%	0.0%
of which currency	-5.7%	-2.8%	-1.6%	-4.0%	-10.0%	-13.9%	-6.6%	-0.4%	-3.6%	-7.5%	1.9%	0.0%
<b>Adj EBITA</b>	<b>2,627</b>	<b>3,499</b>	<b>3,882</b>	<b>4,087</b>	<b>3,987</b>	<b>4,177</b>	<b>4,666</b>	<b>4,708</b>	<b>14,096</b>	<b>17,638</b>	<b>18,286</b>	<b>19,674</b>
Margin	17.2%	20.1%	21.9%	21.1%	21.9%	20.9%	22.5%	21.9%	20.2%	21.8%	21.4%	21.9%
Non-recurring items	0	0	-100	-80	0	0	134	0	-180	134	0	0
<b>EBIT</b>	<b>2,627</b>	<b>3,499</b>	<b>3,782</b>	<b>4,007</b>	<b>3,987</b>	<b>4,177</b>	<b>4,800</b>	<b>4,708</b>	<b>13,916</b>	<b>17,672</b>	<b>18,286</b>	<b>19,674</b>
Margin	17.2%	20.1%	21.3%	20.7%	21.9%	20.9%	23.1%	21.9%	19.9%	22.0%	21.4%	21.9%
Net financials	-130	-96	-107	-87	-82	-171	-153	-184	-420	-590	-413	-180
Other financial items	0	0	0	0	151	75	82	0	0	308	0	0
<b>Pre-tax profit</b>	<b>2,497</b>	<b>3,403</b>	<b>3,675</b>	<b>3,920</b>	<b>4,066</b>	<b>4,081</b>	<b>4,729</b>	<b>4,624</b>	<b>13,496</b>	<b>17,390</b>	<b>17,872</b>	<b>19,394</b>
Taxes	-642	-890	-1,025	-1,004	-1,023	-1,099	-1,102	-1,176	-3,551	-4,400	-4,647	-4,945
Minorities	-1	-3	-9	-10	-10	-6	-5	-11	-23	-32	-33	-35
<b>Net profit</b>	<b>1,854</b>	<b>2,520</b>	<b>2,641</b>	<b>2,906</b>	<b>3,023</b>	<b>2,976</b>	<b>3,622</b>	<b>3,337</b>	<b>9,921</b>	<b>12,958</b>	<b>13,193</b>	<b>14,414</b>
EPS (full dilution)	1.52	2.07	2.17	2.39	2.48	2.44	2.97	2.74	8.15	10.63	10.81	11.81
DB EPS (full dilution)	1.60	2.15	2.30	2.51	2.46	2.47	2.92	2.81	8.54	10.65	11.09	12.09

Source: Deutsche Bank, Company data

**Banco Popular****Hold**

Reuters: POP.MC Exchange: MCE Ticker: POP

**FY**

Price (EUR)	<b>3.46</b>
Price target (EUR)	<b>3.90</b>
52-week range (EUR)	<b>4.64 - 2.80</b>
Market cap (EUR)	<b>5,552</b>
Shares outstanding (m)	<b>1,605</b>
DJ (.STOXXE)	<b>238.3</b>

**FYE 12/31 2010A 2011E 2012E**

Revenue (EUR)	3,462	2,993	2,958
PBT (EUR)	916	643	543
St Net Profit (EUR)	590	474	406
EPS Adjusted (EUR)	0.15	0.30	0.25
Dividend Yield (%)	4.4	5.0	4.2
P/E Adjusted (x)	25.7	11.7	13.8

- Popular is to publish its 4Q11 on 3 February. We forecast a net profit for the quarter of E71m in what we believe is likely to be an overall weak quarter and further proof of the still-challenging economic/banking conditions. Following the qoq decrease in NII seen in Q3, we forecast a flat qoq performance for Q4, supported by wholesale and retail funding costs normalizing a bit, a positive impact from credit repricing and despite yoy lending growth remaining flat. We do not expect to see any of the initial benefits derived from the 3-year LTRO ECB funding taken in early December. We see no major changes in fee and trading income versus Q3's level, but we believe operating costs will experience a qoq pickup on seasonal factors.

- NPL formation (in absolute euro terms) will continue, most likely showing an acceleration versus the net NPL entries seen in Q3; thus, we see underlying cost of risk higher than in Q3 (Q4E: 87bps). On the back of a small increase to our NII forecast ahead of the Q4 results release, we increase our 2011E FY adjusted EPS by 2.7% and keep 2012-13E unchanged.

- As typically happens with Q4 figures, the focus will be on any comments the company may make regarding 2012 - most importantly the upcoming regulatory changes on impairment requirements in Spain - with Q4 results becoming more of a non-event. Whilst if Popular wants to hit the consensus net profit forecasts, there is not much room for "voluntary" impairments, any possible capital gain that may have been generated during the quarter will most likely be used to anticipate some of these provision requirements on foreclosed assets. Remains Hold; target price E3.9

	4Q 11	1Q 11	2Q 11	3Q 11	4Q 11E	FY 11E
o.w. net interest income	557	515	530	515	514	2,074
o.w. fee income	188	172	179	165	164	679
o.w. others	51	89	37	50	64	240
<b>Total revenues</b>	<b>797</b>	<b>775</b>	<b>745</b>	<b>730</b>	<b>742</b>	<b>2,993</b>
Operating costs	-351	-326	-338	-341	-362	-1,366
<b>Pre-provision profit</b>	<b>446</b>	<b>450</b>	<b>408</b>	<b>389</b>	<b>380</b>	<b>1,627</b>
Credit impairments	-191	-409	-169	-190	-216	-984
<b>Net operating profit</b>	<b>254</b>	<b>41</b>	<b>238</b>	<b>200</b>	<b>164</b>	<b>643</b>
Non-financial assets impairments	-142	-427	-95	-93	-65	-680
Other income	-2	498	5	1	-4	500
Tax income	-37	77	-31	-7	-20	19
Minorities	-4	-3	2	-2	-4	-7
<b>Net attributable income</b>	<b>69</b>	<b>185</b>	<b>120</b>	<b>99</b>	<b>71</b>	<b>474</b>

Source: Deutsche Bank, company data

- Originally published on 17 January 2012.

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**Banco Santander****Hold**

Reuters: SAN.MC Exchange: MCE Ticker: SAN

**FY**

Price (EUR)	<b>5.98</b>
Price target (EUR)	<b>8.30</b>
52-week range (EUR)	<b>9.32 - 5.13</b>
Market cap (EUR)	<b>53,702</b>
Shares outstanding (m)	<b>8,980</b>
DJ (.STOXXE)	<b>238.3</b>

<b>FYE 12/31</b>	<b>2010A</b>	<b>2011E</b>	<b>2012E</b>
Revenue (EUR)	42,049	44,363	47,459
PBT (EUR)	13,595	13,920	13,761
St Net Profit (EUR)	8,181	7,088	8,081
EPS Adjusted (EUR)	0.93	0.86	0.88
Dividend Yield (%)	6.4	10.0	10.0
P/E Adjusted (x)	8.5	7.0	6.8

- **Santander is due to report FY 2011 figures on Tuesday, 31 January** We expect Santander to report Q4 adjusted net profit of E1,783m (flat vs. Q3, but 12% below the last seven quarters' net profit run rate of E2.01bn), net interest income of E7.68bn (flat qoq), pre-provision profit of E6.12bn and loan-loss provisions of E2.95bn. On the back of a small reduction in our trading income forecast ahead of the Q4 results release, we cut our 2011E FY adjusted EPS by 1.2% but maintain 2012-2013E unchanged.
- **Santander to use capital gains to comply early with upcoming regulation** We estimate Santander will book capital gains of E1.65bn in Q4. Assuming that this amount is fully devoted to (in order to move ahead in the early compliance with the upcoming government plans to require more impairments to reinforce provisions) the overall stock of repossessed/acquired assets on the balance sheet (E8.55bn at the end of Q3 2011), the coverage ratio would increase to 51.4% (from 32% in Q3), very close to the target of 52.7% (using the provisioning levels reported by Cinco Dias newspaper today).
- **Divisional results/underlying trends** Spanish retail operations' results will most likely remain weak, with decreasing qoq NII (on lower qoq outstanding volumes and contracting customer spreads), marginally lower qoq fees, and still-demanding LLP as NPL formation has very possibly accelerated. In Mexico, NII should continue to improve (on healthy lending volumes and despite a qoq customer spread contraction). We estimate Brazil's NII will improve further but it is still struggling to deliver robust growth. We expect Q4 impairment levels to remain largely unchanged vs. Q3. For Santander UK, we expect a weak set of numbers/trends, with a further contraction in NII, stable or marginally lower qoq trading income and flattish or a touch higher cost of risk (vs. the 28bps seen in Q3 and 23bps on average in Q1/Q2). In the coming quarters Santander UK's P&L will continue to bear the costs associated with regulatory elements (FSA's liquidity buffer, bank levy), but also the higher cost of funding and the negative impact derived from the unwinding of the hedge on current accounts. Lending growth will likely remain modest.
- **Maintaining Hold rating and target price of E8.3; risks** We believe the discount to our fair valuation is currently justified. Sentiment also remains poor, and whilst solvency seems to be firmly addressed, regulatory uncertainties have resurfaced, market funding tensions persist (although the ECB's recent three-year LTRO has admittedly improved the situation) and risks to earnings are on the downside on the back of further impairments required (by regulators) against the P&L. We maintain our SOTP-based target price of E8.3. Downside/(upside) risks: 1) not achieving/(overachieving) profitability targets, and 2) tougher/(softer-)than-expected regulatory capital requirements.
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## Banco Santander

### Santander Group - quarterly income statement forecasts

	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11E	FY 11E
Net interest income	7,329	7,513	7,639	7,700	7,686	30,538
Net fees	2,445	2,596	2,729	2,694	2,647	10,666
Gains (losses) on financial transactions	715	657	724	639	622	2,642
Other operating income	124	87	195	83	152	517
<b>Gross income</b>	<b>10,613</b>	<b>10,853</b>	<b>11,287</b>	<b>11,116</b>	<b>11,107</b>	<b>44,363</b>
Operating expenses	(4,698)	(4,823)	(4,907)	(4,996)	(4,988)	(19,714)
<b>Pre-provision profit</b>	<b>5,915</b>	<b>6,030</b>	<b>6,380</b>	<b>6,120</b>	<b>6,120</b>	<b>24,650</b>
Net loan-loss provisions	(2,404)	(2,188)	(2,683)	(2,905)	(2,953)	(10,729)
<b>Net operating profit</b>	<b>3,511</b>	<b>3,842</b>	<b>3,697</b>	<b>3,215</b>	<b>3,166</b>	<b>13,920</b>
Other income	(326)	(598)	(590)	(444)	(400)	(2,032)
<b>Profit before taxes</b>	<b>3,186</b>	<b>3,244</b>	<b>3,107</b>	<b>2,771</b>	<b>2,766</b>	<b>11,888</b>
Tax on profit	(874)	(888)	(857)	(778)	(782)	(3,305)
Net profit from discontinued operations	(10)	(6)	—	(16)	3	(19)
Minority interests	201	241	234	177	206	858
<b>Attributable profit to the Group</b>	<b>2,101</b>	<b>2,109</b>	<b>2,016</b>	<b>1,800</b>	<b>1,781</b>	<b>7,706</b>
Net extraordinary capital gains and allowances	—	—	(620)	—	2	(618)
<b>Attributable profit to the Group</b>	<b>2,101</b>	<b>2,109</b>	<b>1,396</b>	<b>1,800</b>	<b>1,783</b>	<b>7,088</b>

Source: Deutsche Bank estimates and company data

**BBVA****Hold**

Reuters: BBVA.MC Exchange: MCE Ticker: BBVA

**FY**

Price (EUR)	<b>6.83</b>
Price target (EUR)	<b>8.20</b>
52-week range (EUR)	<b>9.43 - 5.14</b>
Market cap (EUR)	<b>32,539</b>
Shares outstanding (m)	<b>4,764</b>
DJ (.STOXXE)	<b>238.3</b>

<b>FYE 12/31</b>	<b>2010A</b>	<b>2011E</b>	<b>2012E</b>
Revenue (EUR)	20,910	20,123	21,123
PBT (EUR)	6,422	3,829	5,918
St Net Profit (EUR)	4,606	3,040	4,266
EPS Adjusted (EUR)	1.02	0.85	0.89
Dividend Yield (%)	4.4	6.1	6.1
P/E Adjusted (x)	7.4	8.0	7.7

- BBVA is due to report FY 2011 figures on Thursday 2 February. We expect BBVA to report Q4 adjusted net profit of E909m (12% above Q3's bottomline, but 17% below the last seven quarters' net profit run rate of E1.1bn), net interest income of E3.28bn (flat qoq), and pre-provision profit of E2.49bn up 15% qoq on positive trading income (BBVA reported losses in Q3) and better seasonal "other income", with loan-loss provisions at E1.0bn a touch higher than Q3, but not too dissimilar to those reported in 1H11. Note that BBVA already announced that poorer economic prospects and the impact of the new regulatory framework have slowed the pace of results recovery in coming years in its US division, and, therefore, as a result, it will reduce the goodwill of BBVA US by E1bn (net of tax) to be booked against Q4 group results (on the solvency front, the c.E1.4bn reduction in goodwill - in gross terms - will have a positive impact of E400m in CT1 - 12bps). On an unadjusted basis, Q4 net loss will stand, we estimate, at E106m. We cut our 2011 FY adjusted EPS by 1.2% and maintain 2012-2013E unchanged.

- As typically happens with Q4 figures, the focus will likely be on any comments the company may make around 2012 and upcoming regulatory changes regarding impairment requirements in Spain, with Q4 results becoming more of a non-event. In any case, and underlying trends-wise, we see: (1) Spain's results to remain weak, with virtually flat qoq NII on still negative lending growth and higher cost of funding overshadowing the efforts to widen credit spreads, which most likely have continued in Q4. While Spanish NPL entries may continue to be under control, LLPs should remain high (i.e. flat qoq) on high specific provision requirements; (2) Mexico's results may show further signs of improvement although will probably fail to be impressive. We see BBVA reporting a largely stable NII qoq, with healthy underlying lending trends, improving spreads and cost of risk flat qoq. As the end of Q3, BBVA CT1 stood at 9.1% (up 10bps qoq despite 1.3% qoq increase in RWA), we expect Q4 to reflect the c.100bps uplift from the recently concluded MCB. Stock rating remains Hold. Target price of E8.2.

	<b>Q1 2011</b>	<b>Q2 2011</b>	<b>Q3 2011</b>	<b>Q4 2011E</b>	<b>FY 2011E</b>
Net interest income	3,175	3,214	3,286	3,268	12,962
Fee income	1,114	1,167	1,143	1,130	4,554
Net trading income	752	336	-25	235	1,298
Other income/expenses	222	445	222	419	1,309
<b>Gross income</b>	<b>5,263</b>	<b>5,162</b>	<b>4,626</b>	<b>5,072</b>	<b>20,123</b>
Operating costs	-2,359	-2,479	-2,459	-2,576	-9,874
<b>Pre provision profit</b>	<b>2,904</b>	<b>2,683</b>	<b>2,167</b>	<b>2,495</b>	<b>10,250</b>
Credit impairments	-1,023	-363	-303	-1,009	-3,898
<b>Net operating profit</b>	<b>1,881</b>	<b>1,720</b>	<b>1,264</b>	<b>1,487</b>	<b>6,351</b>
<b>Net attributable profit</b>	<b>1,150</b>	<b>1,190</b>	<b>806</b>	<b>-106</b>	<b>3,040</b>
<b>Adj net attributable profit</b>	<b>1,150</b>	<b>1,190</b>	<b>806</b>	<b>309</b>	<b>4,055</b>

Source: Deutsche Bank estimates

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**BSkyB****Buy**

Reuters: BSY.L Exchange: LSE Ticker: BSY

**H1**

Price (GBP)	<b>682.00</b>
Price target (GBP)	<b>900.00</b>
52-week range (GBP)	<b>850.00 - 618.50</b>
Market cap (GBP)(m)	<b>11,538.9</b>
Shares outstanding (m)	<b>1,692</b>
FTSE 100 INDEX	<b>5,751.9</b>

**FYE 6/30 2011A 2012E 2013E**

Revenue (GBP)	6,597	6,941	7,385
DB PBT (GBP)	987	1,158	1,338
Stated PBT (GBP)	987	1,158	1,338
DB EPS (GBP)	41.60	50.67	62.00
DPS (GBP)	23.30	25.17	36.95
P/E (DB EPS) (x)	18.2	13.5	11.0

- Broadly, 2Q will once again test Sky's ability to shift growth from expanding the pay-TV base to increasing penetration amongst existing pay-TV customers of broadband, telephony and line. Pressures on the UK consumer have not eased since fiscal 1Q. The company continues to emphasise, sensibly in our view, that it will not chase pay-TV sub growth/low value subscribers in unfavourable conditions. So our focus is, once again, the ability to drive revenue and earnings growth from increasing RGUs per subscriber. We expect, despite the challenging environment, Sky to deliver 5% revenue and 16% EPS growth.

- **Key points for the quarter**

- Another subdued quarter for pay-TV sub adds. We expect fiscal 2Q12 results to show a continuation of subdued pay-TV growth with 62k net adds versus 140k in 2Q11. Again our focus is on the growth in RGUs (revenue generating units – broadband, telephony and pay-TV) per sub, ARPU and earnings growth.
- Robust growth in RGUs per sub/total product sales. We expect solid growth in total product sales of 773k, despite the slowing growth in HD and the subdued pay-TV subs growth. We continue to look for solid growth in broadband, line rental and Sky Talk as Sky continues to drive penetration within its existing sub base. This will take RGU/sub to 1.69 from 1.66 at 1Q; well on course for the 2.0 on which we believe Sky can close to double earnings by 2015E. As we have emphasized post 1Q results, extrapolating the current run rate points to 2.1-2.2 RGUs per sub by 2015.
- Easing programming spend growth. After the +11% yoy increase in spend in 1Q, we expect +5% in 2Q, taking 1H at +7% close to the company guidance of flat gross margins for the full-year. While the 2H has the impact of the new F1 rights and the Ryder Cup and Ashes, it also benefits from the rollover of the additional spend on Sky Atlantic (launched in February 2011), the additional UK commissions at Sky One and the nonrecurrence of the 1Q cricket events (India's tour of England and the West Indies Twenty20 series impacted 1Q).
- Sustainable 5% revenue and 16% EPS growth. Despite the challenging conditions, we expect the RGU/product growth in home communications in particular to deliver 5% topline and 16% EPS growth (with minimal impact from the buyback in 2Q). This is sustainable as Sky drives penetration of home communications products into the base. Indeed, if consumers continue to focus on value, as should be expected in a tough period for incomes, Sky stands to benefit and potentially accelerate growth as best value triple play provider.
- **Originally published on 13 January 2012**

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**BSkyB****2Q/1H results forecasts**

	DB	Actual	Actual	DB	Actual
	2Q12E	1Q12A	2Q11A	1H2012E	1H2011A
Net additions (,000)					
Total product net adds	773	638	1,143	1,411	2,095
Pay-TV	62	26	140	88	236
HD	150	103	343	253	558
Broadband	175	150	204	325	382
Telephony	172	147	187	319	390
Line rental	214	212	269	426	529
RGUs (TV, telephony, broadband) per sub	1.69	1.66	1.57	1.69	1.57
ARPU (£)	549	535	536	0	0
Churn (annualised)	9.5%	11.1%	9.5%	10.2%	10.2%
Group revenues (£m)	1750	1657	1660	3407	3196
Retail subscription	1434	1368	1353	2802	2631
Wholesale subscription	97	83	83	170	151
Advertising	137	105	134	242	236
Installation, hardware and services	24	24	33	48	63
Other	69	77	57	146	105
OPEX (£m)	(1,451)	(1,362)	(1,395)	(2,813)	(2,666)
Programming	(602)	(535)	(576)	(1,137)	(1,058)
Transmission and related	(288)	(262)	(238)	(550)	(458)
Marketing	(275)	(270)	(311)	(545)	(613)
Subscriber Management	(146)	(161)	(144)	(307)	(286)
Admin	(140)	(134)	(126)	(274)	(251)
Group EBITA (pre exceptionals)	300	295	265	595	520
Group EBITA margin	17.1%	17.8%	16.0%	17.5%	16.3%
Associates	9	7	10	16	17
Net interest	(30)	(28)	(46)	(58)	(76)
Tax	(73)	(72)	(50)	(145)	(113)
Tax rate	26%	-26%	-22%	-26%	-25%
Net income adjusted	206	202	179	408	348
EPS adjusted	11.9	11.6	10.3	23.6	20.0
DPS	na	na	na	10.1	9.7

Source: Deutsche Bank



**BT Group PLC****Hold**

Reuters: BT.L Exchange: LSE Ticker: BT

**Q3**

Price (GBP)	<b>208.80</b>
Price target (GBP)	<b>189.00</b>
52-week range (GBP)	<b>208.80 - 161.00</b>
Market cap (GBP)	<b>16,261.1</b>
Shares outstanding (m)	<b>8,155</b>
Free float (%)	<b>100</b>
FTSE 100 INDEX	<b>5,751.9</b>

**FYE 3/31 2011A 2012E 2013E**

RevGBPm)	20,076	19,361	19,277
DB PBT (GBPm)	2,083	2,376	2,524
Stated PBT (GBPm)	1,717	2,435	2,721
DB EPS (GBP)	20.07	22.06	23.27
DPS (GBP)	7.40	8.02	8.66
P/E (DB EPS) (x)	7.7	9.5	9.0

- **February 2012 3Q 11/12 IMS**

- Our expectations for Q3 11/12 results to be announced at 7am UKT on 3 Feb are as shown in the table below. We believe that the company will reiterate FY guidance though both Group top line and EBITDA trends will mark a deterioration on the Q2 trend which was boosted by an early booking (£60m) of a contract milestone at Global Services. We are a little more pessimistic than consensus on revenues and EBITDA (DBe 0.5% and 1.1% lower respectively than consensus) which despite assumed lower interest charges feeds through to adjusted EPS growth of 3.9%, 1.7% below consensus. We are more optimistic on FCF however (DBe £618m vs cons. £566m) predominantly due to seasonally lower capex (DBe £625m vs cons. £659m) during the quarter (we are in line for company guidance for the full year).

- We anticipate a IAS 19 pension deficit of £3.5bn, broadly unchanged on last quarter (£3.3bn). This reflects assets (+£2.6bn) post recently strong markets, and a jump in liabilities as a result of lower corporate bond yields. 31 Dec 2011 is the new valuation date for next actuarial deficit review. We note that 10 year Gilts fell to 2.0% at 31 Dec 11 vs 3.1% at Dec 08 which is unhelpful for the current review.

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**BT Group PLC****BT Group Q3 11/12E estimate: DBE vs consensus**

£ m	Consensus	Q3 11/12E	Dbe vs Cons	Q3 10/11A	% growth est.
<b>Revenues</b>					
Global services	1,896	1,891	-0.3%	1,978	-4.4%
Retail	1,870	1,862	-0.4%	1,954	-4.7%
Wholesale	979	974	-0.5%	1,069	-8.9%
Openreach	1,275	1,279	0.3%	1,240	3.1%
Other/elims	-1,229	-1,237	0.7%	-1,203	2.8%
<b>Total revenues</b>	<b>4,792</b>	<b>4,768</b>	<b>-0.5%</b>	<b>5,038</b>	<b>-5.4%</b>
<b>EBITDA</b>					
Global services	154	153	-0.6%	141	8.6%
Retail	457	453	-0.9%	452	0.2%
Wholesale	303	303	0.1%	330	-8.1%
Openreach	569	556	-2.3%	550	1.1%
Other/elims	19	20	5.2%	11	81.7%
EBITDA ex GS	1,348	1,332	-1.2%	1,343	-0.8%
<b>EBITDA post leavers (reported)</b>	<b>1,502</b>	<b>1,485</b>	<b>-1.1%</b>	<b>1,484</b>	<b>0.1%</b>
D&A	-743	-746	0.4%	-751	-0.7%
<b>Op profit (pre-specs)</b>	<b>759</b>	<b>739</b>	<b>-2.6%</b>	<b>733</b>	<b>0.8%</b>
Net finance costs	-172	-168	-2.4%	-207	-18.9%
Associates and jv's	4	3	-25.0%	5	-40.0%
<b>PBT before specifics (u-lying)</b>	<b>591</b>	<b>574</b>	<b>-2.9%</b>	<b>531</b>	<b>8.1%</b>
Specifics	33	47	40.9%	-90	-151.7%
<b>PBT after specifics</b>	<b>624</b>	<b>621</b>	<b>-0.5%</b>	<b>441</b>	<b>40.7%</b>
Tax	-147	-150	2.2%	-94	59.9%
<b>Net income</b>	<b>477</b>	<b>470</b>	<b>-1.4%</b>	<b>347</b>	<b>35.6%</b>
Average no of shares (m)	7,758	7,765	0.1%	7,751	0.2%
<b>EPS</b>					
<b>Adjusted EPS</b>	<b>5.7</b>	<b>5.6</b>	<b>-1.7%</b>	<b>5.4</b>	<b>3.9%</b>
EPS after specifics	6.1	6.1	-0.7%	4.5	35.3%
Capex	659	625	-5.2%	608	2.8%
FCF (post pension top up)	566	618	9.3%	-10	
<b>FCF pre pension top up</b>	<b>566</b>	<b>618</b>	<b>9.3%</b>	<b>515</b>	<b>20.1%</b>
Net debt	7,814	7,702	-1.4%	8,674	-11.2%

Source: Deutsche Bank, company data

**Compass Group****Buy**

Reuters: CPG.L Exchange: LSE Ticker: CPG

**Q1 Trading Update**

Price (GBP)	<b>607.50</b>
Price target (GBP)	<b>705.00</b>
52-week range (GBP)	<b>619.50 - 512.50</b>
Market cap (GBP)(m)	<b>11,269.6</b>
Shares outstanding (m)	<b>1,868</b>
Free float (%)	<b>100</b>
FTSE 100 INDEX	<b>5,751.9</b>

**FYE 9/30 2011A 2012E 2013E**

Rev (GBPm)	15,833	16,958	17,767
DB PBT (GBPm)	1,000	1,094	1,194
Stated PBT (GBPm)	986	1,094	1,194
DB EPS (GBP)	37.85	43.00	47.83
DPS (GBP)	19.30	21.50	23.92
P/E (DB EPS) (x)	14.8	14.1	12.7

- We are looking for a 2ppt reduction in organic growth vs. Q1'11, partly due to the fact that the Japanese Tsunami and Australian flood tragedies that impacted last year's results were Q2 events. Overall, not a vintage quarter, but one that could provide a better buying opportunity after the modest run of the past month or so.
- **Revenues:** We are forecasting modest Q1 volume declines to be down 1.25%, but price to be up just under 2%. The volume declines are being driven by unemployment in Western Europe primarily in the Business & Industry segments, which also includes public sector contracts as well as the events mentioned above. Overall organic revenue will be driven by the growth in net new business, a function of faster new contract wins and retention rates, with faster growth in North America and Rest of the World regions (despite the Japanese situation). It is the ability of the group to grow generally in spite of the economy that makes Compass such a strong defensive growth story. We are forecasting a near 4% revenue benefit from M&A in H1, following the significant step-up in investment in this area over the past 18 months. The FD discussed returns here at the finals presentation, suggesting that the post tax return on M&A spend between 2008 and 2010 was running at around 200 bps above the group WACC - an implied 15% EBITA ROI. Further progress here and from the share buyback programme will become increasingly important components of the portfolio of the growth levers that drive earnings.
- **Margins:** The timing of the impact of the Japanese tragedy and the initial integration costs of last year's acquisitions could see margins flat at this early stage of the year.

<b>Compass Group organic growth momentum</b>							
	Q1'10	Q1'11	FY'11	Q1'12E	H1'12E	H2'12E	FY'12E
Volume	-5.2%	0.5%	0.2%	-1.3%	-1.0%	-0.8%	-0.9%
Price	1.5%	2.0%	2.2%	1.8%	1.8%	1.8%	1.8%
<b>LFL revenue</b>	<b>-3.7%</b>	<b>2.5%</b>	<b>2.4%</b>	<b>0.5%</b>	<b>0.7%</b>	<b>1.0%</b>	<b>0.9%</b>
New business	9.0%	9.0%	8.8%	9.0%	9.0%	9.0%	9.0%
Retention	-7.0%	-6.0%	-5.8%	-6.0%	-6.0%	-6.0%	-6.0%
<b>Net new business</b>	<b>2.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>
<b>Organic</b>	<b>-1.7%</b>	<b>5.5%</b>	<b>5.4%</b>	<b>3.5%</b>	<b>3.7%</b>	<b>4.0%</b>	<b>3.8%</b>

Source: Deutsche Bank (E), company data

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**Electrolux****Buy**

Reuters: ELUXb.ST Exchange: STO Ticker: ELUXb

**Q4/FY**

Price (SEK)	<b>125.80</b>
Price target (SEK)	<b>150.00</b>
52-week range (SEK)	<b>187.00 - 95.30</b>
Market cap (SEK)(m)	<b>35,809.0</b>
Shares outstanding (m)	<b>286</b>
OMX Stockholm Index	<b>324.0</b>

**FYE 12/31 2010A 2011E 2012E**

Re (SEKm)	106,326	101,209	106,685
DB PBT (SEKm)	6,420	3,677	4,584
Stated PBT (SEKm)	5,306	3,013	3,834
DB EPS (SEK)	16.76	9.56	11.92
DPS (SEK)	6.50	6.50	6.50
P/E (DB EPS) (x)	10.1	13.2	10.6

- **Sequential improvement in Q4 - earnings momentum turning positive in Q1 2011** 2011 was plagued by the toxic combination of high input costs and significant price pressure. We expect that Q4 will be down YoY but still show a sequential improvement and we strongly believe that earnings momentum will head into positive territory from Q1, which should be a relief. While earnings are highly sensitive to the Price component, we still see Elux as a credible self-help story given cost cuts and increased speed-to-market. Buy
- **Q4 (due Feb 2) preview: We look for EBIT exc. one-offs of SEK1.4bn** We look for an organic sales decline of 1.3% (down from +1.5% in Q3), primarily driven by weak shipments in the US, Southern Europe but also due to a slowdown in places such as Eastern Europe. We look for a clean EBIT of SEK1.4bn (EBIT exc. IAC at SEK786m but includes one-offs of SEK630m that will be taken in the ordinary EBIT – see p.10-11 for details) down from SEK1.7bn LY. Major headwinds inc sourcing inc. finished goods) (SEK450m), Price (SEK125m) and Global Operations (SEK150m). Tailwinds include cost and efficiency savings (SEK250m) and acquisitions (SEK100m). We look for a clean EPS of SEK3.35 (-22%).
- **2012 outlook: Positive earnings momentum – Price remains the biggest risk** We look for a clean EBIT of SEK5.0bn in 2012. While above 2011 (DBe at SEK3.9bn) we still stress that this is significantly below 2010 but also below 2009. The main driver next year is cost and efficiency savings of SEK1.7bn but we also expect a tailwind from Price/Mix (SEK0.8bn) driven by the price hikes put through in H2'11 and beginning of 2012. While volumes could surprise to the downside we still view Price as the biggest single risk. We look for a positive contribution of 1%, significantly below the announced price hikes (and the 2009 experience) but a material improvement from -1% in 2011. See p.5-6 for a full earnings bridge.
- **Attractive valuation – raising DPS expectation – still plenty of risks** We retain Buy based on an attractive valuation and a credible self-help program to get to the 6% margin target. We expect the Board to take a shareholder friendly approach to DPS and have as such raised our forecast from SEK4.00 to SEK6.50 (flat YoY). We have cut our TP (DCF: WACC 8.6%, beta 1.3x, 2% TGR) to SEK150 to reflect negative earnings revisions of 3-4%. Key risks: margin pressure from price/mix as Elux may have to become more promotional
- **Originally published on 17 January 2012**

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**Elisa Corporation****Hold**

Reuters: ELI1V.HE Exchange: HEX Ticker: ELI1V

**FY**

Price (EUR)	<b>15.98</b>
Price target (EUR)	<b>15.00</b>
52-week range (EUR)	<b>16.81 - 13.38</b>
Market cap (EUR)	<b>2,490.9</b>
Shares outstanding (m)	<b>156</b>
DJ (.STOXXE)	<b>238.3</b>

**FYE 12/31 2010A 2011E 2012E**

Revenue (EURm)	1,463	1,515	1,515
DB PBT (EURm)	237	258	269
Stated PBT (EURm)	237	257	269
DB EPS (EUR)	1.15	1.24	1.30
DPS (EUR)	1.30	1.30	1.30
P/E (DB EPS) (x)	13.4	12.9	12.3

**3 February 2012 FY 11**

- **Q4'11 results: Lower than expected churn in the market** Elisa will report its Q4 results on 3 February. Numpac's number portability statistics suggest a less competitive environment compared to Q3. According to the data from NUMPAC, 151,000 numbers were ported in Finland during Q4, down 9% QoQ and 6% YoY. TeliaSonera has been more visible than in the earlier quarters, but it seems that subscribers have not been switching their operators that frequently. The data suggests market churn of some 19% vs. DBE of 20.3%. We are cutting our churn forecast for Elisa from 13% to 12.5% (12.7% in Q3).
- Otherwise, our estimates are essentially unchanged. We expect mobile net adds of 100,000 and ARPU of E 19.3 (down 7% YoY but up 2% sequentially) for the quarter. We forecast Q4 sales E 386m of, 1% higher than Q410 and up 2% sequentially. Our EBITDA forecast of E127m reflects YoY improvement of 3%.
- **FY 2011 likely to be in line with the guidance** Our 2011 estimates imply a 4% growth in sales and 3% in EBITDA on a YoY basis. Our capex forecast is 12.5% of sales. Elisa guided for slight improvement in sales and EBITDA, and max 12% capex to sales ratio for 2011.
- **FY 2012 Outlook: Expect continuing market dominance, attractive returns** We expect 2012 will be more of the same for Elisa. Elisa has proved in 2011 that its service-centric business model helps it to dominate the Finnish mobile market. TeliaSonera seems to have settled for losing share in Finland by minimizing its marketing expenditure. Moreover, DNA has become clearly less aggressive, as Elisa has been matching its price discounts. We believe competition will remain rather benign over this year and churn should remain in control (DBE 14% for 2012).
- With good traction in mobile broadband, we believe Elisa still has room for EBITDA expansion, and we expect the company to guide flattish sales (DBE -0.2% due to lower interconnect tariffs) and slight increase in EBITDA (DBE +4.2% to E 522m). We expect dividend to remain flat at E 1.3 for the full year, but it will probably be distributed piecemeal like in 2011 (E 0.9 after YE + E 0.4 after Q3). Note that this implies payout ratio of 1, which the strength of Elisa's simple company structure. Networks are not congested, and capex is likely to remain in control at 12% of sales.
- **Originally published on 17 January 2012**

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**Fiat Industrial S.p.A.****Buy**

Reuters: FI.MI Exchange: MIL Ticker: FI

**Q4**

Price (EUR)	<b>7.94</b>
Price target (EUR)	<b>9.00</b>
52-week range (EUR)	<b>10.66 - 4.89</b>
Market cap (EUR)(m)	<b>10,127.7</b>
Shares outstanding (m)	<b>1,276</b>
Free float (%)	<b>100</b>
DJ (.STOXXE)	<b>237.8</b>

**FYE 12/31 2010A 2011E 2012E**

Rev (EURm)	21,342	24,382	24,511
DB PBT (EURm)	576	1,473	1,593
Stated PBT (EURm)	576	1,473	1,593
DB EPS (EUR)	0.28	0.67	0.79
DPS (EUR)	0.08	0.18	0.24
P/E (DB EPS)(x)	–	11.9	10.1

- **Q4 preview – expecting strong numbers** Fiat industrial will release its fourth quarter numbers on February 1st, likely around noon. We expect the fourth quarter to mark the high point of the year, with revenues at E6.9bn for the group and a trading profit of some E598m (8.6% margin); against consensus of E460m. Buy maintained on valuation grounds.
- **CNH should continue to deliver – Iveco seasonally strong** We expect CNH to post a strong quarter in Q4, with E403m of trading profit (11% trading profit margin). Drivers behind this should again be solid AG development with very strong European recovery towards the end of the year and construction equipment activities that should have remained in the black territory. Iveco should post a strong quarter, with special vehicles likely providing the typical seasonal boost in the final quarter of the year, we expect E166m trading profit on E2.8bn revenues.
- **Don't expect a 2012 outlook change** We don't expect management to change its outlook for 2012 at this stage (E1.9- 2.1bn trading profit on E24bn revs.) as we believe that the Q4 exit rate will come in strong. We maintain a slightly more cautious view (DBE E1.8bn) given our outlook for European/Latam truck markets but believe that upside surprises could happen on the construction equipment side given most recently encouraging signs on the US housing data front.
- **Valuation and risks** We value Fiat industrial on a SOTP and EV/IC valuation model. Main risks to our investment case are associated with the macro environment. A shorter economic recovery might have negative effects on the business performance. Additionally, the AG business significantly depends on farmers' income, which is primarily a function of commodity prices.
- **Originally published on 25 January 2012**

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**Holmen****Hold**

Reuters: HOLMb.ST Exchange: STO Ticker: HOLMb

**Q4/FY**

Price (SEK)	<b>200.50</b>
Price target (SEK)	<b>185.00</b>
52-week range (SEK)	<b>251.10 - 155.60</b>
Market cap (SEK)(m)	<b>16,841.2</b>
Shares outstanding (m)	<b>84</b>
OMX Stockholm Index	<b>322.2</b>

**FYE 12/31 2010A 2011E 2012E**

Revenue (SEK)	17,579	18,359	17,784
DB PBT (SEK)	1,076	1,874	1,382
Stated PBT (SEK)	1,076	1,874	1,382
DB EPS (SEK)	4.61	16.28	11.84
DPS (SEK)	7.00	7.00	7.00
P/E (DB EPS) (x)	42.3	12.3	16.9

- Holmen will report its Q4 results on 2 February at "lunchtime" CET. 1) At Holmen Paper, we expect a small sequential improvement in Paper deliveries for Q4, driven by higher Newsprint volumes. We forecast flat newsprint prices and a small (+0.5%) increase in magazine paper prices vs. Q3. 2) For Paperboard, we expect slightly lower deliveries (-1% QoQ) due to market related shutdowns and a small drop in prices (-0.5% vs. Q3). 3) Sawn timber market remained weak due to low construction activity in Holmen's primary markets. Holmen Timber is not expected to breakeven any time soon. 4) At Holmen Skog, we forecast lower prices due to poor timber demand and decreasing prices of pulp. 5) Given the above average reservoir levels at the end of Q3, we expect higher volumes for Energi in Q4. The prices are also expected to moderately improve from Q3 levels. 6) At the end of Q3, the company still had some SEK 142m worth of unrealized hedging gains, most of which will affect Q4. The major impact would be in Holmen Paper, which carries 60% of the hedging gains

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# Holmen

Business units												
(SEK m)	1Q 10	2Q 10	3Q 10	4Q 10	2010	1Q 11	2Q 11	3Q 11	4Q 11E	2011E	2012E	2013E
<b>Sales</b>												
Holmen Paper	1,982	1,955	1,982	2,223	8,142	2,170	2,215	2,102	2,148	8,635	7,975	8,022
Iggesund Paperboard	1,195	1,139	1,225	1,291	4,850	1,257	1,340	1,296	1,277	5,170	4,806	4,903
Holmen Timber	128	150	162	147	587	151	221	254	279	905	1,007	1,068
Holmen Skog	1,408	1,441	1,281	1,456	5,586	1,697	1,594	1,469	1,498	6,258	6,421	6,550
Holmen Energi	549	408	419	556	1,932	494	436	437	496	1,863	2,022	2,083
Other activities	-862	-866	-864	-926	-3,518	-1,048	-1,019	-1,040	-1,367	-4,471	-4,446	-4,525
<b>Total</b>	<b>4,400</b>	<b>4,227</b>	<b>4,205</b>	<b>4,747</b>	<b>17,579</b>	<b>4,721</b>	<b>4,787</b>	<b>4,518</b>	<b>4,330</b>	<b>18,359</b>	<b>17,784</b>	<b>18,100</b>
<b>EBITDA</b>												
Holmen Paper	37	44	81	66	228	251	262	300	323	1,136	920	939
Iggesund Paperboard	236	264	327	313	1,140	325	319	279	277	1,200	1,032	1,189
Holmen Timber	15	18	15	1	49	-8	-7	2	8	-5	7	53
Holmen Skog	194	219	171	213	797	245	179	160	179	763	693	717
Holmen Energi	187	95	101	132	515	112	80	113	140	445	458	468
Other activities	-43	-57	-47	-53	-200	-44	-31	-26	-57	-158	-178	-181
<b>Total</b>	<b>626</b>	<b>583</b>	<b>648</b>	<b>672</b>	<b>2,529</b>	<b>881</b>	<b>802</b>	<b>828</b>	<b>870</b>	<b>3,381</b>	<b>2,931</b>	<b>3,186</b>
<b>EBIT</b>												
Holmen Paper	-178	-170	-129	-141	-618	57	70	105	125	357	119	95
Iggesund Paperboard	163	180	243	231	817	244	238	199	195	876	704	843
Holmen Timber	7	11	8	-6	20	-27	-38	-30	-25	-120	-124	-86
Holmen Skog	188	213	165	203	769	238	172	153	172	735	664	687
Holmen Energi	182	90	96	127	495	107	75	108	134	424	437	446
Other activities	-43	-57	-47	-53	-200	-44	-31	-26	-57	-158	-178	-181
<b>Total</b>	<b>319</b>	<b>267</b>	<b>336</b>	<b>361</b>	<b>1,283</b>	<b>575</b>	<b>486</b>	<b>509</b>	<b>545</b>	<b>2,115</b>	<b>1,622</b>	<b>1,804</b>
<b>EBIT Margins (%)</b>												
Holmen Paper	-9	-9	-7	-6	-8	3	3	5	6	4	1	1
Iggesund Paperboard	14	16	20	18	17	19	18	15	15	17	15	17
Holmen Timber	5	7	5	-4	3	-18	-17	-12	-9	-13	-12	-8
Holmen Skog	13	15	13	14	14	14	11	10	11	12	10	10
Holmen Energi	33	22	23	23	26	22	17	25	27	23	22	21
<b>Total</b>	<b>7</b>	<b>6</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>12</b>	<b>10</b>	<b>11</b>	<b>13</b>	<b>12</b>	<b>9</b>	<b>10</b>

Source: Deutsche Bank, Company data



**Konecranes Plc****Hold**

Reuters: KCR1V.HE Exchange: HEX Ticker: KCR1V

**Q4**

Price (EUR)	<b>18.32</b>
Price target (EUR)	<b>20.00</b>
52-week range (EUR)	<b>33.81 - 13.25</b>
Market cap (EUR)(m)	<b>1,080.1</b>
YE Sh outstanding (m)	<b>58,959,664</b>
Shares outstanding (m)	<b>59</b>
DJ (.STOXXE)	<b>238.3</b>

**FYE 12/31 2010A 2011E 2012E**

Revenue (EURm)	1,546	1,838	1,932
DB PBT (EURm)	123	114	133
Stated PBT (EURm)	111	89	122
DB EPS (EUR)	1.54	1.53	1.66
DPS (EUR)	1.00	1.00	1.10
P/E (DB EPS) (x)	15.9	11.9	11.1

- **Q4 due February 2 – Earnings weighed by restructuring, retain Hold**
- **Q4 expectations:** Konecranes is due to release Q4 financials on February 2 at 8.00 CET. With the profit warning in October, the company guided for sales growth in 2011 but flat adjusted EBIT compared to 2010. We project Q4 sales to grow by 15% YoY (11% organic) supported by the strong order book in Equipment. However, Konecranes high fixed cost load will result in profitability to suffer and we model adjusted EBIT of EUR 41m for Q4 and 110m for FY'11 (vs. EUR115m in 2010). This equates to an EBIT margin of 7.5% for Q4. Q4 earnings is also impacted by a EUR 10m charge resulting from ongoing restructuring measures especially in Services. Dividend is expected to be kept at EUR 1 and guidance for 2012 is expected to be released.
- **Finetuning forecasts** – Ahead of results we have cut our EPS by 18% due to the restructuring charges, while our EPS for 2012 and 2013 is lowered by 4% and 11% respectively.
- **Healthy financials but risks in near term outlook, Hold. Konecranes has** undoubtedly a healthy financial position, a reasonably compelling valuation with potential M&A upside, which is not included in our numbers. However, with the dramatic sentiment shift surrounding the business cycle combined with internal difficulties with profitability, we argue the stock is lacking evident shorter-term share price triggers. Hence, we see a balanced risk/reward and rate the shares Hold with a unchanged TP of EUR 20.
- **Originally published on 19 January 2012**

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## Konecranes Plc

### Quarterly profit & loss

EURm	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411E	2010	2011E	2012E	2013E
<b>Sales</b>	<b>308</b>	<b>377</b>	<b>394</b>	<b>469</b>	<b>388</b>	<b>460</b>	<b>451</b>	<b>539</b>	<b>1,646</b>	<b>1,838</b>	<b>1,932</b>	<b>2,020</b>
Growth	-30.7%	-12.7%	6.8%	9.4%	26.6%	21.9%	14.6%	14.9%	-7.5%	18.8%	5.2%	4.5%
of which organic	-33.8%	-19.5%	-2.3%	2.5%	19.2%	21.0%	11.9%	10.7%	-13.5%	15.2%	2.8%	4.6%
of which acq/div	2.8%	2.8%	2.5%	1.5%	4.0%	4.0%	4.0%	2.6%	2.0%	3.6%	0.8%	0.0%
of which currency	0.4%	4.0%	6.6%	5.4%	3.4%	-3.1%	-1.3%	0.1%	4.0%	-0.4%	1.4%	0.0%
<b>Adj EBIT</b>	<b>12</b>	<b>23</b>	<b>34</b>	<b>46</b>	<b>19</b>	<b>25</b>	<b>26</b>	<b>41</b>	<b>115</b>	<b>110</b>	<b>128</b>	<b>153</b>
Margin	3.8%	6.2%	8.7%	9.8%	4.9%	5.5%	5.8%	7.5%	7.4%	6.0%	6.6%	7.6%
Non-recurring items	0	-3	0	0	0	0	0	-10	-3	-10	0	0
<b>EBIT</b>	<b>12</b>	<b>21</b>	<b>34</b>	<b>46</b>	<b>19</b>	<b>25</b>	<b>26</b>	<b>31</b>	<b>112</b>	<b>100</b>	<b>128</b>	<b>153</b>
Margin	3.8%	5.5%	8.7%	9.8%	4.9%	5.5%	5.8%	5.7%	7.3%	5.5%	6.6%	7.6%
Net financials	1	-1	-2	-2	-7	-5	0	-2	-4	-14	-5	-5
Other financial items	0	0	0	0	0	0	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>12</b>	<b>21</b>	<b>33</b>	<b>45</b>	<b>12</b>	<b>22</b>	<b>26</b>	<b>29</b>	<b>111</b>	<b>89</b>	<b>122</b>	<b>149</b>
Taxes	-4	-6	-10	-14	-4	-7	-8	-9	-33	-26	-35	-43
Minorities	0	1	0	0	0	0	0	0	1	0	0	0
<b>Net profit</b>	<b>9</b>	<b>15</b>	<b>23</b>	<b>32</b>	<b>9</b>	<b>15</b>	<b>18</b>	<b>20</b>	<b>79</b>	<b>63</b>	<b>87</b>	<b>106</b>
EPS (full dilution)	0.14	0.24	0.36	0.50	0.14	0.26	0.31	0.35	1.34	1.06	1.47	1.79
DB EPS (full dilution)	0.17	0.33	0.40	0.54	0.20	0.32	0.37	0.63	1.53	1.53	1.65	1.96

Source: Deutsche Bank, Company data

**NCC****Buy**

Reuters: NCCb.ST Exchange: STO Ticker: NCCb

**Q4**

Price (SEK)	<b>136.30</b>
Price target (SEK)	<b>167.00</b>
52-week range (SEK)	<b>184.00 - 95.75</b>
Market cap (SEK)(m)	<b>14,779.8</b>
Shares outstanding (m)	<b>108</b>
OMX Stockholm Index	<b>322.2</b>

**FYE 12/31 2010A 2011E 2012E**

Rev (SEKm)	49,420	50,622	52,630
DB PBT (SEKm)	2,008	1,774	2,230
Stated PBT (SEKm)	2,008	1,774	2,230
DB EPS (SEK)	14.08	12.27	15.43
DPS (SEK)	10.00	10.00	10.00
P/E (DB EPS) (x)	9.1	11.1	8.8

- **Q4 due 1th of February 12 CET – Q4e EBIT 1,092m (847m)** Yesterday, NCC issued positive profit guidance ahead of Q4 stating its Housing EBIT will be SEK550m (89m). With consensus at half that level, the likely beat would be 30%. However, a mild winter should also boost its Roads operations, and altogether we have lifted EPS(11e) with a massive 21%. We have also made small margin assumptions improvements for both Housing and Roads 2012 and 2013, adding 3% to EPS. With increased comfort in the dividend case and 26% EBIT growth in 2012, the NCC case remains a strong favorite. Buy.
- **Dividend case should be strengthened by strong earnings** The most important figure in the Q4(11) report and for the long-term case is the dividend decision. We estimate SEK10/share is a long-term sustainable dividend (7.5%). Given the 2003-2007 DPS level of SEK15/share/year and the fact that NCC has SEK14bn in property assets but only SEK2.6bn in net debt, there could be upside potential both short and long-term to our estimates. Ahead of the positive profit guidance, we believe a maintained SEK10/share dividend could be a positive surprise as we interpret buy-side expectations below that level. With strong Q4 result, a higher than SEK10/share dividend cannot be ruled out. We now expect EBIT of SEK1,092m (800m) in Q4 and an order intake figure of SEK12bn (12.2bn). For all estimates.
- **New strategy and financials goals to be presented** Besides the dividend and strong results, we also expect NCC to release an updated view on its strategy and financial goals in Q4, in line with communications during the year. Although we do not expect any major changes, we would not rule out somewhat higher goals ahead compared to today's ROE of 20%, >50% payout ratio and <1.5x net debt to equity ratio. An area that might get extra attention is Roads, in which ROCE for many years has not been where NCC wants it to be. Any goals indicating higher profitability ahead is of course positive.
- **Dividend track-record and earnings outlook is a positive combination** We believe the current share price of NCC offers a strong risk/reward given the upcoming earnings improvement in residential, the strong balance sheet and a likely high dividend yield for several years ahead. Our SOTP derived target price is SEK167/shr (161). Main downside risks are 1) falling residential prices, 2) project cost overruns, and 3) lower-than-expected margins.
- **Originally published on 25 January 2012**

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**Neste Oil****Buy**

Reuters: NES1V.HE Exchange: HEX Ticker: NES1V

**Q4**

Price (EUR)	<b>8.80</b>
Price target (EUR)	<b>10.50</b>
52-week range (EUR)	<b>14.70 - 6.18</b>
Market cap (EUR)(m)	<b>2,257.6</b>
Shares outstanding (m)	<b>256</b>

**FYE 12/31 2010A 2011E 2012E**

Revenue (EUR)	11,892	14,645	15,781
EBITDA (EUR)	606	602	598
Net Income(EUR)	230	195	209
DB EPS (EUR)	0.64	0.35	0.81
DPS (EUR)	0.35	0.25	0.27
EV/EBITDA (EUR)	7.64	6.76	6.72
P/E (DB EPS) (x)	18.5	25.4	10.8

- **4Q11 results due 3rd February** An extremely challenging Q4 for Neste with heavy/light spreads negatively impacted by increased demand for Urals as companies sought to replace Iranian barrels. Elsewhere, whilst diesel cracks started the quarter strong, four weeks decoking at DL-4 means Neste missed the strongest cracks, with the unit restarting just as diesel cracks weakened. Overall we forecast clean EPS of €0.05/s, -79% y/y. With Neste well positioned to benefit from strong diesel cracks, we expect it to deliver sector leading earnings momentum in 2012. Buy
- **Oil products: decoking and weak H/L spreads bite** A rather mixed quarter in European refining markets, with the macro backcloth deteriorating significantly as we progressed through the quarter. Whilst Neste's indicator margin (published on its website) suggests an average refining margin of over \$4/bbl for the first two months, it drops sharply to below \$2/bbl for most of December as negative Brent/Urals spreads impacted. With diesel L-4 closed for four weeks maintenance in November (we estimate a negative impact of €20- 24mln), this suggests Neste will report its weakest set of quarterly refining earnings in 2011 in Q4, with our estimates suggesting clean EBIT of €53mln, -51% y/y and -37% q/q.
- **Renewables expected to start to turn corner** With sales of NExBTL expected to increase by 50% q/q to 260k tonnes suggesting better cost absorption and given Neste secured a higher level of ISCC approved palmoil feedstock, our forecasts suggest that while Renewables will remain loss making in Q4, the extent of losses will lessen. We forecast clean EBIT of €-31mln (a 46% improvement vs. Q3) and expect focus will be on sales growth potential for 2012 and an update on its palm oil voluntary scheme application with the EU in light of the recent decision by the US to not allow palm oil as a feedstock in biofuels. Finally, we look for clean EBIT of €17mln in Retail, -4% y/y.
- **Valuation & Risk** We value Neste Oil on a blended EV/EBITDA, DCF and SOTP. We target Neste to trade at a 10% premium to the Euro refining sector (so 6.5x 2012e EV/EBITDA) given its complexity. This yields a valuation of €8.60/s. Our SOTP suggests €12/s. Finally our DCF (which assumes 0% growth, 0.98 beta and a CoC 7%) suggests a PT of €11.80/s. Blending these together we arrive at our €10.50/s PT. Downside risks include a weaker refining environment, delays in implementing EU renewables legislation, price fluctuations in its renewables feedstocks and lack of EU approval for its palmoil feedstock.
- **Originally published on 24 January 2012**

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**Novo Nordisk****Hold**

Reuters: NOVOB.CO Exchange: CPH Ticker: NOVOB

**Q4**

Price (DKK)	<b>669.50</b>
Price target (DKK)	<b>620.00</b>
52-week range (DKK)	<b>696.50 - 509.50</b>
Market cap (DKK)(m)	<b>378,211.1</b>
Shares outstanding (m)	<b>570</b>
Free float (%)	<b>100</b>
OMX Copenhagen 20	<b>403.1</b>

**FYE 12/31 2010A 2011E 2012E**

Revenue (DKK)	60,776	65,766	73,728
DB PBT (DKK)	16,971	21,305	23,784
S PBT (DKK)	18,286	21,305	23,784
DB EPS (DKK)	22.79	28.80	33.27
DPS (DKK)	10.00	12.11	14.00
P/E (DB EPS) (x)	21.2	23.2	20.1

- **Hold: Not cheap, but few negative triggers** We reiterate our Hold rating on Novo Nordisk. We see strong double-digit EPS growth driven by the usual robust growth of its diabetes franchise with margin uplift as the portfolio transitions towards modern insulins with further contribution generated from Victoza growth. However, this comes at a price (21x 2012E PE, a >100% premium to peers) and the shares trade in line with our DCF. We expect 4Q/FY11 results to be a sedate affair with strong 4Q sales (+9%) driven by modern insulins (+10%) and continued healthy Victoza growth (+97%) and sequentially more favourable Fx. 4Q costs will likely follow typical quarterly trends of high SG&A and R&D but still resulting in adjusted EPS of DKK7.19 (+45% YoY, 4% "as-reported" due to one-off gain in prior year). We expect management 2012 guidance to continue to call for local currency high-single-digit sales (DBe 10%) and around 10% EBIT growth (DBe 10%), although the timing of costs and revenues depends on the approval and launch of Degludec as well as the timing of US Prandin generics.
- **2012 newsflow likely to be mixed** The key development of 2012 is set to be the approval of new long-acting insulin Degludec (June 2012). However, this is widely expected and already fully reflected in consensus forecasts, in our view (as such offering mild regulatory risk and the risk of disappointment should its launch follow the slow build of most new insulins). Of more interest from a forecast-changing perspective is the approval and launch success (vs Novo's Victoza) of competitor Byduren in the lucrative US GLP-1 market (due 28 Jan). In addition clinical trial results for liraglutide's obesity studies (2H12) and results (1Q) and filing (mid-12) for Novo's Factor VIII molecule have the potential to stimulate a new upgrade cycle, should the studies prove successful. We continue to assume a significant decline in Prandin sales in 2012, but this could be slower should the Supreme Court not rule in favour of generics (in March).
- **Valuation & Risks (Hold, price target DKK620, previously DKK600)** We value Novo Nordisk based on an average of 2013E PE (50% premium to our 12x sector target), to capture the nearer-term earnings power, and DCF of DKK680/share (WACC 9%, Beta 1, ERP 5.5%, TGR 2.5%), to capture the longerterm potential reward. This yields our DKK620 price target (previously DKK600). Significant upside risks include the failure of GLP-1 competition to materialise, and positive results of liraglutide in obesity. Downside risks include regulatory delay or rejection of Degludec, price reductions to insulins and greater-than-expected commercial success for Bydureon.
- **Originally published on 23 January 2012**

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## Novo Nordisk

Novo Nordisk – 4Q11 Preview						
(DKr mn, except per share data)	4Q10A	4Q11E	% chg	2010A	2011E	% chg
Human insulins	2,992	2,533	-15.3	11,827	10,528	-11.0
Modern insulins	7,127	7,814	9.6	26,601	28,723	8.0
...NovoRapid	3,209	3,468	8.1	11,900	12,744	7.1
...NovoMix	2,105	2,207	4.8	7,821	8,275	5.8
...Levemir	1,813	2,139	18.0	6,880	7,704	12.0
Victoza	951	1,876	97.2	2,317	5,771	149.1
Protein-related sales	561	585	4.2	2,214	2,325	5.0
OAD	666	574	-13.8	2,751	2,500	-9.1
<b>Diabetes care total</b>	<b>12,297</b>	<b>13,382</b>	<b>8.8</b>	<b>45,710</b>	<b>49,847</b>	<b>9.0</b>
NovoSeven	1,995	2,135	7.0	8,030	8,351	4.0
Growth Hormone therapy	1,242	1,357	9.3	4,903	5,064	3.4
Hormone replacement therapy	482	537	11.5	1,892	2,043	8.0
Other products	107	128	20.0	341	460	35.0
<b>Biopharmaceuticals total</b>	<b>3,827</b>	<b>4,158</b>	<b>8.6</b>	<b>15,066</b>	<b>15,919</b>	<b>5.7</b>
<b>Total Sales</b>	<b>16,124</b>	<b>17,540</b>	<b>8.8</b>	<b>60,776</b>	<b>65,766</b>	<b>8.2</b>
Gross Profit	13,039	14,352	10.1	49,095	53,111	8.2
Sales and distribution costs	-5,274	-5,662	7.4	-18,195	-19,279	6.0
R&D Costs	-2,735	-2,629	-3.9	-9,602	-9,505	-1.0
Administrative expenses	-850	-916	7.8	-3,055	-3,238	5.7
License fees and other	164	189	15.3	657	538	-18.1
<b>Operating Profit</b>	<b>4,344</b>	<b>5,334</b>	<b>22.8</b>	<b>18,891</b>	<b>21,627</b>	<b>14.5</b>
Net Financials	361	-143	-139.5	-605	-322	-46.8
Profit before Tax	4,705	5,191	10.3	18,285	21,305	16.5
<b>Net Profit</b>	<b>3,946</b>	<b>3,997</b>	<b>1.3</b>	<b>14,403</b>	<b>16,405</b>	<b>13.9</b>
No. Shares - dil.	578	560	-3.0	585	570	-2.7
Basic EPS	6.87	7.20	4.8	24.81	29.04	17.0
Diluted EPS	6.82	7.13	4.6	24.60	28.80	17.1
<b>as % Sales</b>						
...Gross profit margin	80.9	81.8	1.0	80.8	80.8	-0.0
...Sales and distribution costs	32.7	32.3	-0.4	29.9	29.3	-0.6
...R&D Costs	17.0	15.0	-2.0	15.8	14.5	-1.3
...Administrative expenses	5.3	5.2	-0.0	5.0	4.9	-0.1
...Operating Profit Margin	26.9	30.4	3.5	31.1	32.9	1.8
...Net profit margin	24.5	22.8	-1.7	23.7	24.9	1.2

Source: Deutsche Bank, company data

**Palfinger****Hold**

Reuters: PALF.VI Exchange: VIE Ticker: PALF

**Q4**

Price (EUR)	<b>16.50</b>
Price target (EUR)	<b>16.00</b>
52-week range (EUR)	<b>28.18 - 11.59</b>
Market cap (EUR)(m)	<b>584.1</b>
YE Shares outstanding (m)	<b>35,730,000</b>
Shares outstanding (m)	<b>35</b>
DJ (.STOXXE)	<b>237.8</b>

FYE 12/31	2010A	2011E	2012E
Revenue (EURm)	652	838	790
DB PBT (EURm)	30	60	32
Stated PBT (EURm)	30	60	32
DB EPS (EUR)	0.68	1.23	0.60
DPS (EUR)	0.22	0.40	0.25
P/E (DB EPS) (x)	27.2	13.4	27.6

- **Q4 preview; EPS & TP unchanged** Palfinger will report its 4Q11 results on 03 February 2012 at 08.00 CET followed by a local analyst meeting. For Q4 we expect robust results but also ongoing declines of order intake in Western Europe. We had reduced our EPS estimates after 3Q11 results already and keep them unchanged now. We reiterate Hold given the lack of upside potential to the unchanged TP of E16. The company has an ongoing share-buyback program but only with a maximum price of E 12.3.

**Palfinger AG – 4Q11 results preview**

Euro million	4Q 10A	4Q 11DBE	4Q 11A
Sales	187	214	
EBIT*	12.3	17.4	
EBIT Margin	6.6%	8.2%	
Pre-tax profit	10.4	16.2	
Net attributable profit	12.5	10.9	
EPS fully diluted (Euro)	0.35	0.31	

Source: Company data &amp; Deutsche Bank estimates. \* excluding associates

- **Q4E EBIT of E 17.4m (+41%YoY)** For Q4 we project sales growth of 15% YoY primarily coming from organic growth leading to strong growth in EBIT. Yet we project Q4 EBIT margin of 8.2%, which is still well below the peak level range of 13-14% for the group in 2006/2007 FY (due mainly to mix effects, in our view). We assume that Q4 order intake in Western Europe is still down by around 10%, but that is partly compensated for by Russia, the Americas and RoW. The next news flow could be an announcement to participate in a big Chinese JV, as flagged in the past by Palfinger.
- **Valuation & Risks** We have maintained our target price at Euro 16, calculated using EV/CE analysis. Our target price is based on 2013E RoCE (post-tax) of 9.1% and a WACC of 7.0% (7.1% before; see page 3 for details). Downside risks are: 1) more than 10% downturn in 2012 in the European truck market, which drives more than 50% of group sales, and 2) unforeseen higher input costs from steel or wages, representing an estimated 10% and 25%, respectively, of group sales. Upside risks are: 1) unexpected demand acceleration in the Russian market or 2) unexpected earnings-accretive takeover or investment activity with acquired sales of more than Euro 100m.
- **Originally published on 24 January 2012**

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**Philips****Buy**

Reuters: PHG.AS Exchange: AEX Ticker: PHG

**Q4/FY**

Price (EUR)	<b>15.28</b>
Price target (EUR)	<b>21.00</b>
52-week range (EUR)	<b>23.98 - 12.22</b>
Market cap (EUR)(m)	<b>14,463.7</b>
Shares outstanding (m)	<b>949</b>
DJ (.STOXXE)	<b>238.3</b>

**FYE 12/31 2010A 2011E 2012E**

Rev (EURm)	25,419	22,361	23,183
DB PBT (EURm)	2,327	1,472	1,530
Stated PBT (EURm)	1,943	389	1,072
DB EPS (EUR)	1.91	1.22	1.34
DPS (EUR)	0.75	0.75	0.75
P/E (DB EPS) (x)	12.2	12.5	11.4

- **Healthcare and Consumer drive Q4'11 miss** Philips has pre-announced partial Q4 earnings (full release Jan 30), guiding to Q4 EBITA of ~€500m, ~17% below DBE/cons (~€600m). The Lighting result looks driven primarily by inventories, which may be seen as one-off. Healthcare is more of a concern, where Philips attributes margin weakness to the knock-on impact of delayed deliveries in Europe, where fears are likely to persist into 2012. We retain our Buy rating on cost plans driving recovery in 2013, but share performance is likely to remain subdued, awaiting evidence of the earnings inflection.
- **Healthcare – weaker end markets drive the miss** Healthcare is the biggest miss. The ~15% Q4'11 EBITA margin compares to DBE/cons of 19-20%, implying a FY11e margin of ~13%. Although there are some one-off costs, costs built to support a higher level of revenues seems the biggest culprit, with weaker revenue attributed to delivery delays and European weakness. While delayed deliveries may prove transitory, European weakness probably won't.
- **Lighting – margin hit from unwinding inventory** Philips has guided that the Q4 adjusted Lighting margin will be 3-4% (previous DBE 6.7%) weighed down by lower production levels and inventory disposals. Although the effects from Consumer Luminaires (Europe weakness) and Lumileds (6" wafer transition) look to have persisted from Q3, this was already in forecasts.
- **The bridge to 2013 – wobbled but didn't break** We update our 2013 EBITA bridge to reflect a lower 2011 baseline. Assuming all cost plans remain valid (and we think they do), we think Philips needs to also reverse about €200m (<1% of sales) of the long list of transitory costs that it experienced in 2011 to hit a 10% margin in 2013. We still think this is doable.
- **Changes to our forecasts** We have updated our model to reflect the impact of today's guidance, the latest share buyback, and also to move license revenue from Consumer to GMS
- **Valuation and risks** We value Philips using a SOTP to reflect differing prospects by division. Key risks include i) cost plans may not be sufficient to hit margin targets, ii) the transition to new Lighting technologies may lead to greater competitive pricing pressure than we expect, and iii) Government austerity may lead to more onerous healthcare reform than we expect.
- **Originally published on 10 January 2012**

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**Roche****Buy**

Reuters: ROG.VX Exchange: VTX Ticker: ROG

**Q4/FY**

Price (CHF)	<b>164.60</b>
Price target (CHF)	<b>172.00</b>
52-week range (CHF)	<b>165.80 - 117.00</b>
Market cap (CHF)(m)	<b>139,610.9</b>
Shares outstanding (m)	<b>851</b>
Free float (%)	<b>100</b>
SPI Swiss Performance IX	<b>5,539.0</b>

**FYE 12/31 2010A 2011E 2012E**

Revenue (CHF)	49,167	44,324	47,116
DB PBT (CHF)	14,316	13,497	15,547
St PBT (CHF)	11,211	11,872	14,550
DB EPS (CHF)	12.78	12.11	14.10
DPS (CHF)	6.60	6.81	7.92
P/E (DB EPS) (x)	12.2	13.6	11.7

- **De-risked, EPS downgrade cycle ending, and positive newsflow risk:reward** We upgraded Roche to Buy in December 2011. Our thesis centres on three key points; Roche has 1) returned to the prospect of top-line growth which, augmented by cost savings, is likely to result in a period of consistent EPS growth; 2) significantly de-risked its HER-2 franchise, side-stepping a large portion of biosimilar risk (and almost as importantly, the perception of this risk); and now offers the prospect of 3) asymmetric share price and LT EPS risk/reward from key pipeline events (including dalcetrapib, T-DM1 and Aleglitazar) for which we expect the shares to perform ahead of events. At the 2H/FY11 results we expect it to be too early to see a meaningful rebound in Roche core franchise sales (Avastin likely bottomed in the US, but still declining in Europe), but believe this is generally expected by investors and focus will be on Roche's cost savings ability and 2012 outlook. For the former, we expect the full announced CHF1.8bn to be achieved in 2011 but do not expect any increase in the savings expectations, while for the latter we see significant headroom to guide to double-digit Core EPS growth (DBe 16%) but anticipate typically conservative guidance of "high single digit" or "around double digit" growth at this juncture.
- **DBe FY12 sales of -10% (+2% lc) and Core EPS of -5% (10% in lc)** We expect group sales to continue to reflect headwinds to the oncology division and overall austerity/pricing pressure, albeit at a flattening rate in 4Q versus an easy comparative (Avastin decline now annualised). We forecast flat YoY Pharmaceutical sales (in lc) with Core EBIT growing 4% (in lc) reflecting the ongoing operational excellence programme. Price cuts and austerity measures contribute to a c.2% headwind in sales whereas US excise tax will likely result in an additional 1% EBIT headwind (booked as a cost in G&A). In Diagnostics we expect FY sales and Core EBIT to grow 6% and 14% (in lc). Looking to the investor meeting, we expect discussions to focus on 1) Outlook; 2) Sales trajectory turn-around (particularly Avastin and Pegasys); 3) Potential for further cost savings; 4) Pertuzumab sales potential and protection of the HER2 franchise from upcoming biosimilar competition; 4) Dalcetrapib's interim analysis and the positive risk/reward dynamics.
- **Valuation & Risks (Buy, price target CHF172)** Our price target is based on equally-weighted 2013E PE (a 5% premium to a sector target multiple of 12x), to capture the near-term earnings trajectory, and DCF of CHF187 (WACC 9%, Beta 1, ERP 5.5%, TGR 2%), to capture the longerterm potential reward. This yields our CHF172 price target. Significant risks include dalcetrapib failure, T-DM1 failure in the EMILIA study, Lucentis competition and long-term erosion of Pegasys revenues as new developments could render the drug obsolete.
- **Originally published on 23 January, 2012**

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## Roche

## Roche – 4Q11/2H11 Preview

(CHF mn, except per share data)	4Q10A	4Q11E	% chg	2H10A	2H11E	% chg	FY2010A	FY2011E	% chg
Pharmaceuticals	8,663	8,156	-6	17,672	15,738	-10.9	37,058	32,553	-12
Diagnostics	2,683	2,940	10	5,165	5,179	0.3	10,415	10,035	-4
<b>Group</b>	<b>11,346</b>	<b>11,096</b>	<b>-2</b>	<b>22,837</b>	<b>20,917</b>	<b>-8.4</b>	<b>47,473</b>	<b>42,588</b>	<b>-10</b>
Avastin	1,460	1,319	-10	3,068	2,535	-17.4	6,461	5,261	-19
Mabthera/Rituxan	1,535	1,476	-4	3,055	2,837	-7.1	6,356	5,893	-7
Herceptin	1,266	1,255	-1	2,623	2,444	-6.8	5,429	5,160	-5
Tamiflu	65	65	0	163	104	-36.3	873	366	-58
Pegasys	392	400	2	776	756	-2.6	1,645	1,451	-12
NeoRecormon/Epogen	296	241	-19	608	438	-28.0	1,285	931	-28
Celcept	289	233	-19	588	465	-20.9	1,290	1,003	-22
Xeloda	333	341	2	694	674	-2.9	1,426	1,342	-6
Tarceva	320	333	4	651	640	-1.8	1,325	1,254	-5
Lucentis	377	422	12	761	781	2.6	1,458	1,550	6
Boniva	223	155	-31	469	312	-33.6	1,013	706	-30
Xolair	150	165	10	317	311	-2.0	641	611	-5
Cymevene/Valcyte	152	154	2	309	297	-3.7	605	579	-4
Pulmozyme	128	134	4	249	245	-1.7	513	492	-4
Activase	114	124	9	233	224	-3.8	460	455	-1
Actemra	135	202	50	242	358	47.9	397	635	60
Nutropin/Protropin	95	86	-10	212	159	-25.0	405	328	-19
Mircera	70	117	68	131	216	65.1	255	354	39
Neutrogen	82	77	-6	164	142	-13.4	331	277	-16
Madopar	70	21	-70	137	93	-32.0	282	243	-14
Top-20	7,552	7,319	-3	15,450	14,030	-9.2	32,450	28,890	-11
Tail	1,111	837	-25	2,222	1,708	-23.1	4,608	3,663	-21
<b>Total pharmaceuticals</b>	<b>8,663</b>	<b>8,156</b>	<b>-6</b>	<b>17,672</b>	<b>15,738</b>	<b>-10.9</b>	<b>37,058</b>	<b>32,553</b>	<b>-12</b>
<b>Sales</b>				<b>22,837</b>	<b>20,917</b>	<b>-8.4</b>	<b>47,473</b>	<b>42,588</b>	<b>-10.3</b>
Royalties and other operating income				816	940	15.1	1,694	1,736	2.5
Cost of sales				-6,423	-5,878	-8.5	-13,293	-11,976	-9.9
Marketing and distribution				-4,942	-4,068	-17.7	-9,488	-7,926	-16.5
Research and development				-5,555	-4,762	-14.3	-10,026	-8,747	-12.8
General and admin				-1,110	-1,291	16.3	-1,981	-2,357	19.0
Operating profit before exc. items				5,623	5,858	4.2	14,379	13,318	-7.4
Other operating income and expenses				-615	0	-100.0	-893	0	-100.0
Operating profit				5,008	5,858	17.0	13,486	13,318	-1.2
<b>Core Operating profit</b>				<b>7,432</b>	<b>6,692</b>		<b>16,591</b>	<b>14,943</b>	
Associated companies				-3	0	-100.0	-3	0	-100.0
Financial income				255	441	72.9	557	814	46.1
Financial costs				-1,321	-1,095	-17.1	-2,829	-2,260	-20.1
Profit before taxes				3,939	5,204	32.1	11,211	11,872	5.9
Income taxes				-613	-1,124	83.3	-2,320	-2,533	9.2
Net Income				3,326	4,080	22.7	8,891	9,339	5.0
NI to Roche shareholders				3,198	3,979	24.4	8,666	9,130	5.4
<b>Core EPS</b>				<b>5.83</b>	<b>5.43</b>	<b>-6.9</b>	<b>12.78</b>	<b>12.11</b>	<b>-5.3</b>

Source: Deutsche Bank, company data

**Ryanair****Buy**

Reuters: RYA.I Exchange: ISE Ticker: RYA

**Q3**

Price (EUR)	<b>3.94</b>
Price target (EUR)	<b>4.60</b>
52-week range (EUR)	<b>4.00 - 2.82</b>
Market cap (EUR)(m)	<b>5,846.2</b>
Shares outstanding (m)	<b>1,490</b>
DJ (.STOXXE)	<b>238.3</b>

**FYE 3/31 2011A 2012E 2013E**

Revenue (EURm)	3,630	4,246	4,725
DB PBT (EURm)	451	529	641
Stated PBT (EURm)	421	529	641
DB EPS (EUR)	0.27	0.31	0.37
DPS (EUR)	0.00	0.00	0.34
P/E (DB EPS)(x)	13.9	12.7	10.5

- **Q3 results on 30 January, upgrade to guidance unlikely** We forecast a small net loss of €14m for the period broadly in line with Q3 10/11 (€10m net loss) and consensus (€16m net loss) with revenues up 10% composed of a 1.5% decline in reported passenger numbers and our assumption of a 15% rise in the average fare. The company raised FY guidance to €440m (from €400m) on 7 November (DBe: €460m). Ryanair seems to have operated more capacity than it guided in Q3 which is perhaps a positive sign. However we don't expect an upgrade to guidance or consensus given uncertainty over yields in Q4.
- **Strengthening Sterling is beneficial for Ryanair** Circa 30% of Ryanair's revenues and 20% of costs are in Sterling and therefore the appreciation of Sterling vs Euro from 1.13 average in calendar Q2 2011 to current spot rate of 1.21 (+7%) will have a positive translation effect in 2012 at these levels. The airline does not hedge the Sterling surplus. The depreciation of the Euro vs the USD is negative because around 50% of costs are in USD (Fuel and financing) but we note that Ryanair has its remaining aircraft deliveries hedged at USD1.43 and its opex is hedged 18 months out at USD1.39.
- **Ryanair to benefit from bmibaby restructuring** A material downsizing of bmibaby seems likely given that it is not part of the IAG deal to buy bmi from Lufthansa. Ryanair should be the major beneficiary because at East Midlands, bmibaby's main base, Ryanair had 42% of airport capacity in 2011 against bmibaby with 31%. Ryanair is becoming increasingly dominant in the midlands with dominant market shares at East Midlands, Birmingham and Leeds.

**Ryanair forecasts summary**

EURm	Q3 11/12	Q3 10/11	YoY	Consensus (Q3)	9m 11/12	9m 10/11	YoY
Revenue	824	746	10.4%	819	3,537	2,928	20.8%
EBIT (recurring)	-1	0	nm		650	545	19.2%
Net profit	-14	-10	nm	-16	529	442	19.8%
EPS (EUR)	-0.01	-0.01	nm	-0.01	0.36	0.30	19.8%
Passengers (m)	16.8	17.0	-1.5%		61.5	57.1	7.7%
Avg fare per pax (€)	39.2	34.1	15.0%		46.8	40.9	14.5%

Source: Deutsche Bank Estimates

- **Originally published on 17 January 2012**

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**Sandvik****Hold**

Reuters: SAND.ST Exchange: STO Ticker: SAND

**Q4**

Price (SEK)	<b>96.75</b>
Price target (SEK)	<b>93.00</b>
52-week range (SEK)	<b>130.50 - 72.85</b>
Market cap (SEK)(m)	<b>114,773.1</b>
YE Shoutstanding (m)	<b>1,186,285,000</b>
Shares outstanding (m)	<b>1,186</b>
OMX Stockholm Index	<b>324.0</b>

FYE 12/31	2010A	2011E	2012E
Revenue (SEKm)	82,654	93,639	97,258
DB PBT (SEKm)	9,308	12,086	13,545
Stated PBT (SEKm)	9,412	9,053	12,878
DB EPS (SEK)	5.53	7.02	8.00
DPS (SEK)	3.00	3.00	3.50
P/E (DB EPS) (x)	17.7	13.8	12.1

- **Q4 due February 1 – Structural actions supportive but near-term effects limited, inferior risk/reward vs peers**
- **Q4 expectations:** Organic orders to contract 4% YoY. Sandvik is due to release Q4 numbers on November 1 at 8.00. We model sales to grow organically by 6% YoY, which can be compared to +22% in Q3 while we expect clean EBIT of SEK 3,648m up a 10% versus Q4'10. This would equate to a 14.8% EBIT margin and imply a 60bps YoY expansion. We expect reported EBIT to be burdened by a total SEK 1,220m in one-off items, of which 120m is related to nickel inventory revaluation and the rest restructuring. Orders is projected to contract 4% organically, versus +21% in Q311 due partly to an exceptionally strong comparable in SMC, leaving the order intake at SEK 25.3bn. This includes project orders of SEK 800m.
- **Downgrade to EPS.** Ahead of results we have made small downgrades of our forecasts with EPS trimmed by 7.6% for 2011 (increasing forecasts related to charges for restructuring) and by 2012 3% and 4% for 2012 and 2013 respectively.
- **Inferior risk/reward profile vs peers, retain Hold** – We highly appreciate the structural actions initiated/announced by relatively new CEO Olof Faxander and believe Sandvik will emerge as a stronger company. However, given current high macro uncertainty and considering Sandviks relatively high operational gearing and the fact that benefits from announced actions is unlikely to be visible in the near-term we think the risk/reward profile is looking inferior to that of peers. Hence we retain Hold with an unchanged TP of SEK 93.
- **Originally published on 19 January 2012**

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**Sandvik**

Quarterly profit & loss												
SEKm	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411E	2010	2011E	2012E	2013E
Sales	18,534	20,603	20,241	23,276	22,030	23,421	23,528	24,660	82,654	93,639	97,258	102,332
Growth	-3.1%	14.4%	22.1%	27.8%	18.9%	13.7%	16.2%	5.9%	14.9%	13.3%	3.9%	5.2%
of which organic	0.3%	13.4%	19.9%	30.1%	25.3%	24.0%	21.4%	6.2%	15.6%	18.7%	2.4%	5.2%
of which surcharges	0.5%	2.3%	1.6%	1.3%	1.3%	0.2%	0.1%	0.0%	1.4%	0.4%	-1.0%	0.0%
of which acq/div	1.0%	0.7%	0.0%	0.0%	0.4%	0.4%	0.2%	0.2%	0.4%	0.3%	-0.1%	0.0%
of which currency	-6.0%	-2.0%	0.7%	-3.6%	-8.2%	-10.9%	-6.5%	-0.5%	-2.6%	-6.0%	2.5%	0.0%
Adj EBIT	1,863	3,131	2,622	3,309	3,191	3,622	3,498	3,648	10,925	13,959	15,146	16,844
Margin	10.1%	15.2%	13.0%	14.2%	14.5%	15.5%	14.9%	14.8%	13.2%	14.9%	15.6%	16.5%
Non-recurring items	34	340	-90	-180	80	-60	-1,833	-1,220	104	-3,033	-668	0
EBIT	1,897	3,471	2,532	3,129	3,271	3,562	1,665	2,428	11,029	10,926	14,478	16,844
Margin	10.2%	16.8%	12.5%	13.4%	14.8%	15.2%	7.1%	9.8%	13.3%	11.7%	14.9%	16.5%
Net financials	-395	-434	-412	-375	-416	-489	-555	-413	-1,617	-1,873	-1,600	-1,259
Other financial items	0	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	1,502	3,037	2,120	2,754	2,855	3,073	1,110	2,015	9,412	9,053	12,878	15,585
Taxes	-390	-962	-660	-668	-729	-846	-406	-544	-2,469	-2,524	-3,477	-4,208
Minorities	-60	-171	15	-62	-89	-114	-78	-89	-308	-380	-388	-406
Net profit	1,062	1,904	1,575	2,094	2,027	2,114	626	1,382	6,635	6,149	9,013	10,969
EPS (full dilution)	0.90	1.61	1.33	1.77	1.71	1.78	0.53	1.17	5.59	5.18	7.60	9.25
DB EPS (full dilution)	0.87	1.40	1.38	1.87	1.86	1.82	1.64	1.91	5.53	7.02	8.00	9.25

Source: Deutsche Bank, Company data

**Smith & Nephew****Hold**

Reuters: SN.L Exchange: LSE Ticker: SN

**Q4**

Price (GBP)	<b>605.50</b>
Price target (GBP)	<b>646.00</b>
52-week range (GBP)	<b>742.00 - 521.00</b>
Market cap (GBP)(m)	<b>5,352.6</b>
Shares outstanding (m)	<b>893</b>
Free float (%)	<b>100</b>
FTSE 100 INDEX	<b>5,723.0</b>

**FYE 12/31 2010A 2011E 2012E**

Revenue (USDm)	3,962	4,237	4,333
DB PBT (USDm)	944	942	973
Stated PBT (USDm)	910	896	939
DB EPS (USD)	0.74	0.73	0.75
DPS (USD)	0.16	0.17	0.19
P/E (DB EPS) (x)	13.0	13.0	12.6

- **Details of \$150m efficiency programme and 2012 Outlook key** We expect investors to focus on the key sources of management's \$150m efficiency programme, the outlooks of S&N's key markets and S&N's performance relative to them. Given growing risks of weaker new recon product momentum relative to its peers, we expect S&N's Ortho business to attract more attention than its better positioned Endo and Wound businesses. We believe shares in S&N are at risk to losing the 5% P/E premium they are on versus their US ortho peers in the near term. We have maintained our Hold rating and 646p price target.

- **Q4 11E results due at 7am UK time on 2nd Feb 12, analyst meeting at 9am** We expect S&N to report Q4 11 sales of \$1,072m, +0.5% on reported basis (+2.2% pre-sales days, no impact from sales days or structural changes and -1.7% from FX). We forecast group EBITA to reach \$262m (24.5% EBITA margin) and Group EPS to be \$0.19. Management will host a conf call and an analyst meeting to discuss the results at UBS, 1 Finsbury Ave, London. The dial-ins are: UK/Int.: +44 207136 2055, USA: +1 212 444 0481, pass code: 5402599

**S&N results table**

	Q4 10	Q4 11E	Q4 11 cons.	Diff. vs. DB	Diff. vs. cons.
Turnover	1,067.0	1,072.2	1,115 (1,072-1,140)		
EBITA	278.0	262.4	271 (260-283)		
EBITA margin %	26.1	24.5	24.3 (24.2-24.8)		
Adjusted EPS	21.6	19.9	20.9 (19.9-22.1)		
% EPS growth	6.2	-7.7	-3.2		

Source: Deutsche Bank, company data

- **2012E: a more challenging year** We forecast S&N to achieve UL sales growth of 2.5% & EPS of 74.8c, +3% in 2012E. We expect S&N's ortho sales growth to slow to 0.4% (2011E: +3.1%) that comprise: share loss in hips, knees in-line with market & trauma slightly below market rates. We forecast Endo & Wound sales to be +5.4% and +4.7% in 2012E that would be slightly slower than in 2011, but assume S&N will continue to gain share. We estimate S&N to benefit slightly from its \$150m efficiency programme in 2012 & forecast it to deliver an EBITA margin of 22.8% (vs. 22.5% in 2011E).
- **Shares are fairly valued** Our PT is based on a simple av. of the value implied by our target P/E multiple & our DCF (WACC 9%, tgr: 2% in line with the av. growth in patients). Key risks incl. higher than expected competition.
- **Originally published on 25 January 2012**

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**TDC****Buy**

Reuters: TDC.CO Exchange: CPH Ticker: TDC

**Q4/FY**

Price (DKK)	<b>44.15</b>
Price target (DKK)	<b>55.00</b>
52-week range (DKK)	<b>48.82 - 41.03</b>
Market cap (DKK)	<b>36,032.5</b>
Shares outstanding (m)	<b>816</b>
OMX Copenhagen 20	<b>403.1</b>

**FYE 12/31 2010A 2011E 2012E**

Reve (DKKm)	26,167	26,205	26,045
DB PBT (DKKm)	2,679	4,166	4,708
Stated PBT (DKKm)	2,586	4,106	4,648
DB EPS (DKK)	3.80	3.89	4.34
DPS (DKK)	0.00	4.35	4.55
P/E (DB EPS) (x)	12.5	11.3	10.2

**3 February 2012 FY 11**

- Group:** We expect Q4 results to be broadly in-line with Q3, with the weak domestic wireless results offset by cost cutting. Overall, we forecast a 0.3% revenue decline and EBITDA growth of 1.7%, allowing TDC to meet its full year EBITDA guidance. For 2012, we forecast a 0.6% revenue decline and broadly flat EBITDA which is inline with current consensus assumptions.
- Wireless:** We forecast a 1% service revenue decline, in-line with Q3. Whilst trends remain poor in absolute terms, pricing trends remained stable and so we do not expect a further deterioration in the quarter. We believe TeliaSonera's premium pricing and lack of low-end positioning means it is likely to have continued to lost share in Danish wireless and its low profitability suggests it may need to consider selling out or merging with another operator.
- Fixed:** TDC's line loss trends have been relatively stable and we forecast line loss of 28k, in-line with last quarter. We forecast a broadband revenue decline of 3.4% to reflect the migration to cheaper bundles. We expect the cable revenue and EBITDA growth to be in-line with last quarter, with 1k additions for the basic TV product.

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**TDC****TDC revenue and EBITDA forecasts (DKKm)**

	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11e	2011e	2012e	Q2 / Q2	Q3 / Q3	Q4/Q4
Domestic	4,725	4,767	4,729	4,639	4,597	4,631	18,596	18,036	-3.2%	-2.7%	-2.8%
Consumer	2,254	2,256	2,243	2,220	2,232	2,231	8,926	8,707	-3.4%	-1.0%	-1.1%
TDC Business	1,904	1,942	1,956	1,870	1,822	1,860	7,508	7,241	-4.0%	-4.3%	-4.2%
Ops/Wholesale	567	569	530	549	543	540	2,162	2,089	0.2%	-4.2%	-5.0%
YouSee	997	1,022	1,065	1,065	1,062	1,088	4,280	4,550	6.3%	6.5%	6.5%
TDC Nordic	1,000	1,121	1,092	1,115	1,075	1,167	4,449	4,572	9.5%	7.5%	4.1%
Others	-262	-301	-277	-277	-266	-300	-1,120	-1,113	4.5%	1.5%	-0.3%
<b>Total revenues</b>	<b>6,460</b>	<b>6,609</b>	<b>6,609</b>	<b>6,542</b>	<b>6,469</b>	<b>6,586</b>	<b>26,205</b>	<b>26,045</b>	<b>-0.1%</b>	<b>0.1%</b>	<b>-0.3%</b>
Domestic	2,207	2,142	2,142	2,089	2,204	2,151	8,586	8,457	-1.3%	-0.1%	0.4%
Consumer	996	946	899	873	937	898	3,607	3,403	-8.3%	-6.1%	-5.0%
TDC Business	951	955	997	957	992	994	3,940	4,004	3.7%	4.3%	4.1%
Ops/Wholesale	258	241	245	259	275	258	1,038	1,050	7.0%	6.6%	7.1%
YouSee	352	352	376	374	389	388	1,527	1,629	14.7%	10.5%	10.2%
TDC Nordic	161	150	149	157	185	166	658	710	15.3%	15.5%	10.8%
Others	64	82	45	13	42	68	168	167	160.0%	-34.4%	-17.5%
<b>Total EBITDA</b>	<b>2,784</b>	<b>2,726</b>	<b>2,712</b>	<b>2,633</b>	<b>2,821</b>	<b>2,772</b>	<b>10,938</b>	<b>10,963</b>	<b>1.9%</b>	<b>1.3%</b>	<b>1.7%</b>
Consumer fixed											
PSTN add	-32	-34	-39	-34	-28	-28					
Landline revenues	553	535	508	480	479	462					
Broadband revenues	391	390	392	382	373	377					
Consumer mobile											
net add	-15	57	-22	162	31	25					
Service revenues	1,079	1,074	1,019	1,042	1,084	1,077					
Consumer YouSee											
net add	7	-4	4	-3	1	1					

Source: Deutsche Bank, company data



**TeliaSonera****Hold**

Reuters: TLSN.ST Exchange: STO Ticker: TLSN

**Q4**

Price (SEK)	<b>44.85</b>
Price target (SEK)	<b>53.00</b>
52-week range (SEK)	<b>55.45 - 41.44</b>
Market cap (SEK)	<b>197,800.7</b>
Shares outstanding (m)	<b>4,330</b>
OMX Stockholm Index	<b>324.0</b>

FYE 12/31	2010A	2011E	2012E
Rev(SEKm)	106,582	104,440	106,773
DB PBT (SEKm)	29,252	27,007	28,976
St PBT (SEKm)	29,936	27,025	28,976
DB EPS (SEK)	4.58	4.21	4.52
DPS (SEK)	2.75	2.90	3.00
P/E (DB EPS) (x)	11.4	10.6	9.9

**2 February 2012 FY 11**

- **Group:** Overall, we expect weak Q4 results, with strong results in Sweden but continued weakness in the other Nordic markets. We forecast Q4 organic revenue growth of 2.1% which compares to 2.4% last quarter and full year guidance of underlying revenue growth to 'be around 3%'. For 2012, we forecast 2.2% revenue growth, 60bp EBITDA margin expansion and a capex to sales ratio of 13%.
- **Sweden:** We forecast 6.9% wireless service revenue growth (Q3 7.8%) and total revenue growth of 8.3% (Q2 5.9%) due to higher equipment revenues. Within fixed, we expect revenue trends to be broadly in-line with Q3 and we allow for 1% EBITDA growth in Q4 (Q3 -3%) due to the benefits of the headcount reduction.
- **Nordics:** We expect continued service revenue weakness in the other Nordic markets due to strong price competition in Norway and share loss in Denmark, although some of this will be offset by higher equipment revenues. We forecast a 13% service revenue decline in Norway (Q3 -11%) and a 14% decline in Denmark (Q3 -15%). We also forecast an EBITDA margin of only 7% in Denmark for Q4.
- **Eurasia:** We forecast organic revenue growth of 17% (Q3 17%), with Nepal, Georgia, Moldova and Azerbaijan offsetting a deterioration in Kazakhstan. Tele2 has indicated that it had good operational momentum in Kazakhstan but some of the network rollout has been delayed due to the political unrest in Q4. This suggests that there could be incremental pressure for TeliaSonera in 2012 once Tele2 reaches all regions.
- **Originally published on 17 January 2012**

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**TeliaSonera****TeliaSonera group forecasts (SEKm)**

				DB estimates			Consensus	
	Q1 11	Q2 11	Q3 11	Q4 11e	2011e	2012e	Q4 11e	2012e
Net Sales	24,725	25,894	26,612	27,209	104,440	106,773	26982	106753
% growth	-5.2%	-4.0%	-0.5%	1.6%	-2.0%	2.2%		
Adjusted EBITDA	8,812	9,109	9,802	9,123	36,846	38,309	9064	38392
% margin	36.6%	36.2%	36.8%	33.5%	35.3%	35.9%		
% growth	-1.7%	-1.1%	0.3%	1.1%	-0.4%	4.0%		
Depreciation	-3,207	-3,170	-3,234	-3,297	-13,022	-13,487	-3333	-13332
Associate income	1,628	1,030	1,407	1,787	5,852	6,781	1840	6883
Interest costs	-593	-575	-790	-711	-2,669	-2,627	-650	-2893
Income taxes	-1,429	-1,322	-1,633	-1,586	-5,970	-6,375	-1568	-6305
Minorities	-594	-680	-755	-771	-2,800	-3,024	-825	-3006
Net income	4,646	3,860	4,893	4,999	18,368	19,577	5011	19517

Source: Deutsche Bank, company consensus

**UPM****Buy**

Reuters: UPM1V.HE Exchange: HEX Ticker: UPM1V

**Q4**

Price (EUR)	<b>10.19</b>
Price target (EUR)	<b>13.00</b>
52-week range (EUR)	<b>15.61 - 7.40</b>
Market cap (EUR)(m)	<b>5,314.6</b>
Shares outstanding (m)	<b>523</b>
Free float (%)	<b>100</b>
DJ (.STOXXE)	<b>237.8</b>

**FYE 12/31 2010A 2011E 2012E**

Revenue (EUR)	8,924	10,024	10,140
DB PBT (EUR)	615	568	519
Stated PBT (EUR)	615	568	519
DB EPS (EUR)	1.05	0.97	0.79
DPS (EUR)	0.55	0.60	0.60
P/E (DB EPS) (x)	10.2	10.5	12.9

- **Q4: Dragged down by Pulp business** UPM will report its Q4 results on 1 February before the market opens. UPM had guided for lower EBIT in 2011 compared to 2010, following weak Q3 results and continued uncertainty in pulp and fine paper market. We forecast FY 2011 EBIT of E 672m vs. E 734m in 2010. We forecast Q4 EBIT almost in line with Q3, as the weakness in Pulp is mostly offset by sequential improvement in other segments. 1) Market prices for pulp remain weak. We forecast some 8% QoQ drop in average price and 3% volume drop for Pulp segment in Q4. 2) CEPIFINE data indicated weak fine paper demand in Europe. We believe Paper volumes remained flattish on a pro forma basis. 3) Energy segment is expected to show a clear improvement in EBIT over Q3, driven by improved volumes but surprisingly small improvement in prices due to mild weather and low industrial activity in Finland. CO2 emission prices also depressed power prices. There is a small downside to our numbers in the earnings. 4) We expect slightly lower price and flattish volumes compared to Q3 in Forest and Timber and Plywood divisions.

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## UPM

Business units												
(EUR m)	1Q 10	2Q 10	3Q 10	4Q 10	2010	1Q 11	2Q 11	3Q 11	4Q 11E	2011E	2012E	2013E
<b>Sales</b>												
Energy	174	116	124	153	567	128	108	104	148	488	527	544
Pulp	341	455	489	413	1,698	457	446	396	353	1,652	1,440	1,469
Forest and Timber	339	393	387	402	1,521	384	440	403	401	1,638	1,562	1,539
Paper	1,401	1,540	1,672	1,656	6,269	1,647	1,666	1,895	2,026	7,234	7,690	7,806
Label	260	280	284	276	1,100	278	293	292	292	1,155	1,107	1,152
Plywood	76	97	83	91	347	94	107	87	87	375	349	366
Other operations	40	51	45	42	178	35	43	58	30	166	127	129
Internal sales	-592	-716	-772	-676	-2,756	-677	-680	-632	-694	-2,683	-2,662	-2,704
<b>Total</b>	<b>2,039</b>	<b>2,216</b>	<b>2,312</b>	<b>2,367</b>	<b>8,924</b>	<b>2,366</b>	<b>2,423</b>	<b>2,603</b>	<b>2,642</b>	<b>10,024</b>	<b>10,140</b>	<b>10,300</b>
<b>EBITDA</b>												
Energy	79	39	48	70	236	60	38	40	64	202	199	214
Pulp	120	199	239	165	723	195	177	122	88	582	385	415
Forest and Timber	3	26	18	5	52	5	11	4	2	22	6	23
Paper	75	72	67	61	275	102	126	139	159	526	763	818
Label	31	34	33	25	123	27	27	23	24	101	86	103
Plywood	-2	2	2	-1	1	4	8	0	0	12	3	12
Other operations	-18	-19	-23	-7	-67	-14	-15	3	-12	-38	-34	-36
<b>Total</b>	<b>288</b>	<b>353</b>	<b>384</b>	<b>318</b>	<b>1,343</b>	<b>379</b>	<b>372</b>	<b>331</b>	<b>325</b>	<b>1,407</b>	<b>1,408</b>	<b>1,550</b>
Fair Valuations of biological assets	19	31	14	85	149	3	11	1	10	25	20	20
<b>EBITDA including FV</b>	<b>307</b>	<b>384</b>	<b>398</b>	<b>403</b>	<b>1,492</b>	<b>382</b>	<b>383</b>	<b>332</b>	<b>335</b>	<b>1,432</b>	<b>1,428</b>	<b>1,570</b>
<b>EBIT</b>												
Energy	81	44	44	68	237	60	32	39	61	192	198	214
Pulp	84	162	199	132	577	160	143	84	51	438	234	279
Forest and Timber	19	52	31	79	181	2	18	1	8	29	10	30
Paper	-61	-61	-64	-68	-254	-23	0	3	21	1	207	311
Label	23	24	24	16	88	19	19	15	16	69	53	74
Plywood	-7	-3	-3	-5	-18	-1	4	-4	-4	-5	-13	-2
Other operations	-23	-19	-25	-10	-77	-19	-15	-1	-16	-51	-51	-51
<b>Total</b>	<b>116</b>	<b>199</b>	<b>206</b>	<b>212</b>	<b>734</b>	<b>198</b>	<b>201</b>	<b>137</b>	<b>136</b>	<b>672</b>	<b>639</b>	<b>853</b>
<b>EBIT margin (%)</b>												
Energy	46.6%	37.9%	36.5%	44.4%	41.8%	46.9%	29.6%	37.5%	41.5%	39.4%	37.6%	39.3%
Pulp	24.6%	36.6%	40.7%	32.0%	34.0%	35.0%	32.1%	21.2%	14.3%	26.5%	16.3%	19.0%
Forest and Timber	5.6%	13.2%	8.0%	19.7%	11.9%	0.5%	4.1%	0.2%	2.0%	1.8%	0.6%	1.9%
Paper	-4.4%	-4.0%	-3.8%	-4.1%	-4.1%	-1.4%	0.0%	0.2%	1.0%	0.0%	2.7%	4.0%
Label	8.8%	8.6%	8.5%	5.8%	8.0%	6.8%	6.5%	5.1%	5.4%	6.0%	4.8%	6.4%
Plywood	-9.2%	-3.1%	-3.6%	-5.5%	-5.2%	-1.1%	3.7%	-4.6%	-4.4%	-1.3%	-3.7%	-0.6%
<b>Total</b>	<b>5.7%</b>	<b>9.0%</b>	<b>8.9%</b>	<b>9.0%</b>	<b>8.2%</b>	<b>8.4%</b>	<b>8.3%</b>	<b>5.3%</b>	<b>5.1%</b>	<b>6.7%</b>	<b>6.3%</b>	<b>8.3%</b>

Source: Deutsche Bank, Company data

## European valuations by sector and country

**Figure 3: European valuations by sector and country**

	Index1	EV/OC			EV/Sales			Yield (%)			P/E			P/BK			ROE (%)		
	24/1/2012	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E
<b>Regions/Countries</b>																			
USA	1314.7	0.4	0.3	1.7	0.4	0.3	1.1	1.7	1.7	2.2	16.0	16.4	13.0	0.6	0.5	2.0	11.6	10.4	4.8
Europe	256.0	1.4	1.3	1.3	1.1	1.0	1.0	3.8	4.1	4.3	11.6	10.9	10.1	1.6	1.5	1.5	14.6	14.2	13.9
<b>Europe</b>																			
Europe ex UK		1.4	1.4	1.3	1.1	1.0	1.0	4.0	4.2	4.5	11.9	11.4	10.4	1.6	1.5	1.5	13.6	13.5	13.5
Benelux		1.4	1.3	1.7	0.7	0.6	1.0	4.3	4.6	4.6	10.7	9.3	11.6	1.7	1.5	1.9	17.6	16.9	9.3
France	3322.7	1.3	1.2	1.2	0.9	0.9	0.9	4.1	4.3	4.5	11.6	11.2	10.8	1.3	1.3	1.2	11.1	11.4	10.3
Germany	6419.2	1.3	1.2	1.2	0.7	0.7	0.7	3.0	3.2	3.4	10.3	10.6	9.6	1.3	1.3	1.2	15.4	12.2	12.4
Italy	15929.3	1.0	1.0	1.0	1.1	1.0	1.0	5.1	5.6	6.0	10.2	8.8	7.8	0.9	0.9	0.9	7.5	10.9	11.4
Nordic Region		1.7	1.6	1.5	1.2	1.2	1.1	3.5	3.9	4.1	13.8	12.6	11.0	2.0	1.9	1.8	16.3	15.5	16.6
Spain	8591.4	1.2	1.2	1.2	1.5	1.4	1.4	6.6	6.3	6.3	11.0	10.8	9.6	1.7	1.6	1.5	14.5	15.2	16.0
Switzerland	6135.1	2.3	2.2	2.1	1.9	1.8	1.7	3.4	3.8	4.1	15.0	13.4	12.4	2.8	2.6	2.4	17.0	17.9	18.2
United Kingdom	5751.9	1.5	1.4	1.4	1.1	1.1	1.3	3.9	3.9	4.1	10.7	10.0	9.6	1.8	1.7	1.7	18.8	17.5	16.1
<b>European sectors</b>																			
Automobiles & Parts	309.6	0.8	0.7	0.7	0.3	0.3	0.3	2.3	2.4	2.9	7.0	8.0	6.9	0.8	0.9	0.8	18.9	11.3	11.6
Basic Resources	506.8	1.3	1.2	1.1	1.5	1.5	1.3	2.7	3.0	3.1	9.7	9.4	7.2	1.2	1.3	1.2	16.6	14.5	17.0
Chemicals	550.2	1.8	1.7	1.7	1.2	1.1	1.1	3.0	3.1	3.4	11.7	12.6	11.4	1.9	1.9	1.7	15.7	13.3	14.0
Construction & Materials	244.3	1.0	1.0	1.0	0.9	0.8	0.8	4.0	4.2	4.6	12.4	12.5	11.0	1.0	1.0	0.9	9.1	7.9	8.7
Financial Services	224.3	1.1	1.1	1.1	2.1	2.0	1.9	4.0	4.5	4.9	12.7	12.0	10.4	1.3	1.4	1.3	8.6	10.3	10.5
Food & Beverage	381.6	2.1	2.0	1.9	2.2	2.0	1.9	3.1	3.3	3.5	16.3	15.1	14.0	2.8	2.5	2.3	16.3	16.9	16.9
Health Care	435.2	2.4	2.3	2.2	2.7	2.5	2.3	3.6	4.0	4.4	12.1	11.4	10.7	3.0	2.7	2.5	20.6	20.7	20.4
Industrial Gds & Services	299.0	1.8	1.7	1.6	0.9	0.8	0.8	3.1	3.4	3.8	13.8	12.2	10.6	1.8	1.8	1.7	14.2	15.1	15.6
Media	164.9	1.6	1.5	1.5	1.7	1.6	1.5	5.0	5.4	5.9	11.3	10.7	10.1	1.5	1.5	1.4	13.5	14.0	14.3
Oil & Gas	347.2	1.2	1.1	1.1	0.7	0.6	0.8	4.1	4.5	4.4	9.3	7.9	8.3	1.3	1.2	1.2	17.2	16.5	10.6
Personal & H'hold Gds	434.6	2.5	2.5	2.4	2.1	1.9	1.8	2.6	2.9	3.3	16.9	15.5	13.9	2.8	2.7	2.4	15.2	17.2	17.7
Real Estate	107.0	0.9	0.9	0.9	10.6	10.3	10.2	4.7	5.0	5.2	16.9	15.8	15.2	0.8	0.8	0.8	8.0	8.9	10.9
Retail	242.6	1.8	1.7	1.6	0.6	0.6	0.5	3.6	4.0	4.3	14.3	12.6	11.2	2.0	1.9	1.8	14.3	15.7	16.4
Technology	199.1	2.6	2.5	2.4	1.2	1.1	1.0	1.7	1.9	2.0	14.1	15.9	13.1	2.3	2.3	2.1	15.0	12.8	15.8
Telecommunications	247.1	1.0	1.0	1.0	1.7	1.6	1.5	7.8	8.2	8.3	9.7	9.2	8.6	1.3	1.2	1.2	10.9	14.2	14.5
Travel & Leisure	117.7	1.3	1.3	1.2	0.8	0.7	0.7	3.0	3.5	4.0	14.0	14.1	11.8	1.2	1.2	1.2	8.2	8.3	9.8
Utilities	255.2	1.1	1.1	1.1	1.3	1.3	1.3	7.7	6.7	6.6	11.1	9.9	9.4	1.0	1.0	1.0	9.4	10.2	10.4
Banks 2	147.7							3.4	4.6	5.7	10.0	7.9	6.3	0.6	0.6	0.6	8.5	9.8	11.4
Insurance 2	149.2							5.6	6.1	6.5	7.8	7.1	6.6						

Figures as at 24 Jan 2012, 1:Indices are basis for the index level, but the valuation multiples refer to the overall country. Index level for the sectors refer to the Stoxx Supersectors. 2: Certain positions are calculated in a different way than for the other sectors. 3: Banks and Insurance P/E data are referred to Adjusted P/E.

Source: Deutsche Bank estimates

**Figure 4: Key Economic Forecasts**

	Real GDP			Consumer Prices			Current Account			Fiscal Balance		
	% growth <sup>b</sup>			% growth <sup>c</sup>			% of GDP <sup>d</sup>			% of GDP		
	2011	2012F	2013F	2011	2012F	2013F	2011	2012F	2013F	2011	2012F	2013F
<b>Euroland (top-down)</b>	1.6	-0.5	1.0	2.7	1.9	1.5	-0.7	-0.4	-0.4	-4.2	-3.5	-2.6
Germany	3.0	0.0	1.0	2.3	1.7	1.5	5.4	4.8	4.4	-1.0	-1.3	-1.0
France	1.6	-0.3	1.2	2.2	1.8	1.4	-2.8	-2.6	-2.7	-6.0	-5.4	-4.4
Italy	0.3	-1.3	0.3	2.9	2.3	1.6	-3.8	-2.0	-1.0	-4.0	-2.0	-0.7
Spain	0.6	-0.9	0.8	3.1	1.4	1.3	-3.4	-3.3	-2.8	-6.6	-6.0	-4.3
Netherlands	1.7	-0.5	1.2	2.5	2.0	1.6	5.5	6.0	6.5	-3.5	-3.6	-3.1
Belgium	1.9	-0.6	1.2	3.4	2.0	1.6	2.5	1.5	2.0	-3.9	-5.0	-5.0
Austria	3.0	-0.5	1.2	3.6	2.1	1.8	2.5	2.5	2.5	-3.2	-3.1	-2.5
Finland	2.9	0.0	1.4	3.3	2.3	1.7	0.5	-0.5	0.5	-1.5	-1.5	-1.1
Greece	-5.3	-3.0	0.1	3.1	1.3	0.9	-10.0	-7.0	-6.0	-9.5	-6.6	-4.7
Portugal	-1.5	-2.9	0.4	3.6	2.5	1.4	-8.0	-5.5	-4.0	-6.5	-6.4	-6.0
Ireland	1.5	0.2	1.4	1.2	1.5	1.1	0.5	1.5	2.0	-10.5	-9.1	-7.7
UK	0.9	0.0	1.5	4.5	2.8	1.7	-1.2	-1.4	-1.5	-8.4	-8.0	-6.4
Sweden	4.7	1.5	1.5	2.6	1.7	1.5	6.5	6.0	6.0	1.4	0.8	0.6
Denmark	1.0	-0.5	1.5	2.7	1.5	1.5	6.5	5.5	5.0	-2.5	-4.5	-3.5
Norway	2.6	2.0	2.0	1.5	1.4	2.0	12.0	11.5	11.0	11.5	10.5	9.5
Switzerland	1.8	-0.2	0.7	0.4	0.0	0.6	13.5	12.5	12.0	0.5	0.4	0.6
US	1.8	2.5	3.0	3.3	3.2	2.4	-3.3	-3.3	-3.4	-8.1	-5.8	-5.6
Japan	-0.8	0.7	1.1	-0.3	-0.3	-0.1	2.2	2.2	2.6	-9.0	-9.4	-8.3
World	3.6	3.3	4.0	4.4	3.4	3.3						

(a) Euro Area and the Big 4 forecasts are frozen as of 13/12/11. All smaller euro area country forecasts are as of 13/12/11. Bold figures signal upward revisions. Bold, underlined figures signal downward revisions. (b) GDP figures refer to working day adjusted data. (c) HICP figures for euro-zone countries and the UK (d) Current account figures for Euro area countries include intra regional transactions. (e) The revised inflation forecasts assume Brent oil at the end of 2009 and \$63.9/bp on average in 2010.

Source: National statistics, national central banks, Deutsche Bank forecasts.

**Figure 5: Forecasts: Euroland GDP growth by components**

% qoq	11Q1	11-Q2	11-Q3	11-Q4	12-Q1F	12-Q2F	12-Q3F	12-Q4F	2011	2012F	2013F
Private Consumption	0.0	-0.5	0.2	-0.2	-0.2	-0.1	0.1	0.0	0.5	-0.3	0.3
Gov. Consumption	0.2	-0.1	-0.1	0.0	0.1	0.1	0.1	0.1	0.5	0.3	0.4
Investment	1.8	-0.1	-0.1	-1.0	-1.5	-1.0	0.7	1.0	2.1	-2.4	3.4
Stocks (contribution)	0.3	0.1	0.1	-0.2	-0.2	-0.1	0.0	0.0	0.6	-0.3	0.0
Exports	1.8	1.2	1.2	-0.5	0.5	1.0	1.5	1.5	4.7	2.2	3.4
Imports	1.1	0.5	0.8	-0.9	0.1	1.0	1.5	1.4	4.1	1.4	3.3
Net Trade (contrib.)	-0.1	0.2	-0.1	0.2	0.2	0.0	0.0	0.1	0.3	0.4	0.1
GDP	0.8	0.2	0.1	-0.3	-0.4	-0.3	0.2	0.3	1.6	-0.5	1.0
HICP inflation, % yoy	2.5	2.7	2.7	2.9	2.4	1.9	1.9	1.6	2.7	1.9	1.5
Core inflation, % yoy	1.3	1.7	1.7	2.0	1.7	1.6	1.5	1.5	1.4	1.6	1.4

Source: National statistics, national central banks, Deutsche Bank forecasts. (1) Forecasts in lower table as of 13/12/11

**Figure 6: Central Bank Rates (End of period forecasts)**

% qoq	11Q1	11-Q2	11-Q3	11-Q4	12-Q1F	12-Q2F	12-Q3F	12-Q4F	2011	2012F	2013F
ECB refi rate	1.00	1.25	1.50	1.00	0.75	0.75	0.75	0.75			
US fed funds target rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25			
BoE bank rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50			
BoJ O/N call rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10			

Source: National statistics, national central banks, Deutsche Bank forecasts. (1) Forecasts in lower table as of 13/12/11

**Figure 7: The Euro – Area economy at a glance: Recent developments and near-term forecasts**

	<b>Q1-11</b>	<b>Q2-11</b>	<b>Q3-11</b>	<b>Q4-11</b>	<b>Jul-11</b>	<b>Aug-11</b>	<b>Sep-11</b>	<b>Oct-11</b>	<b>Nov-11</b>	<b>Dec-11</b>
PMI composite	57.6	55.6	50.3	47.2	51.1	50.7	49.1	46.5	47.0	48.3
Headline IP (% pop1)	3.7	0.7	2.1	-5.0	0.8	1.2	-2.1	-0.3	-0.1	
Capacity Utilisation	80.2	81.6	80.8	79.7						
Ifo	114.7	114.2	109.6	106.7	112.8	108.6	107.4	106.4	106.6	107.2
INSEE	107.7	108.3	102.0	95.7	105.0	102.0	99.0	97.0	96.0	94.0
Unemployment rate (%)	10.0	10.0	10.1	10.3	10.1	10.1	10.2	10.3	10.3	
Change in unemployment (k)	-155.0	56.7	309.0	312.8	141.0	56.0	214.0	129.0	45.0	
Harmonised CPI	2.5	2.8	2.7	2.9	2.5	2.5	3.0	3.0	3.0	2.7
Core HICP (Eurostat)	1.1	1.6	1.3	1.6	1.2	1.2	1.6	1.6	1.6	1.6
<b>Harmonised PPI</b>	<b>6.4</b>	<b>5.8</b>	<b>5.4</b>		<b>5.6</b>	<b>5.3</b>	<b>5.3</b>	<b>5.2</b>	<b>4.9</b>	
<i>EUR/USD</i>	1.4	1.4	1.4	1.3	1.4	1.4	1.4	1.4	1.4	1.3

Quarterly data in shaded areas are quarter-to-date. Monthly data in the shaded areas are forecasts. (1) % pop = % change this period over previous period. Quarter on quarter growth rates are annualised.

Source: Deutsche Bank forecasts, Eurostat, Ifo, INSEE, Reuters, European Commission, National statistical offices, Bloomberg Finance LP.

**Figure 8: Financial Forecasts**

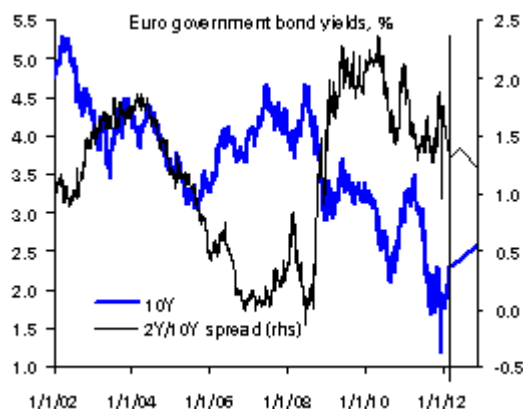
		US	Jpn	Euro	UK	Swiss*	Swe*	Den*	Nor*
<b>3M Interest</b>									
	Actual	0.56	0.33	1.20	1.09	0.00	1.75	0.70	1.75
<b>Rates<sup>1</sup></b>	Mar-12	0.50	0.30	1.20	0.85	0.00	1.50	0.45	1.50
<b>DB forecasts</b>	(futures)	(0.51)	(0.33)	(0.97)	(1.04)	--	--	--	--
<b>&amp; Futures,</b>	Sep-12	0.50	0.30	1.20	0.85	0.00	1.50	0.45	1.50
<b>*Central Bank</b>	(futures)	(0.53)	(0.34)	(0.86)	(0.98)	--	--	--	--
<b>Rates</b>	Dec-12	0.50	0.30	1.25	0.85	0.00	1.50	0.45	1.50
	(futures)	(0.57)	(0.35)	(0.85)	(0.94)	--	--	--	--
<b>10Y Gov't2 Bond Yields spreads<sup>3</sup></b>	Actual	1.97	0.99	1.86	2.05	-1.10	-0.16	-0.09	0.28
<b>DB forecasts &amp; Forwards</b>	Mar-12	1.75	1.10	2.30	2.40	-1.00	-0.15	-0.15	0.30
	(futures)	(2.00)	(1.01)	(1.88)	(2.09)	--	--	--	--
	Sep-12	1.75	1.10	2.40	2.50	-1.00	-0.10	-0.15	0.40
	(futures)	(2.07)	(1.05)	(1.93)	(2.14)	--	--	--	--
	Dec-12	2.35	1.20	2.60	2.70	-1.00	-0.10	-0.15	0.50
	(futures)	(2.18)	(1.13)	(1.99)	(2.20)	--	--	--	--
		EUR/ USD	USD/ JPY	EUR/ GBP	GBP/ USD	EUR/ CHF	EUR/ SEK	EUR/ DKK	EUR/ NOK
<b>Exchange Rates</b>	Actual	1.30	77.1	0.84	1.55	1.21	8.75	7.44	7.67
	12M	1.35	75.0	0.79	1.71	1.25	8.65	7.46	7.50

(1) Future rates calculated from the March, June and December 3M contracts. Forecasts are for the same dates. Central bank rates for the CE-4, Scandinavia and Switzerland

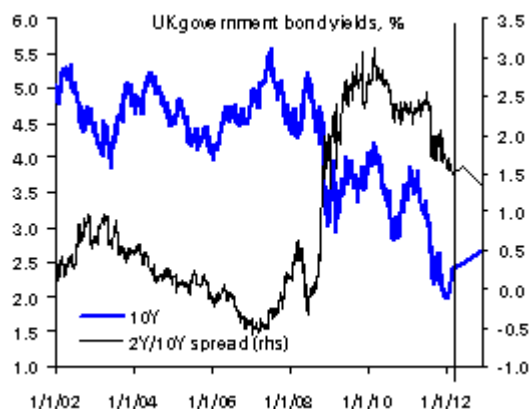
(2) Forecasts in this table are produced by the regional economists, and are not obtained from DByield. 10-year forwards estimated from the asset swap curve.

(3) Bond yield spreads are versus Euroland. US 10Y Govt. bond yield forecasts has been taken from US Fixed Income Weekly.

Source: Bloomberg Finance LP, DB Global Markets Research. Revised forecasts in bold type. All current rates taken as at Friday 11:00 GMT..

**Euro government bonds: yield and slope**

Source: Deutsche Bank. Forecasts to right of vertical line.

**UK government bonds: yield and slope**

Source: Deutsche Bank. Forecasts to right of vertical line.

# Appendix 1

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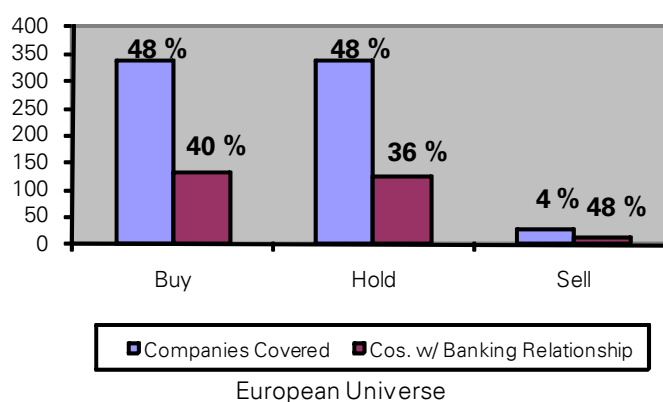
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