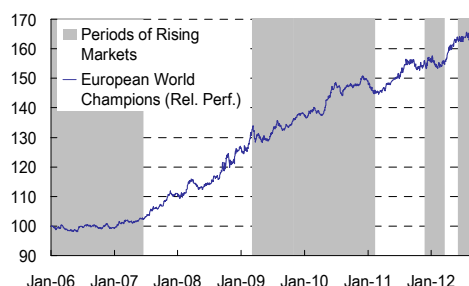


European Equity Strategy

Macro Weak, Markets Up

- **Macro risk** — Plenty of macro risks with Euro Area crisis, US fiscal fears and China/EM slowdown. Ongoing policy support should reduce tail risks. Our economists back soft, not hard, landing for global economy.
- **Shares up** — Despite macro risks, bears wrong-footed by rising equity markets. Europe has matched US returns (+13-14% YTD), but beta has not led. We look for 10-15% European equity returns to end-2013. Do not deny upside risk.
- **Barbell** — We still back our start-year barbell of “defensive growth & acceptable risk”. Structural re-rating of strong credit, growth, quality, secure income: Defensive Growth, World Champs, CDS-Adjusted Divis. Take on risk/value as 4Ps line up.
- **Sectors & countries** — We suggested return to risk at end-May¹ and have actively traded our country strategy. Following market moves we now return Health Care to Overweight. South has rallied hard vs North. Be more selective from here.

Figure 1. European World Champions



Source: DataStream

Figure 2. European Defensive Growth



Source: DataStream and Citi Research

Equities

Adrian Cattley

+44-20-7986-4454

adrian.cattley@citi.com

Anna Esposito

+44-20-7986-4039

anna.z.esposito@citi.com

Jonathan Stubbs

+44-20-7986-4218

jonathan.stubbs@citi.com

Christine Jensen

On maternity leave

¹ European Portfolio Strategist — Edging Back to Risk — 31 May 2012.

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

Citi Research is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.



Contents

Key Strategy Charts	5
Valuation Tables	37
Appendix	43
Appendix A-1	49

- **Certainty in an uncertain world** — Overall, global growth is likely to remain sluggish. Risks are probably skewed to the downside, but policy support should limit damage. Willem Buiter and our economics team now expect 2.5% global GDP growth this year, and 2.8% in 2013E². Growth is likely to be weakest in the Euro Area with recession this year and next. With plenty of macro risk showing across all regions it is easy to behave like “rabbits dazzled by bright macro headlights”. Despite risks, we see stable macro mega-trends: 1) de-leveraging, 2) lower growth, 3) divergent growth, 4) low interest rates. These trends are embedded for the next few years and our investment strategy remains guided by this framework.
- **Key macro risks** — Our economists expect Grexit over the coming 12-18 months, with potential for this to happen before year-end. However, contagion risks from Grexit should be more limited given progress in building a suitable firewall. The EFSF/ESM, ECB secondary market purchases and further LTRO programmes can help to provide temporary funding to “at risk” countries over the next couple of years. Near-term euro disintegration risks have been reduced, according to our economists. It is likely that financial markets focus more on US elections and fiscal concerns into year-end. Our US economists think that the “fiscal cliff” will be avoided and that downside risks are pushing the Fed closer to further easing. In China, growth continues to slow. The policy response is steady. We think that Chinese GDP growth will stabilize into end-year.
- **Earnings weak** — As global growth slows and PMIs fall analysts continue to lower European earnings expectations, albeit slowly rather than violently. Our analysts now expect 4% earnings growth in 2012E. This compares with our top-down forecast of 0%. We find it hard to see a big acceleration in profit growth in 2013 without a strong economic recovery in Europe and the global economy. Our economists think that is unlikely. We target 0-10% earnings growth top-down in 2013E. An earnings or margin collapse seems unlikely to us without broader recession beyond Europe.
- **Valuation support** — European equities continue to look decent value, trading on a 12-month forward P/E of 10-11x. Not rock-bottom prices, but not expensive unless earnings collapse. We expect European equities to trade in a range of c9.5x-12x over the next year and a bit. On an EV/EBITDA basis, ie balance sheet adjusted, we argue that UK and European equities have not looked this cheap in the last 20 years. Compared to cash, core rates and corporate bonds, UK and European equities continue to look extremely attractive, in our view. Turn away from equities if you are a macro bear, trade equities down if you are smart or lucky; otherwise don't give up.
- **Market targets** — European equities have performed well YTD despite macro risks. Around 60% of stocks have returned at least 10%, more than 35% have returned at least 20%. Rich pickings for stock-pickers. European returns have matched US returns. We continue to look for 275 for the Stoxx 600 index at year-end and 285 for the end of 2013. This implies 10-15% total returns through to the end of next year, based on our top-down earnings forecast of 0-10% in 2013E and little overall change in market rating from the end of this year. Our FTSE 100 targets are 6000 and 6200 for end-2012 and end-2013, respectively.
- **Key investment themes** — We continue to back the structural re-rating of strong credit, growth, quality and secure income. The global economy is long debt/short growth. Investors should position oppositely, ie long growth/short debt. Our core themes such as Defensive Growth, World Champions and various income strategies (CDS, Diamonds) play to this. De-equitisation and earnings momentum strategies should be backed too. Investors also need to take advantage of tactical opportunities when the 4Ps (policy, politics, price, positioning) are lined up. This is when value and risk leads the market. This is why we backed beta at start-year and why we suggested to back investors ‘EDGE BACK TO RISK’ at the end of May. Policy may provide support in the near term, but investors should not aggressively chase value and risk from here.
- **Sector & country strategy** — We skew both our sector and country models towards growth, strong balance sheets and attractive dividends (and macro risks for our country model). Our sector strategy reflects our barbell approach to equity markets in 2012, which seeks exposure to Defensive Growth and acceptable risk. We Overweight Health Care (raised from Neutral), Food & Beverage, Personal & Household Goods, Insurance, Chemicals, Basic Resources, Media. We Underweight Oil & Gas, Travel & Leisure, Retail, Real Estate, Construction. These generally reflect sectors with either leverage or exposure to European demand.

² Global Economic Outlook and Strategy — Willem Buiter & team, 22 August 2012.



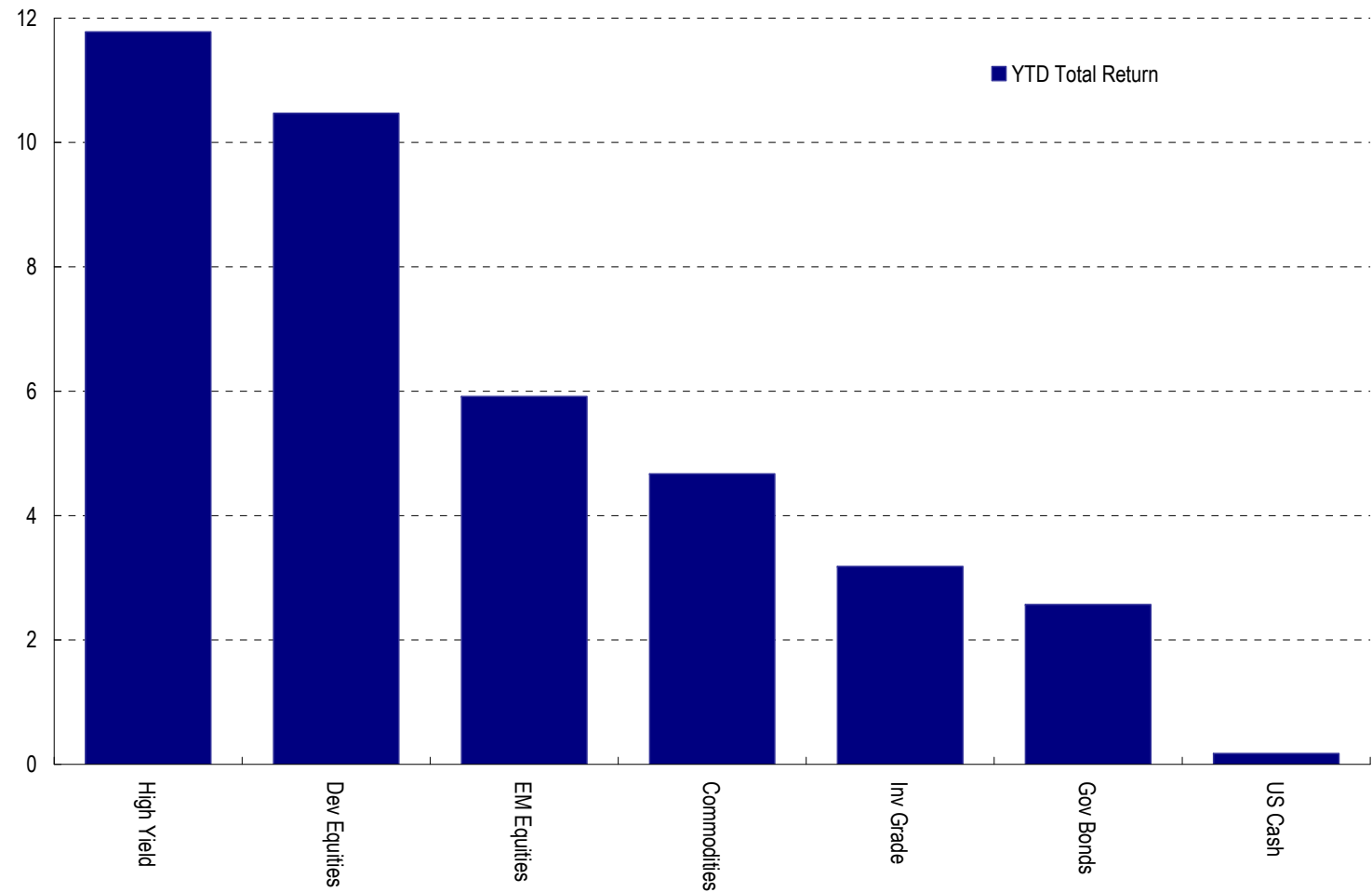
This page is intentionally left blank

Key Strategy Charts

Markets — Equities Amongst The Best

Figure 3. Global Asset Returns, Year to Date

- YTD all asset classes have produced positive returns around the world. The influence of excess liquidity is clear.
- Furthermore returns are better the further up the risk curve and the further away from China one is.
- Weakest returns from cash unsurprisingly and government bonds.

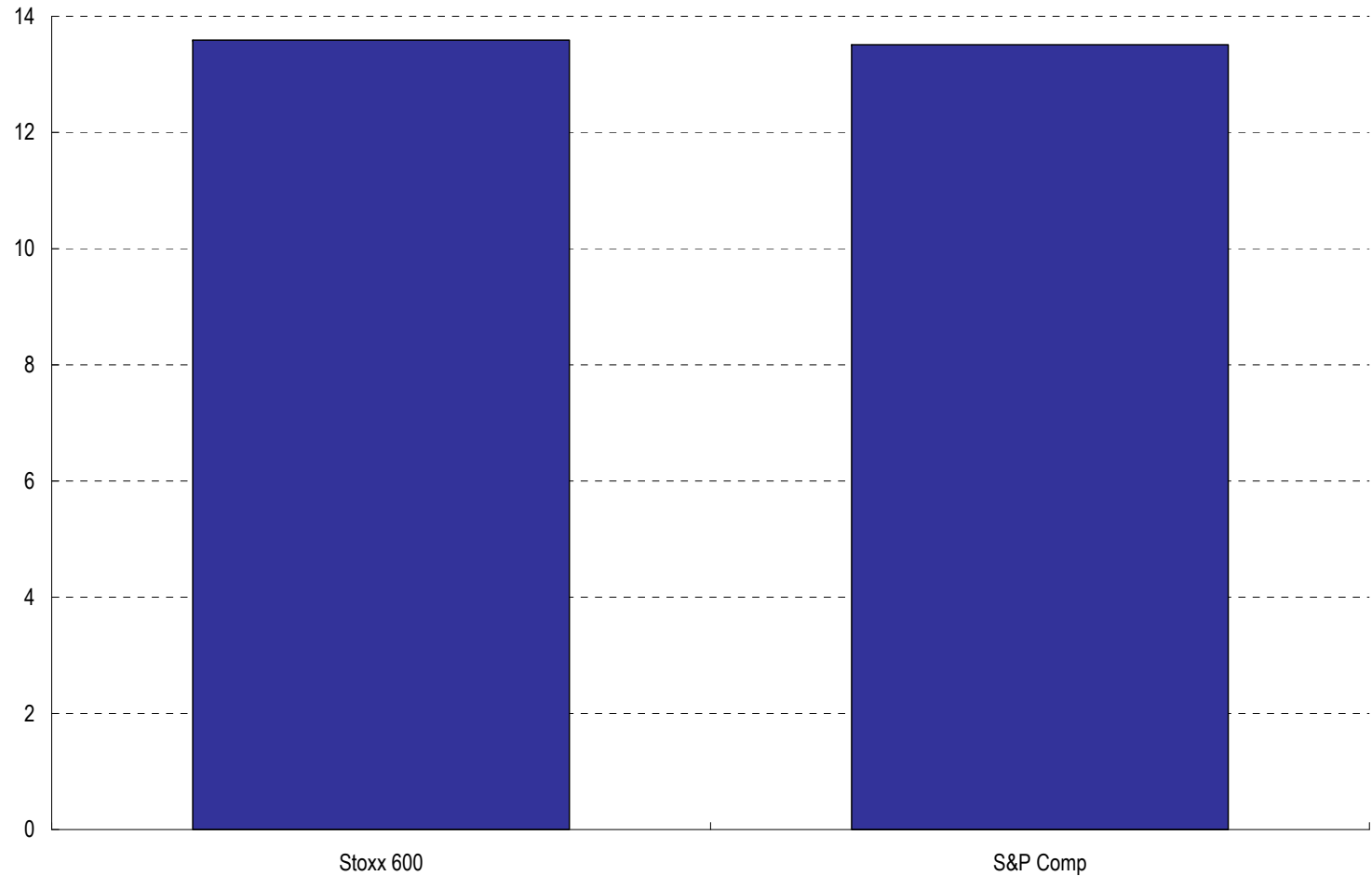


Source: Factset

Markets — Europe & US Equities - Neck & Neck

Figure 4. Stoxx 600 vs S&P 500 (Total Returns, YTD Local Currency)

- Europe may be the centre of bad news but total returns for the Stoxx 600 year to date have matched the S&P 500.



Source: Datastream

Markets — Record Highs

Figure 5. UK, Pan-Europe & US Total Returns Since 1990

- Hidden by the bad news about Euro zone crisis, the US fiscal cliff and Chinese slowdowns UK and US markets have made total return highs.
- The power of compounding and reinvesting dividends at low ratings.

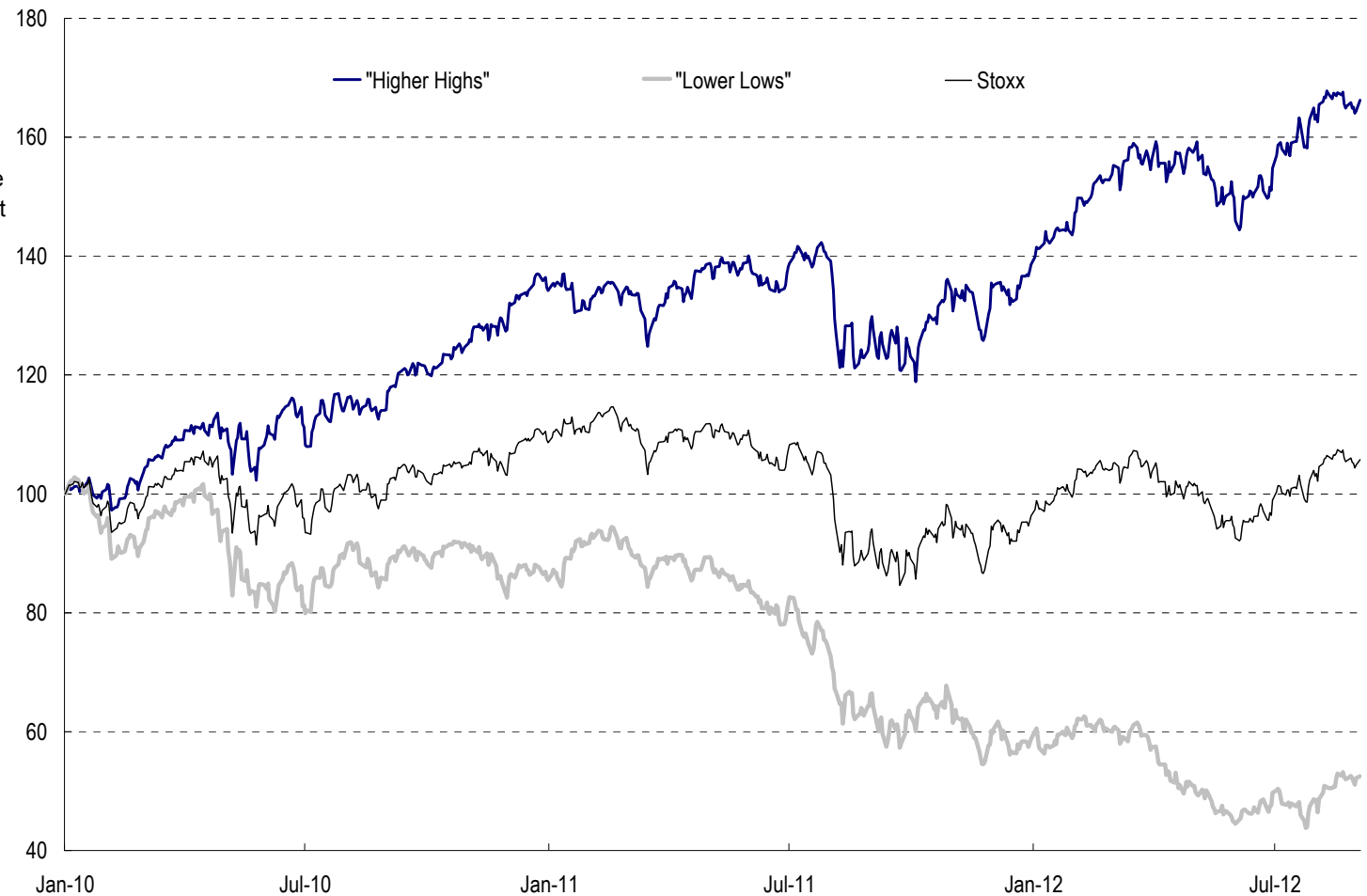


Source: Datastream

Markets — Higher Highs vs. Lower Lows

Figure 6. European Stocks Making Consistent Higher Share Price Highs (or Lower Lows) Since 2010.

- The market has rewarded those companies that have delivered earnings growth. These winners make higher highs as the market rallies.
- At the other end, the market has been skeptical of the more levered and more peripheral-exposed sectors. The recent value rally can be seen.



Source: Datastream

Macro — Soft Landing

Figure 7. Economic Growth & Inflation by Region

- Global growth is slower in 2012 as EM and Europe eases.

- Global nominal GDP, the corporate sector's top line, has slowed sharply from over 6% to 5.3%. Profit growth looks set to follow.

- Little sign of inflation pressure in the developed world allows policy-makers to continue with very low rates and QE.

Region	GDP Growth (%)			CPI Inflation (%)			GDP + CPI (%)		
	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E
Global	3.0	2.5	2.8	3.6	2.8	2.8	6.6	5.3	5.6
Industrial Countries	1.3	1.3	1.0	2.3	1.7	1.6	3.6	3.0	2.6
Emerging Markets	6.0	4.7	5.5	6.0	4.6	4.7	12.0	9.3	10.2
US	1.8	2.2	1.9	2.4	1.8	1.9	4.2	4.0	3.8
Japan	-0.8	2.7	1.8	-0.3	0.2	-0.1	-1.1	2.9	1.7
Euro Area	1.5	-0.6	-1.0	2.7	2.4	2.0	4.2	1.8	1.0
Germany	3.1	1.1	0.6	2.3	2.0	2.2	5.4	3.1	2.8
France	1.7	-0.1	-0.2	2.1	2.0	1.2	3.8	1.9	1.0
Italy	0.5	-2.5	-2.2	2.9	3.2	2.3	3.4	0.7	0.1
Spain	0.7	-1.7	-3.3	3.1	2.1	3.0	3.8	0.4	-0.3
UK	0.7	-0.6	0.5	4.5	2.6	1.7	5.2	2.0	2.2
Asia	7.3	6.4	6.8	5.7	3.4	3.5	13.0	9.8	10.3
Latin America	3.9	2.5	3.8	6.8	5.9	6.2	10.7	8.4	10.0
Central/East Europe	5.0	2.7	3.6	6.7	5.3	5.8	11.7	8.0	9.4
Australia	2.1	3.7	3.4	3.4	1.8	3.2	5.5	5.5	6.6
China	9.2	7.9	8.0	5.4	2.7	2.9	14.6	10.6	10.9

Source: Citi Research

Macro — Weakening Not Collapsing

- Global growth forecasts have been bumping along at around 2.5% for the last couple of months.
- PMIs around the world are not suggesting a sharp recovery in growth.

Figure 8. Citi 2012 GDP Forecasts

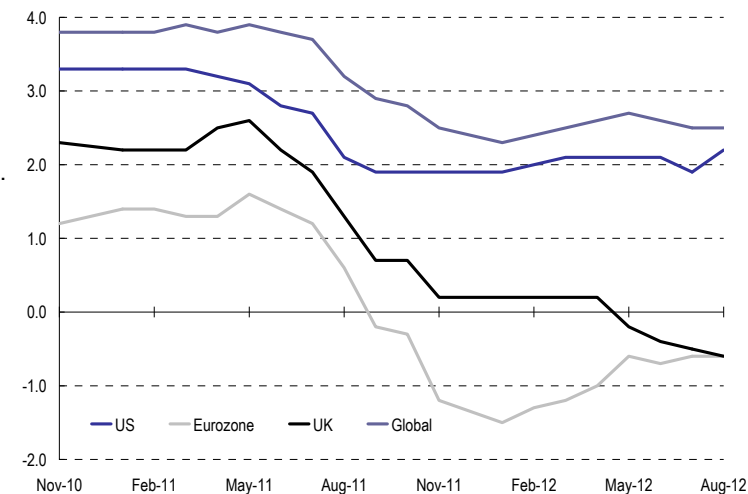


Figure 9. PMI Index

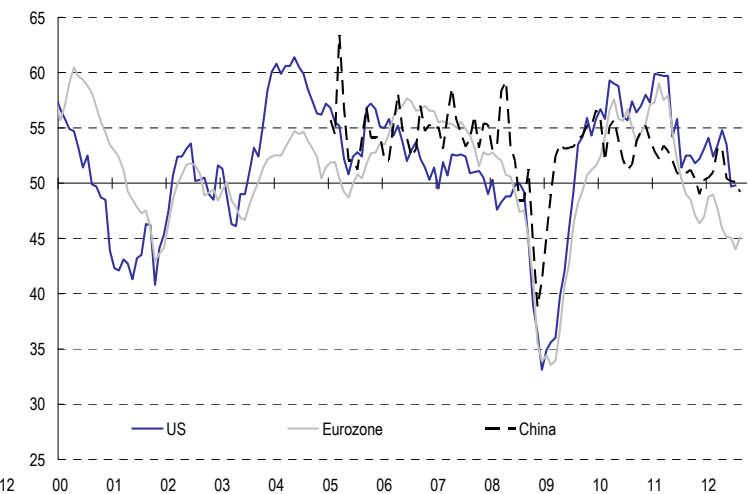


Figure 10. Spanish vs Italian Bond Yields

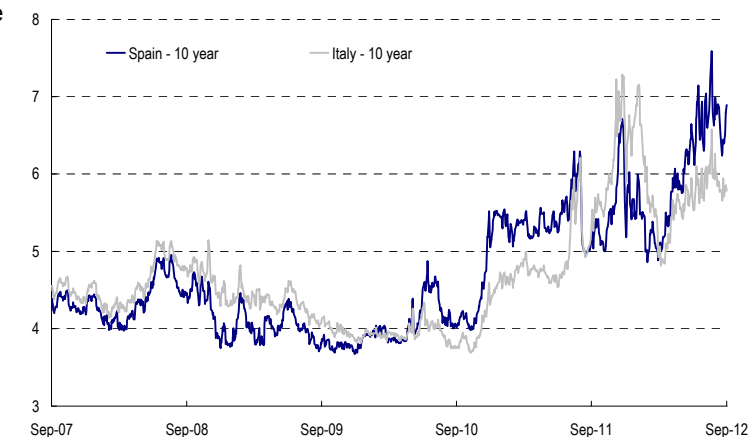
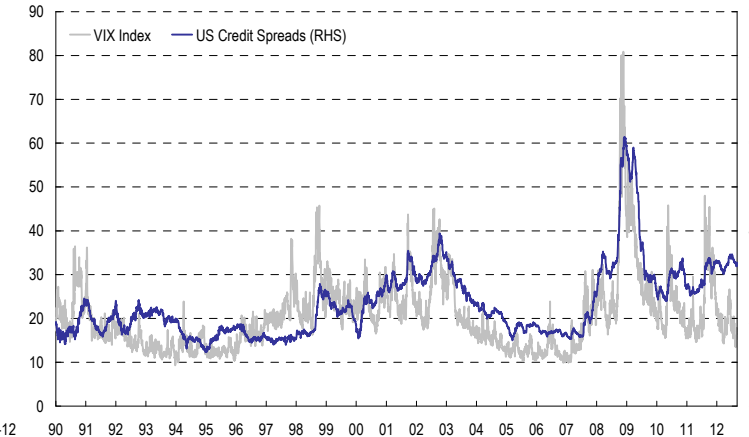


Figure 11. VIX vs US Credit Spreads



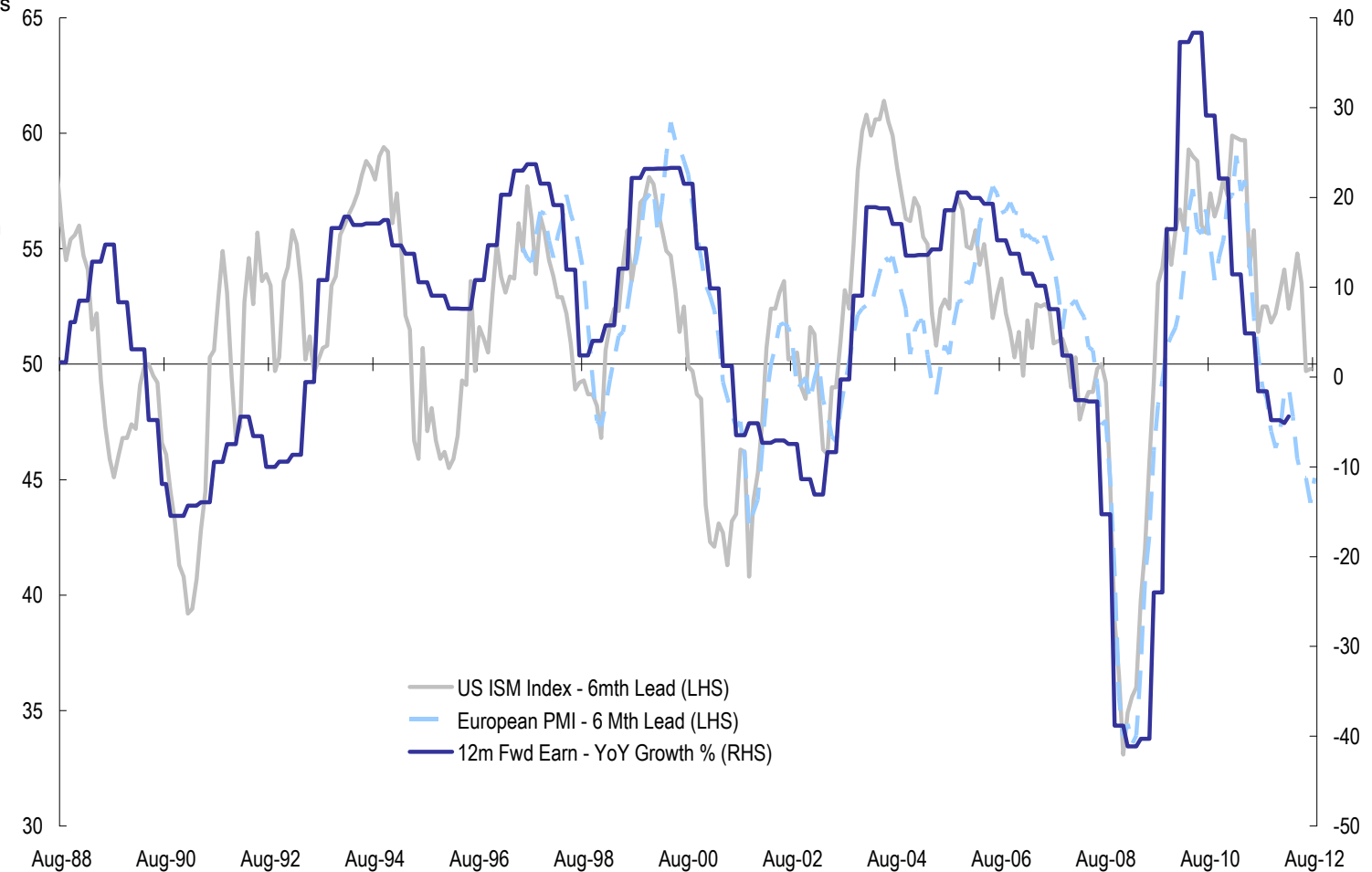
- Spain and Italy remain the main gauge of fear as regards the Eurozone crisis. Back from the brink but not healed.
- ECB policy support is helping to build firewall and reduce tail risks.
- VIX levels are back to the lows of mid 2007. Credit spreads at a more elevated level.

Source: Citi Research, Haver Analytics and Datastream

Earnings — More Downgrades to Come?

Figure 12. PMIs vs Earnings Growth

- PMIs are one of the key lead indicators for earnings growth.
- The ongoing Eurozone recession and sub 50 reads for the US ISM point to further earnings growth forecast reductions.
- Bottom-up is for double-digit growth in 2013E; we see 0-10% as more likely.

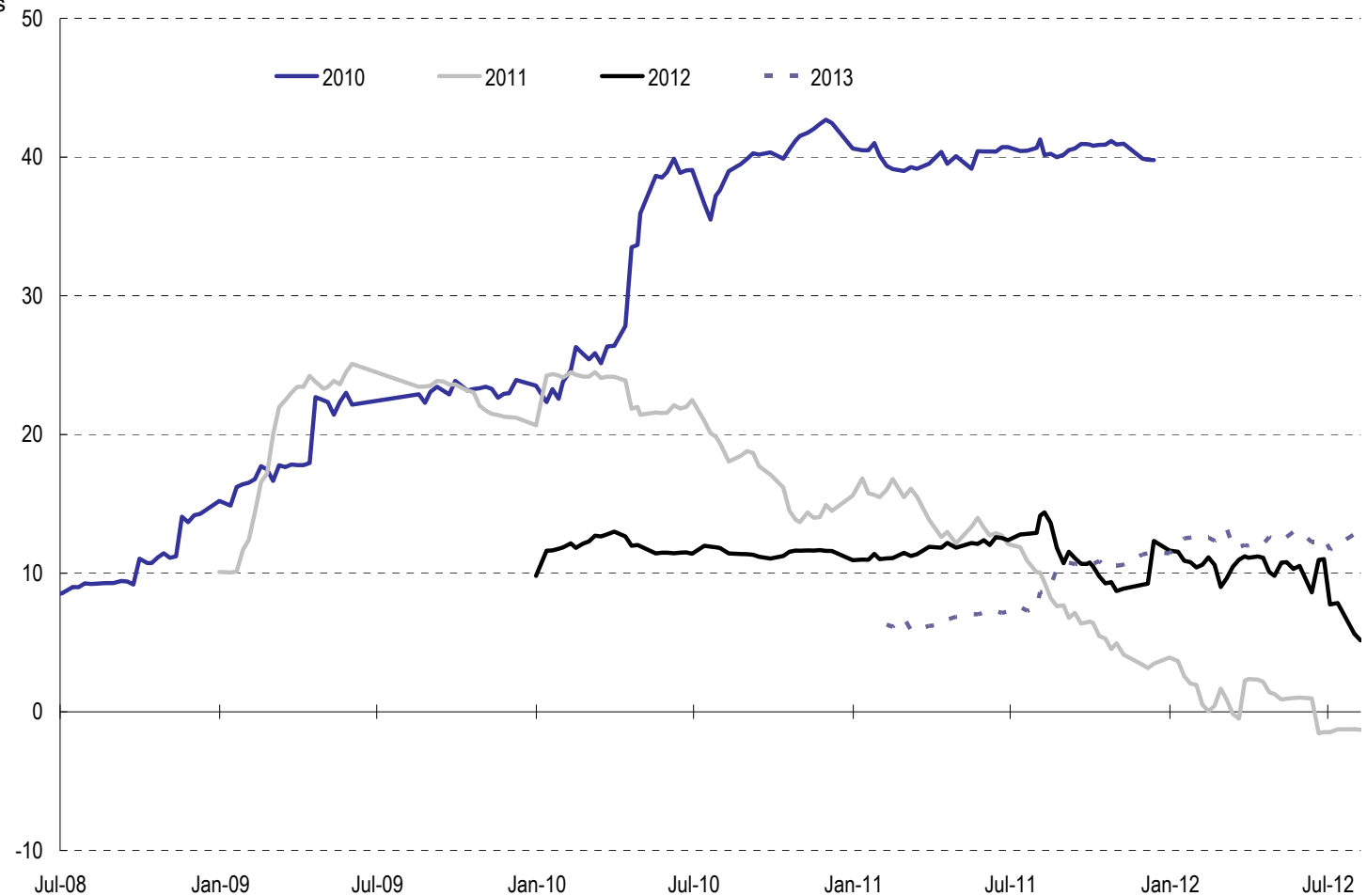


Source: Datastream & Citi Research

Earnings — More Downgrades to Come?

Figure 13. European Earnings Growth Expectations, 2010-2013

- 2012 started at 10%+ for 2012E, that is now down at c4%. We expect this to be close to zero by year-end.
- No downgrades of note yet for 2013E but as we head towards the year-end we expect this to fall.
- As ever, the major swing factor on top of macro conditions will be commodity prices and financials.



Source: Datastream & Citi Research

Earnings — Margins & Balance Sheets

- Margins are back at all-time highs although they are not forecast to go higher.
- In part this is down to commodities as ex these margins are forecast bottom-up to carry on rising. This looks too optimistic, in our view.

Figure 14. European EBITDA Margins

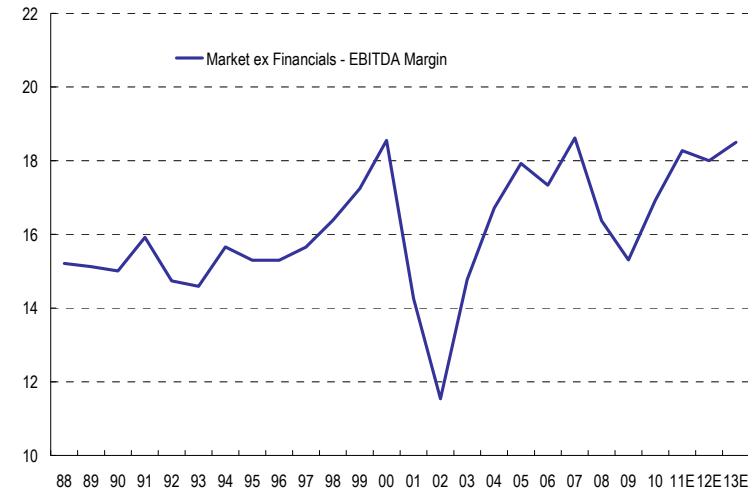


Figure 15. European EBITDA Margin ex Commodities

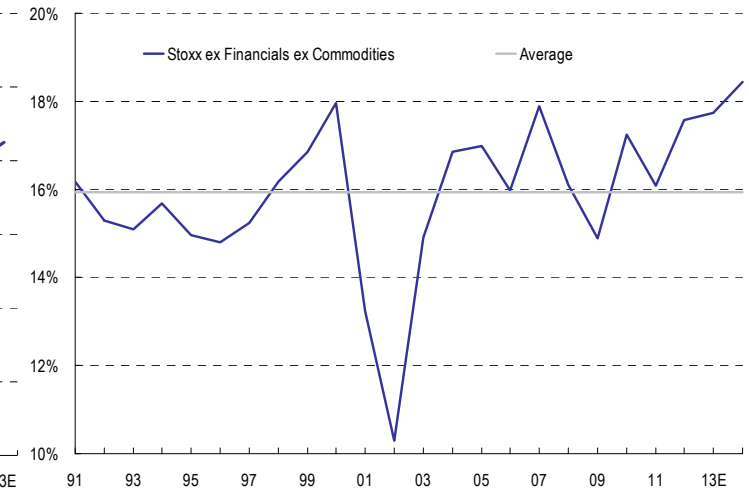


Figure 16. European Net Debt/EBITDA

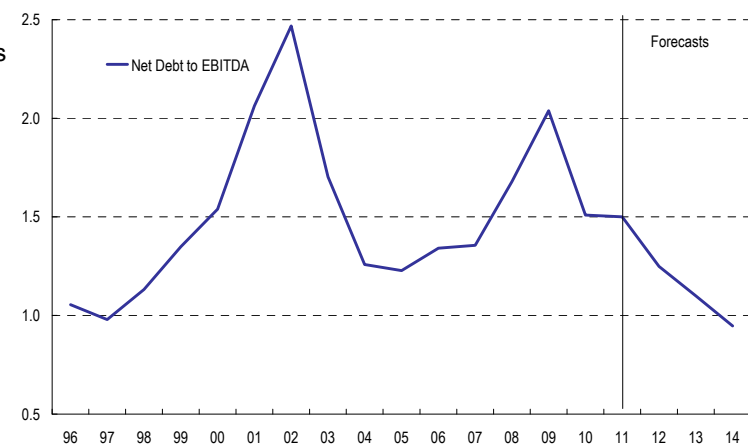
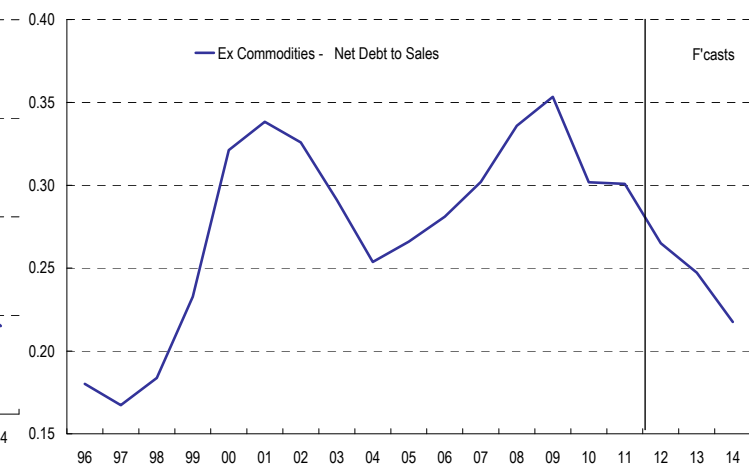


Figure 17. European Net Debt/Sales ex Commodities



- As profits have recovered, the key leverage ratios have fallen. Corporates have the strongest balance sheets.
- Using sales the deleveraging is less pronounced. Overall debt levels are little changed from 2010 levels.

Source: Datastream & Citi Research

Valuation — Supportive

- 12m forward PE is below the last 25 year average.
- Using trailing PE ex Fins the market is still below average, just less so.
- Not expensive unless earnings collapse; we think that is unlikely.

Figure 18. Europe — 12m Fwd P/E

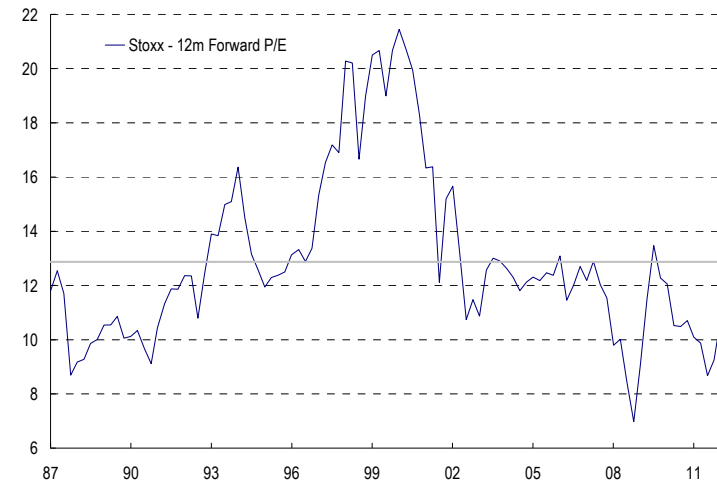


Figure 19. Europe ex Financials — Trailing P/E

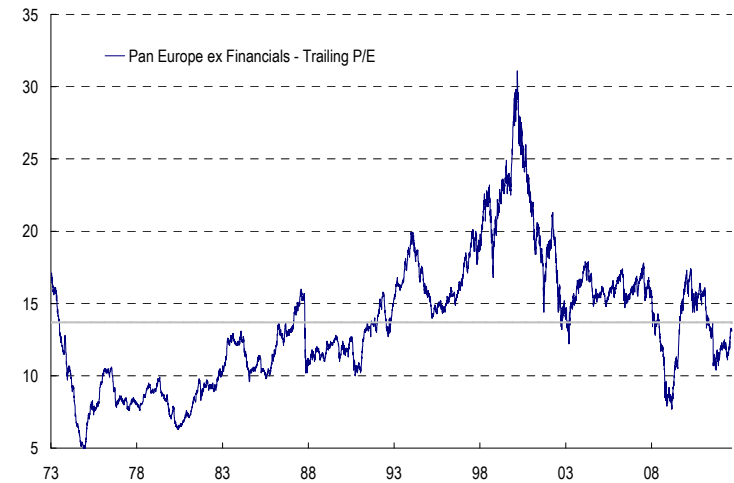


Figure 20. Pan Europe — Trailing P/E on 10yr Average Earnings

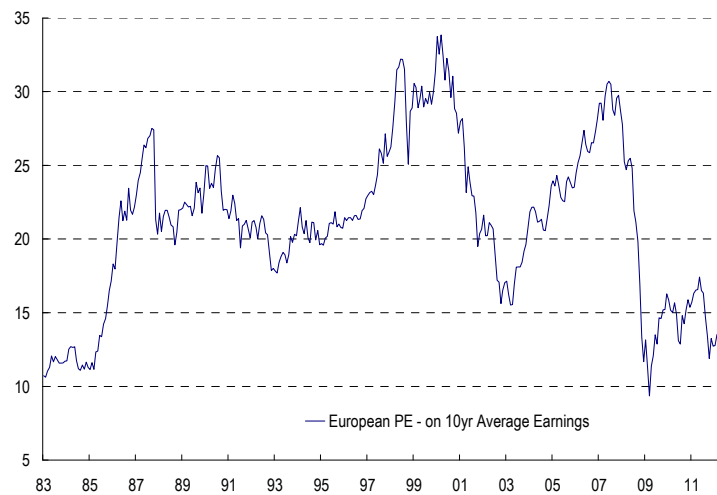
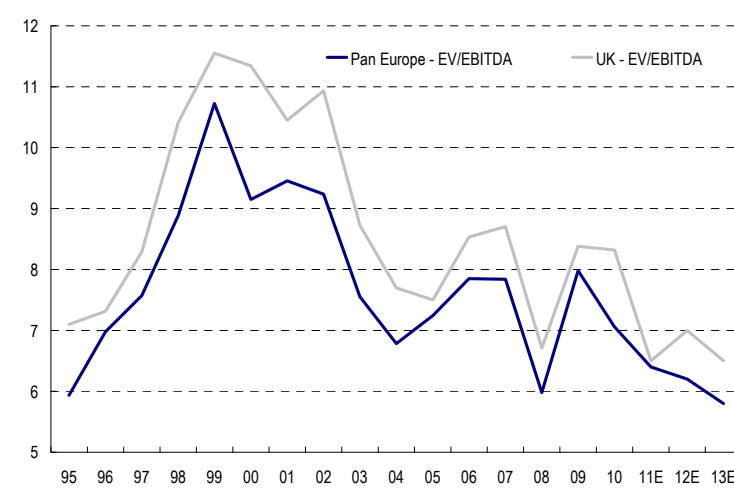


Figure 21. Europe & UK EV/EBITDA



Source: Datastream & Citi Research

Valuation — Yield Attractions

- Dividend Yield on the market or ex-Fins is above average.
- Compared to fixed income, in this case Bunds, the gap in yields is increasingly showing equities in a good light.

Figure 22. European Market (Inc & Ex Financials) — Dividend Yield

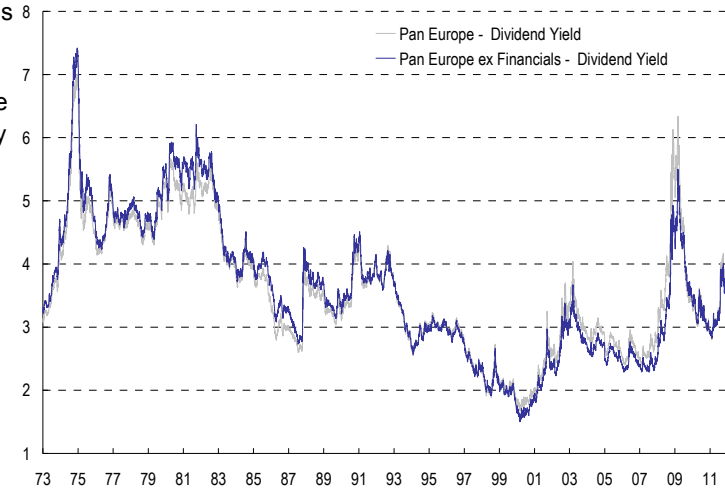


Figure 23. European Dividend vs Bunds

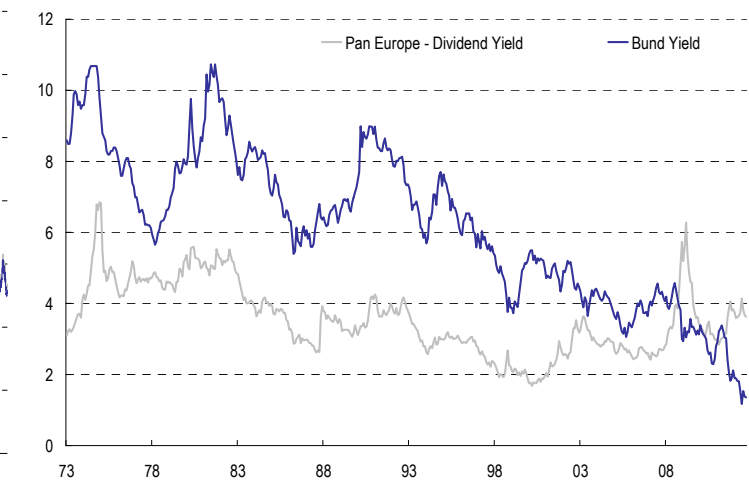


Figure 24. UK DYR, Long Term

- The inverse yield gap has well and truly reverted to pre-1958 levels. The cult of the equity is under pressure.
- Comparing the yield on corporate bonds to the earnings yield of equities further highlights the re-rating of credit and the de-rating of equity.

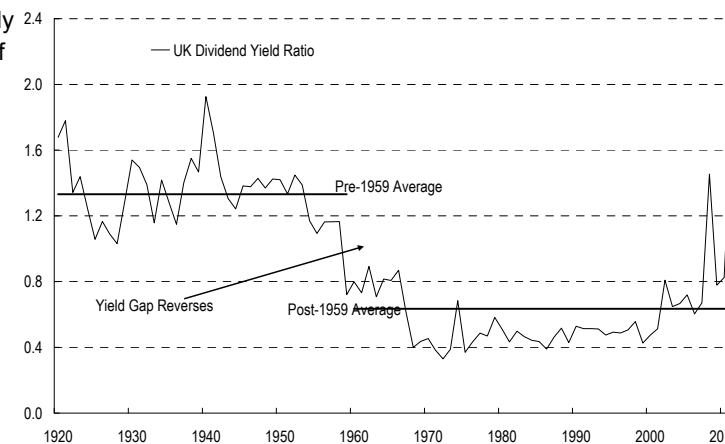
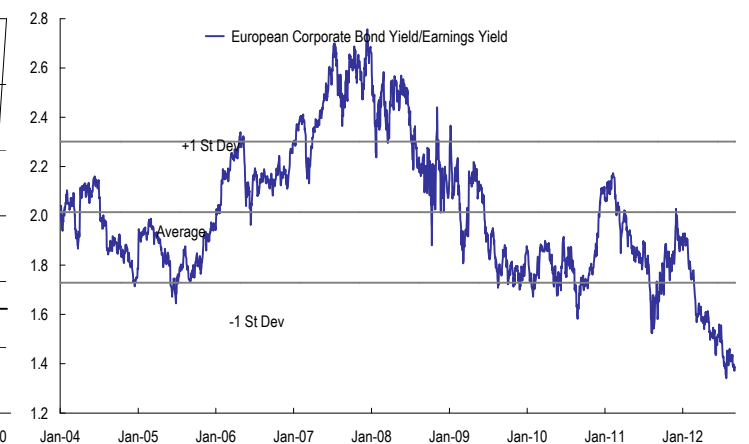


Figure 25. European Corporate DYR, Since 2004



Source: Datastream & Citi Research

Valuation — Next Decade Looks Better

- Using historical compound annual returns over the decade from a range of valuations we can look at what current valuations tell us about the next 10 years.
- Using CAPE the current valuations point to above 15% compound returns. DY says above 10%.

Figure 26. Europe CAPE vs Returns

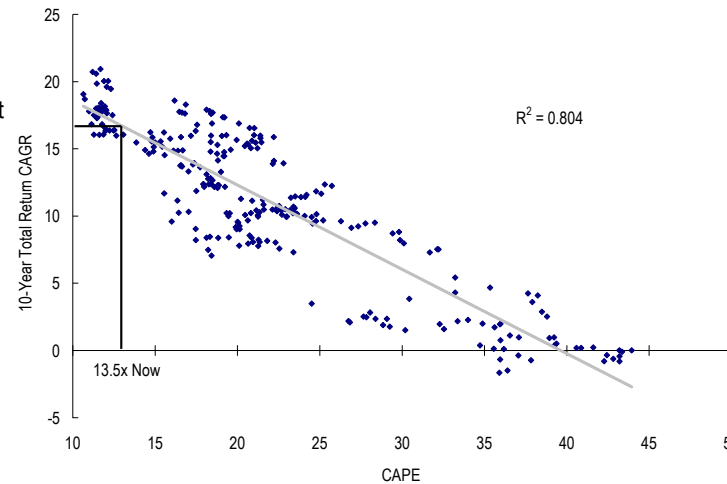


Figure 27. Europe DYs vs Returns

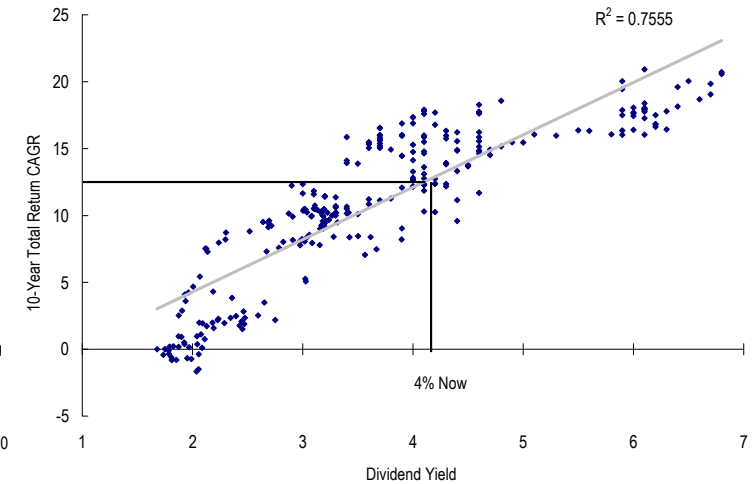


Figure 28. Europe P/E vs Returns

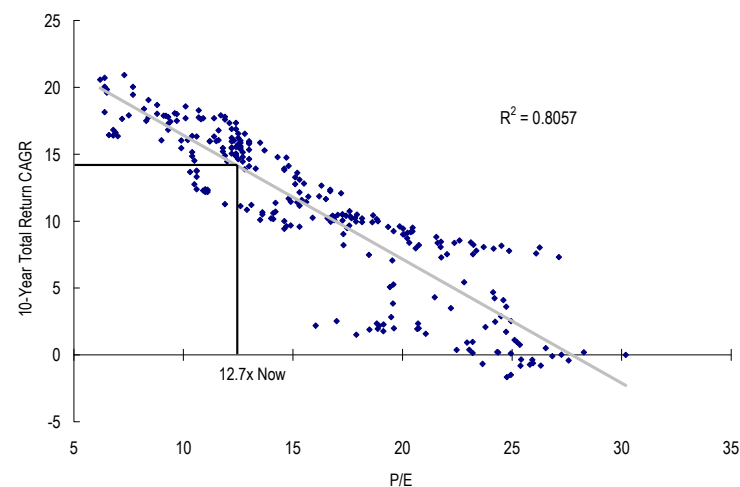
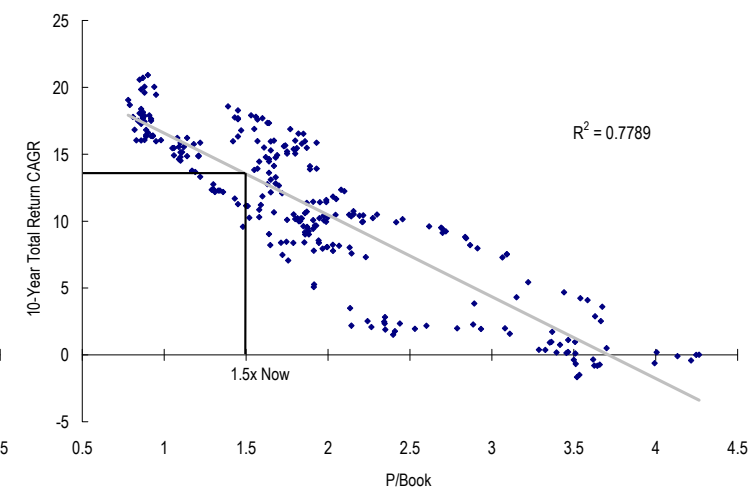


Figure 29. Europe P/B vs Returns



- Spot PE and Price to Book show valuations in the bottom third of historical ranges and point towards above 10% returns.
- History says now is a good time to buy equities.

Source: Datastream & Citi Research

Country Strategy — Country Allocation Model

Figure 30. Country Attribution Model (CAM)

	EM Exp	US Exp	EU Exp	Earn Mo	Earn Revisions	P/B	Abs P/ E Rel to 5yr History	DYG	CDS Adj DY	Corporate B/S	Spread Vs Bunds	Govt Debt	Macro	Overall Rank
Factor Weight	10%	5%	5%	5%	5%	5%	5%	10%	10%	15%	5%	10%	10%	100%
Sweden	9	6	7	1	2	13	5	8	2	1	4	-	7	5
Switz	7	5	3	7	14	14	10	5	7	2	1	-	2	6
UK	11	3	2	9	7	10	7	4	5	6	5	4	11	7
Norway	15	11	16	3	16	11	8	2	1	3	8	-	2	7
Denmark	4	8	6	2	8	16	14	3	10	7	2	-	6	7
Austria	1	14	8	12	4	3	4	6	6	12	9	5	5	7
Netherlands	6	4	4	10	6	8	9	12	9	8	7	2	4	7
Germany	14	7	10	8	13	7	3	10	4	8	3	1	5	7
Finland	3	12	9	16	12	2	16	16	3	4	6	3	9	8
France	12	9	14	11	10	6	6	7	8	11	10	6	12	9
Belgium	13	2	1	5	3	15	12	11	11	13	11	7	9	10
Greece	2	16	13	6	5	12	15	1	16	5	16	12	16	10
Italy	8	10	12	13	9	1	2	9	13	13	12	8	13	10
Ireland	16	9	5	4	1	9	13	15	15	8	13	9	11	11
Spain	5	13	11	14	11	5	11	13	12	15	14	10	15	12
Portugal	10	15	15	15	15	4	1	14	14	16	15	11	14	13

- Our Country Attribution Model (CAM) continues to prefer the stronger fiscal position states and non-Euro states as well.
- Recent performance for Southern European equities should not be chased aggressively, in our view.

Source: Datastream & Citi Research

Country Strategy — North vs South

- The South has structurally underperformed the North as the earnings have lagged
- The recent rally in the periphery has seen the PE rel of the South return to the long-run average.

Figure 31. South vs North — 12m Fwd Earnings & Price Rel

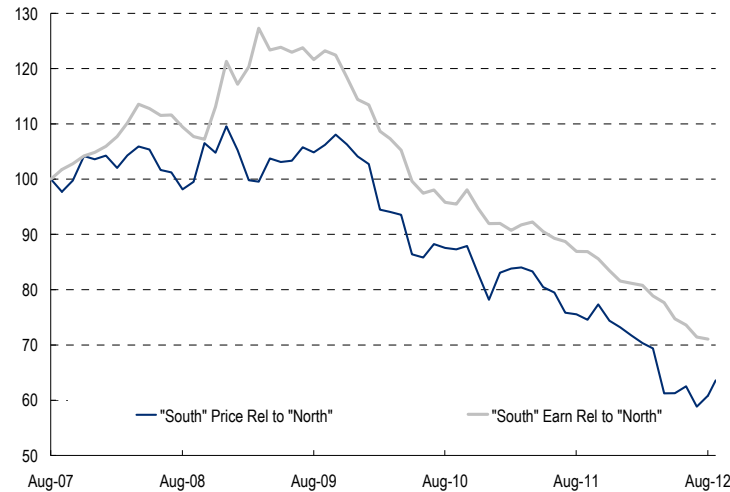


Figure 32. South vs North — 12m Fwd P/E Rel

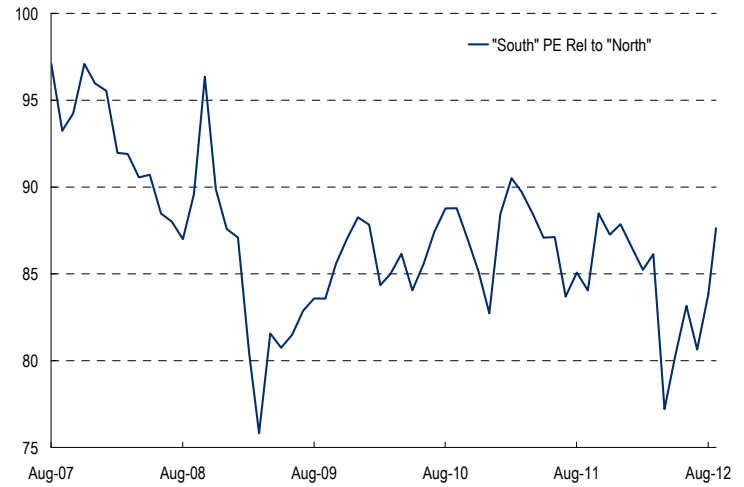


Figure 33. P/E By Country

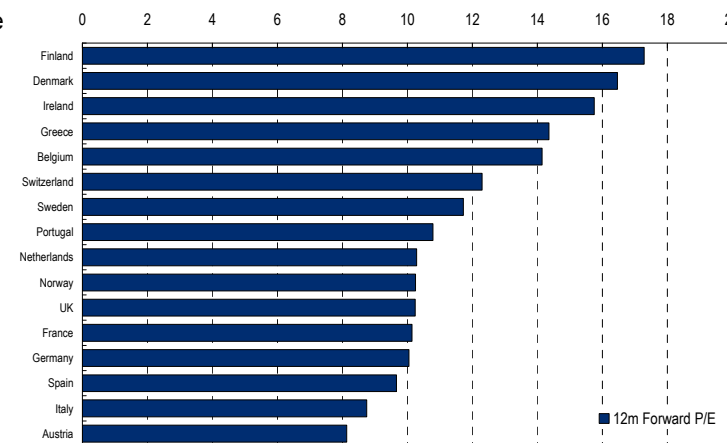
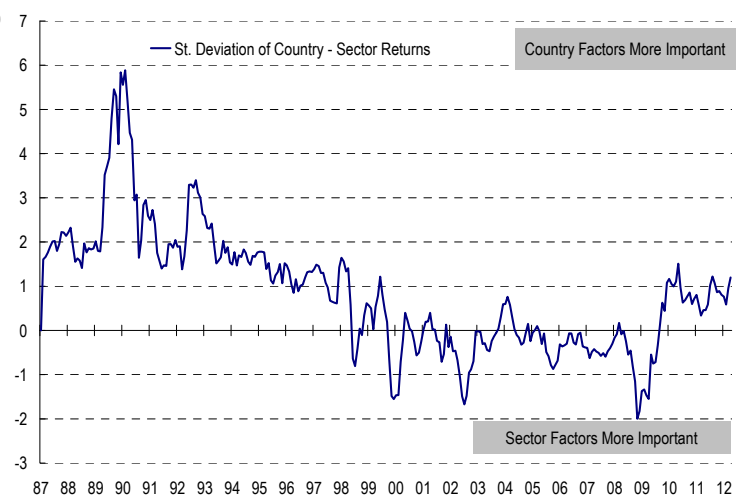


Figure 34. Sector vs Country



- The value plays at the country level are a mix of the periphery and the core.
- Country continues to be one of the important drivers of returns and until the Euro crisis fades (probably years) will likely remain so.

Source: Datastream & Citi Research

Sector Strategy — Sector Allocation Model

Figure 35. Sector Attribution Model (SAM)

	EM Exp	US Exp	EU Exp	Earn Mo	Earn Revisions	P/B	Abs P/E Rel to 5yr History	B/S	DY*G	CDS Adj Dividend	Overall Rank
Factor Weight	10%	5%	5%	10%	10%	5%	5%	20%	10%	20%	100%
Personal & Household Goods	4	6	5	2	17	16	14	4	3	5	6.5
Health Care	12	1	2	6	10	15	15	9	6	1	7.1
Food & Beverage	1	5	1	3	12	18	18	11	7	2	7.0
Oil & Gas	10	3	6	16	9	11	7	2	12	4	7.3
Basic Resources	3	11	3	19	3	6	2	5	5	16	8.3
Industrial Goods & Services	7	9	8	8	6	17	11	3	14	11	8.6
Retail	14	16	17	5	7	12	6	5	8	13	9.6
Telecommunications	6	18	16	15	1	3	9	14	13	6	9.8
Automobiles & Parts	8	12	9	14	15	9	1	5	1	15	9.4
Chemicals	5	7	7	10	13	19	8	8	15	7	9.4
Insurance	15	10	14	11	18	2	12	-	4	8	9.9
Technology	2	8	4	12	11	7	19	1	19	18	10.1
Media	16	4	11	4	8	8	10	12	16	9	10.3
Travel & Leisure	18	2	10	1	19	13	16	9	9	12	11.0
Banks	9	15	15	17	4	1	4	15	2	17	11.4
Construction & Materials	13	13	12	13	2	5	13	12	11	14	11.3
Utilities	17	17	18	9	16	4	5	15	18	3	11.8
Financial Services	11	14	13	18	5	14	3	-	10	19	12.0
Real Estate	19	19	19	7	14	10	17	-	17	10	12.6

Figure 36. European Sector Strategy

Overweight	Neutral	Underweight
Basic Resources	Autos	Construction
Chemicals	Banks	Real Estate
Food & Bev	Financial Services	Retail
Healthcare (Up)	Industrial G&S	Travel & Leisure
Insurance	Technology	Oil & Gas
Personal & Household Goods	Telecoms	
Media	Utilities	

Source: Citi Research

- We Overweight barbell of Defensive Growth and acceptable risk; we raise Health Care back to Overweight.

Source: Datastream & Citi Research

Sector Strategy — Growth and Value

- Sectors with leverage and greater European exposure are trading below long-run average price to books.
- EM exposure and better balance sheets are rewarded with higher valuations.

Figure 37. Sector Price/Book Range

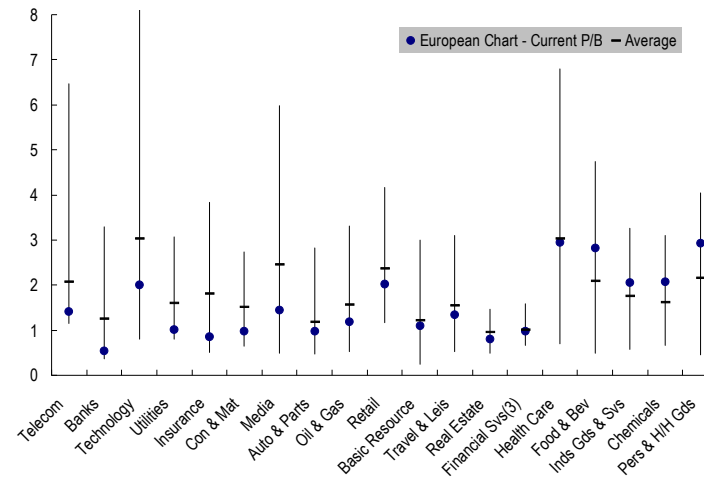


Figure 38. Sector RoE Range

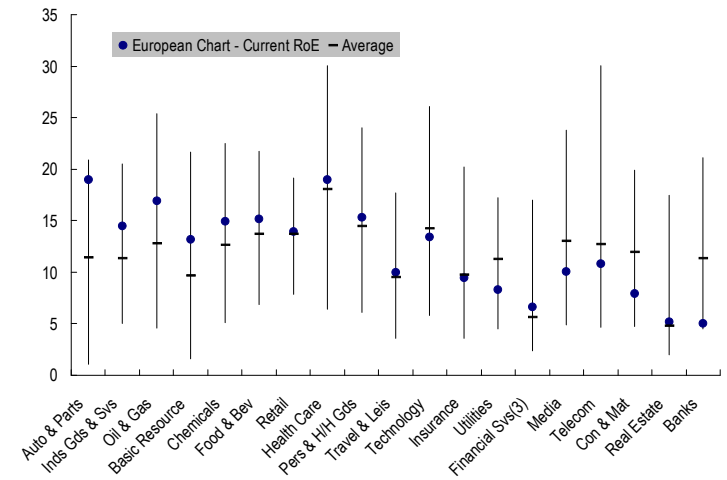


Figure 39. P/E By Sector

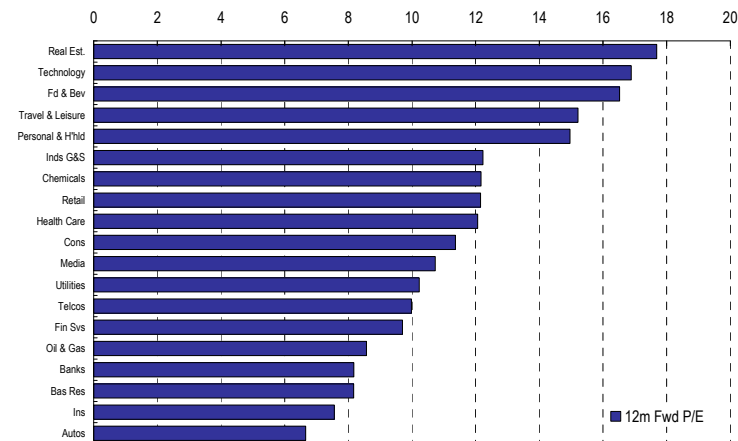
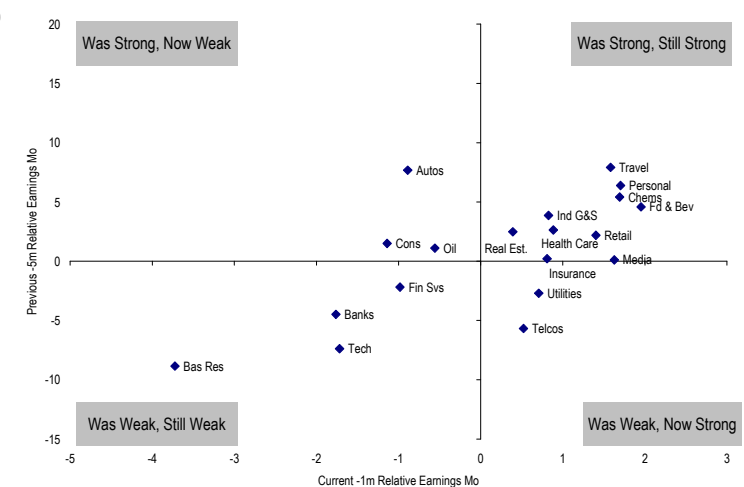


Figure 40. Relative Earnings Momentum Dynamics By Sector



- Cyclical are the cheapest, reflecting fears over the direction of earnings. The higher value is placed on the defensive growth stocks.
- Autos and Oil have deteriorating earnings mo trends.

Source: Datastream & Citi Research

Theme #1 — Growth

- The most expensive stocks have pulled back from short-term highs relative to the market.
- The spread between the cheapest and the most expensive is running broadly in line with long-run averages.

Figure 41. European Stocks — Most Expensive Quintile 12m Fwd P/E

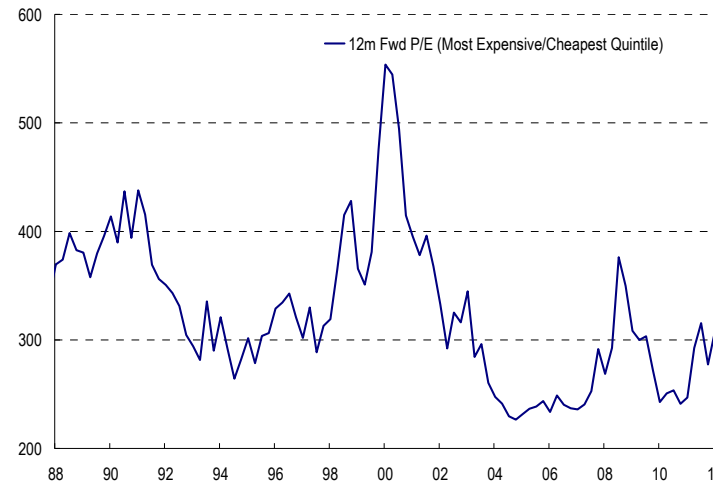


Figure 42. European Stocks — Most Expensive vs Cheapest P/E Spread

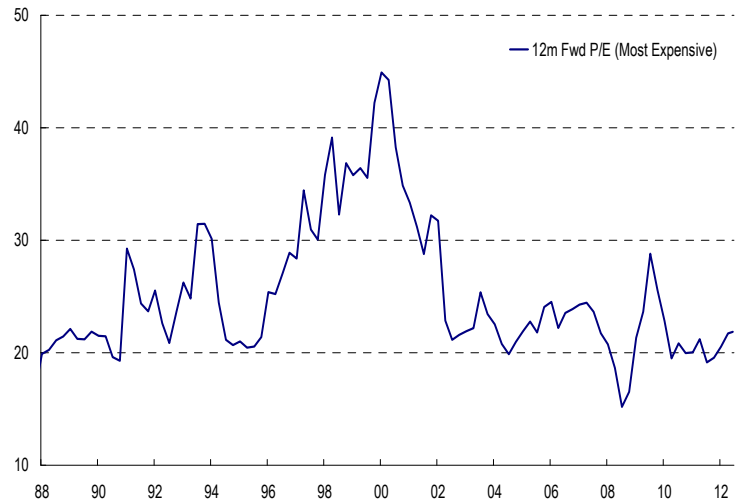


Figure 43. European Stocks — Cheapest Quintile 12m Fwd Abs P/E

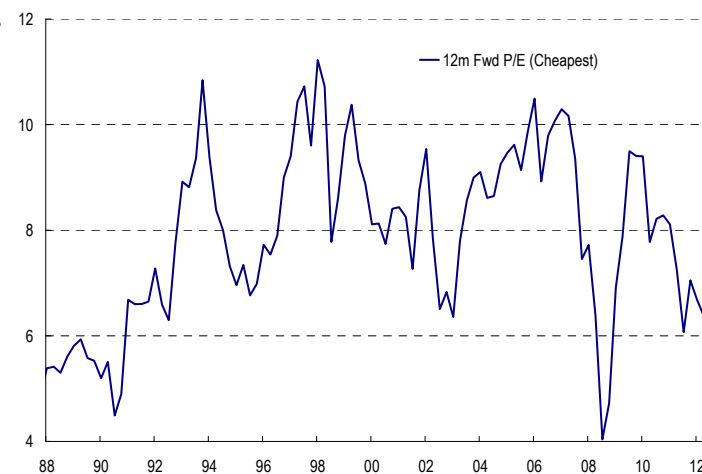
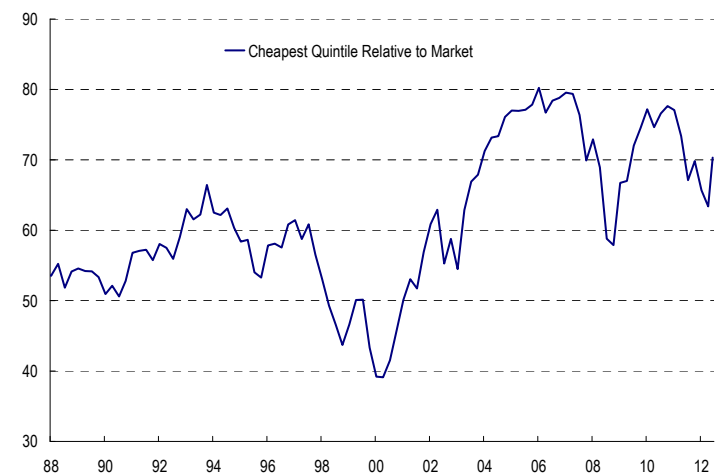


Figure 44. European Stocks — Cheapest Quintile 12m Fwd P/E Relative



- The cheapest quintile in the market has been rerated off the recent lows and highlights that cheap isn't as cheap as it was.
- This is also shown in the relative of the cheapest quintile PE to the market.

Source: Datastream & Citi Research

Theme #1 — Growth (Defensive Growth)

- In a low-growth but risky world we believe stocks with an effective earnings call option are well placed.
- They have already outperformed but only trade at around average PE rel premium.

Figure 45. Defensive Growth Performance

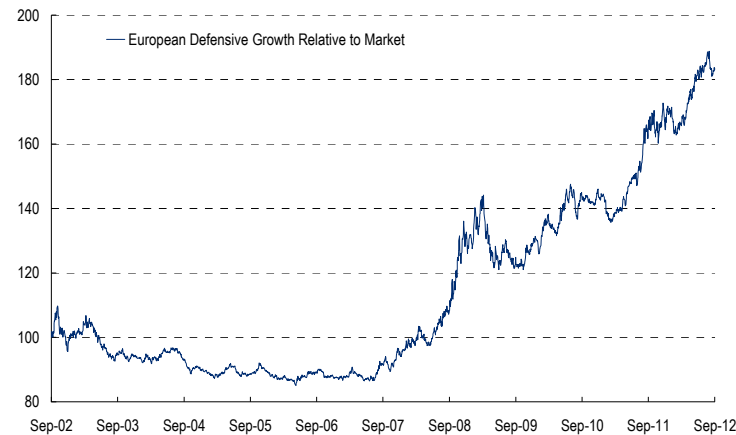


Figure 46. Defensive Growth — P/E Rel

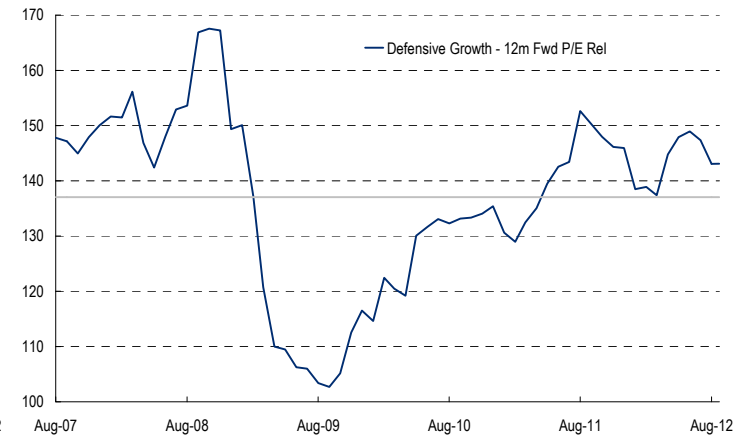


Figure 47. Defensive Growth – P/E

- On absolute PE the group has been re-rated slightly above 5-year average.
- Over the last 18 months earnings and price relative have re-connected. We expect this to continue and earnings outperformance from this group to drive price outperformance.

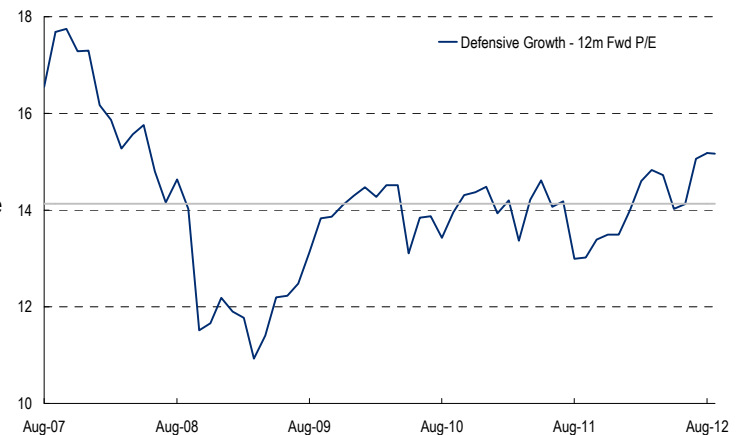
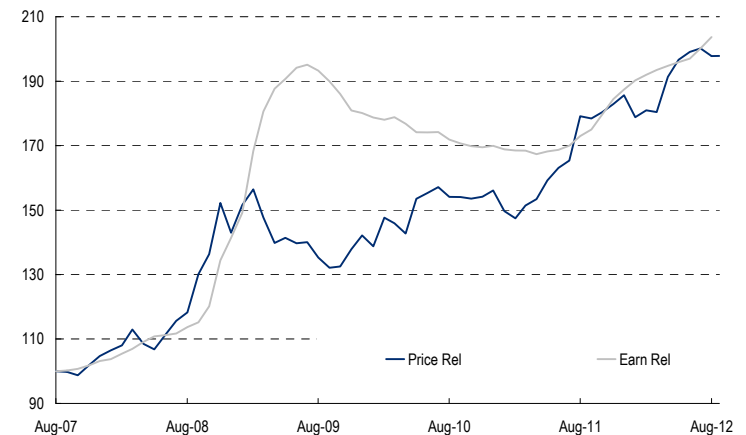


Figure 48. Defensive Growth – P & E Rel



Source: Datastream & Citi Research

Theme #1 — Growth (Defensive Growth)

Figure 49. Defensive Growth

- We screen for those stocks that have shown the earnings call optionality that we view as the hallmark of defensive growth.

- We also show where these stocks are on PE relative to their 5-year average.

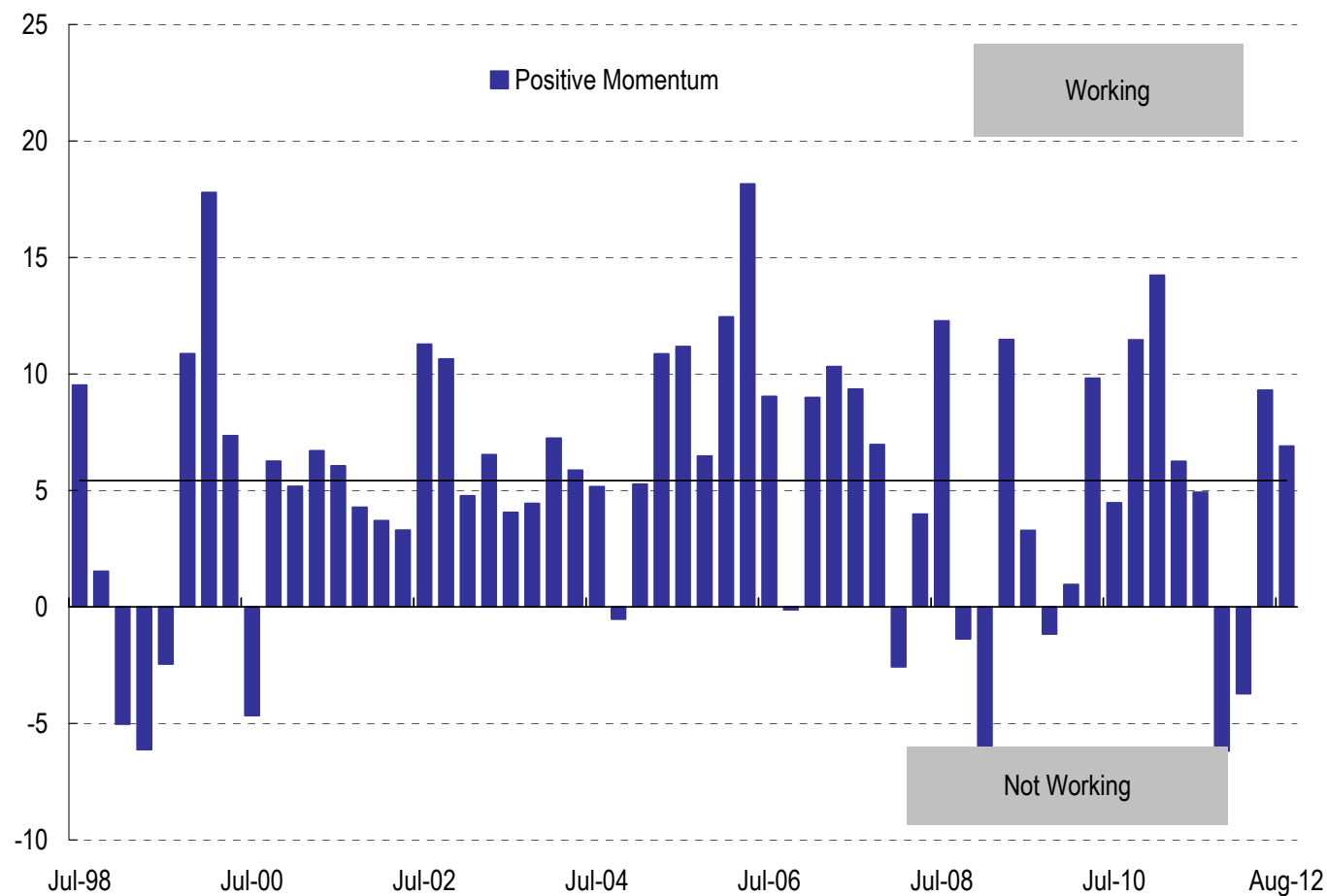
Stock	RIC	>10bn Mkt Cap, €m	>-20% Peak to Trough Fall	>8% 2yr Annual Earnings Growth	Rel Performance, YTD	P/E Now	Min	Max	Percentile (Abs)	Percentile (Rel)
Nestle R	NESN.VX	163970	-9	8	3	17	12	18	0.81	0.67
Novartis R	NOVN.VX	122902	-15	9	-2	11	9	15	0.32	0.26
BAT	BATS.L	88399	-1	12	8	16	11	17	0.79	0.66
Diageo	DGE.L	54105	-19	13	17	16	10	18	0.79	0.69
Bayer	BAYGn.DE	52123	-18	11	16	11	8	17	0.38	0.25
Novo Nordisk B	NOVOB.CO	51512	3	18	31	23	14	24	0.87	0.75
SAP	SAPG.DE	48417	-13	14	16	15	12	23	0.33	0.23
Unilever Certs.	UNc.AS	44225	-9	9	-4	16	10	17	0.94	0.64
Unilever (UK)	ULVR.L	38011	-11	9	1	17	10	18	0.87	0.81
SABMiller	SAB.L	36089	-14	14	19	18	9	20	0.78	0.88
Imperial Tobacco Gp.	IMT.L	31507	-18	11	0	12	9	17	0.38	0.51
Danone	DANO.PA	30356	-11	11	-9	15	11	20	0.39	0.32
Air Liquide	AIRP.PA	29748	-10	8	-1	17	12	19	0.68	0.56
Hennes & Mauritz B	HMb.ST	28265	-19	14	9	21	13	23	0.80	0.76
Syngenta	SYNN.VX	26612	-16	16	11	15	8	21	0.51	0.31
L'Oreal	OREP.PA	24195	-13	8	13	20	14	25	0.55	0.61
Inditex	ITX.MC	19207	-19	13	22	22	10	22	0.98	0.91
Pernod-Ricard	PERP.PA	17659	-15	14	12	16	8	18	0.87	0.89
Compass Group	CPG.L	16784	-6	10	11	15	10	18	0.64	0.70
Unibail-Rodamco*	UNBP.PA	14972	-6	9	5	17	9	19	0.72	0.73
Essilor Intl.	ESSI.PA	14726	-6	12	14	22	14	25	0.79	0.62
Shire	SHP.L	13914	-15	15	-14	15	12	28	0.16	0.17
Experian	EXP.N.L	12588	-20	11	9	17	8	18	0.96	0.86
Fresenius Med. Care	FMEG.DE	11982	-15	12	2	18	12	20	0.76	0.59
Fresenius	FREG.DE	11079	-2	12	11	15	8	18	0.66	0.61
Seadrill	SDRL.OL	10961	-13	20	14	12	2	18	0.62	0.70

Source: Datastream and Citi Research estimates (estimates for stocks marked * are Datastream consensus)

Theme #1 — Growth (Earnings Momentum)

Figure 50. Performance of Earnings Mo — Longs

- Long earnings momentum strategies have continued to outperform as the market backs earnings delivery.



Source: Datastream & Citi Research

Theme #2 — Quality (World Champions)

- World champions offer a broader sector exposure and hence more cyclical earnings.
- These market-leading positions have been rewarded with consistent outperformance. Rating is broadly in line with average.

Figure 51. World Champions, Relative Performance

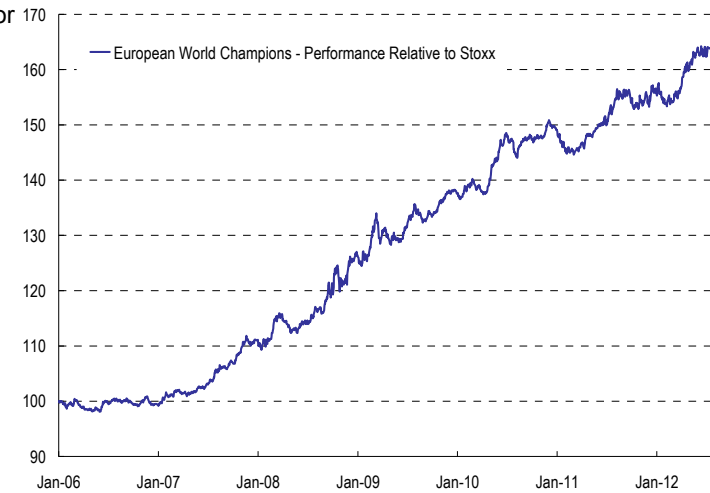
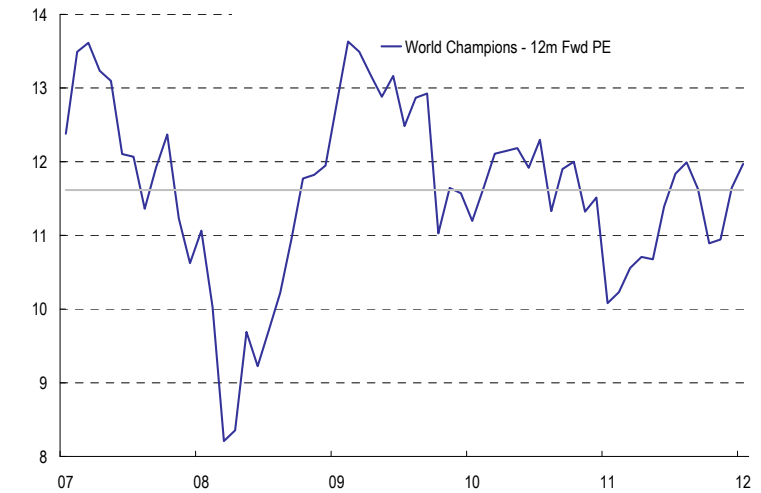


Figure 52. World Champions, Absolute P/E



- Quality matters in a world of limited growth. We back quality to continue to deliver earnings outperformance.
- These QARP stocks still trade below their 5-year average PE. Quality at a reasonable price.

Figure 53. "Quality" — Price & Earn Rel, 5yr

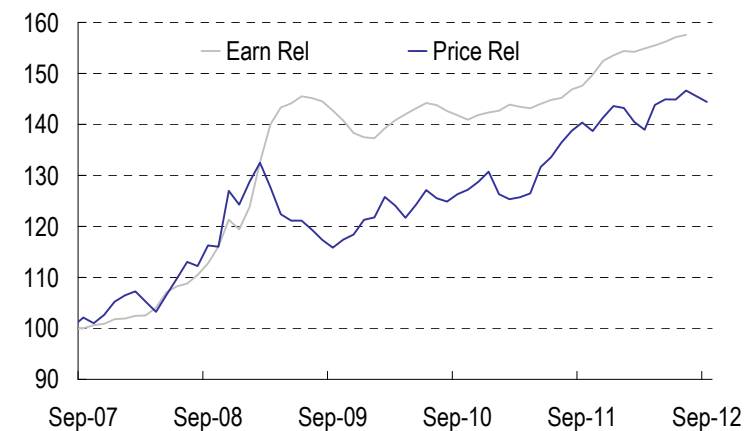
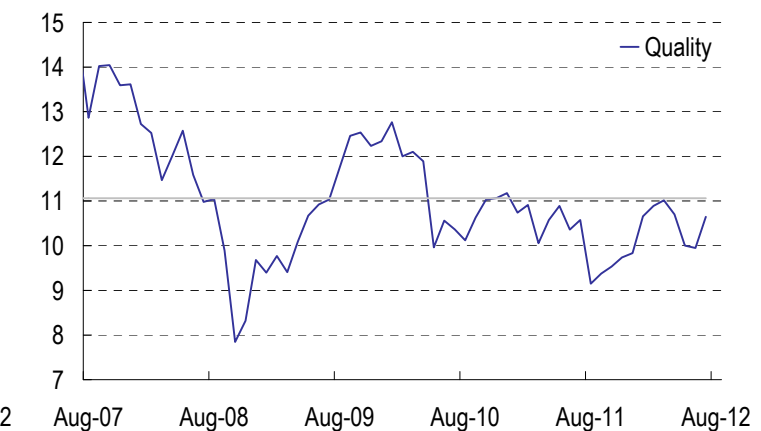


Figure 54. Quality – Absolute P/E, 5 yr



Source: Datastream & Citi Research

Theme #2 — Quality (World Champions)

Figure 55. World Champions

- These stocks are viewed by the Citi analysts as the stocks under their coverage that are the global leaders in their respective markets.

Aberdeen	ADN.L	Diageo	DGE.L	Johnson Matthey	JMAT.L	Rolls-Royce Holdings	RR.L
Adidas	ADSGn.DE	DSM	DSMN.AS	Kuehne+Nagel Intl.	KNIN.VX	Rotork	ROR.L
Aggreko	AGGK.L	EADS	EAD.PA	L'Oréal	OREP.PA	Ryanair Holdings	RYA.I
AB Inbev	ABI.BR	Edenred	EDEN.PA	Luxottica	LUX.MI	SabMiller	SAB.L
Antofagasta	ANTO.L	Ericsson 'B'	ERICb.ST	LVMH	LVMH.PA	SAP	SAPG.DE
Arm Holdings	ARM.L	Experian	EXPN.L	N.Grid	NG.L	SGS	SGSN.VX
Ashmore Group	ASHM.L	Fenner	FENR.L	Nestle	NESN.VX	Siemens	SIEGn.DE
Atlas Copco	ATCOa.ST	Fraport	FRAG.DE	Next	NXT.L	Sonova	SOON.VX
BAT	BATS.L	Fresenius Med	FMEG.DE	Novartis	NOVN.VX	Spirax	SPX.L
BG	BG.L	Geberit	GEBN.VX	Novo Nordisk	NOVOb.CO	Spirent Comms	SPT.L
BHP	BLT.L	GSK	GSK.L	Pearson	PSON.L	Standard Chartered	STAN.L
BMW	BMWG.DE	HSBC	HSBA.L	Pernod-Ricard	PERP.PA	Swatch	UHR.VX
Colruyt	COLR.BR	IG Group	IGG.L	Prudential	PRU.L	Swiss Re	SRENH.VX
Compass	CPG.L	Inditex	ITX.MC	Publicis Groupe	PUBP.PA	Syngenta	SYNN.VX
Continental	CONG.DE	Intercontinental	IHG.L	RDSHELL	RDSa.L	Veolia	VIE.PA
Daimler	DAIGn.DE	JC Decaux	JCDX.PA	Reckitt Benckiser	RB.L	WPP	WPP.L
Deutsche Bank	DBGn.DE	Jeronimo Martins	JMT.LS	Repsol	REP.MC	Zurich Financial	ZURN.VX

Source: Datastream and Citi Research

Theme #2 — Quality (QARP)

Figure 56. Quality at a Reasonable Price (€10bn+ Mkt Cap, 2012E FCF Yield >6%, RoE >14%, Debt EBITDA <1.5x)

- These stocks have better than market average RoEs and Balance Sheets. They also have above market average FCF yields.

Stock	RIC	Stock	RIC	Stock	RIC
Michelin	MICP.PA	Centrica	CNA.L	Alstom	ALSO.PA
Sandvik	SAND.ST	ENI	ENI.MI	Ryanair Holdings	RYA.I
Ahold Kon.	AHLN.AS	BT Group	BT.L	Continental	CONG.DE
Shire	SHP.L	Danone	DANO.PA	British Sky Broadcasting	BSY.L
BAE Systems	BAES.L	WPP	WPP.L	Smith & Nephew	SN.L
Reckitt Benckiser Group	RB.L	LVMH	LVMH.PA	Wolseley	WOS.L
Rio Tinto	RIO.L	Deutsche Post	DPWGn.DE	Merck KGAA	MRCG.DE
Novartis R	NOVN.VX	GlaxoSmithKline	GSK.L	Smiths Group	SMIN.L
TeliaSonera	TLSN.ST	Sanofi	SASY.PA	Antofagasta	ANTO.L
ABB	ABBN.VX	British American Tobacco	BATS.L	Petrofac	PFC.L
Bayer	BAYGn.DE	Volvo B	VOLVb.ST	Saipem	SPMI.MI
Roche	ROG.VX	Experian	EXP.N.L	Yara International	YAR.OL
Siemens	SIEGn.DE	Richemont	CFR.VX	Publicis Groupe	PUBP.PA
BHP Billiton	BLT.L	Kuehne+Nagel Intl.	KNIN.VX	Sodexo	EXHO.PA
Burberry Group	BRBY.L	Next	NXT.L		

Source: Datastream and Citi Research

Theme #3 — Income (CDS-Adjusted Dividends, Safer)

Figure 57. European Stocks: CDS Less Than 90 (Stoxx Universe Where We Have Data)

- We look to risk-adjust dividends by using the companies' own CDS. This brings both a balance sheet and sovereign risk measurement to the screen. Hence no peripherals.

- This brings a larger cap tilt to the screen as well. This screen is run to ensure there are 25 members. This month RSA and ABB are new joiners.

Stock	RIC	>€5bn Market Cap	<90 CDS	>3.5 Trailing DY	>4 CDS Adjusted Dividend Score
Unilever (UK)	ULVR.L	38011	33	3.62	10.96
TeliaSonera	TLSN.ST	12103	60	6.25	10.36
Novartis R	NOVN.VX	122902	40	4.12	10.19
Fortum	FUM1V.HE	6262	69	6.84	9.95
RSA Insurance Group	RSAL	5016	88	8.39	9.59
Restricted					
GlaxoSmithKline	GSK.L	96074	54	4.91	9.02
Total	TOTF.PA	88280	71	6.33	8.93
Sanofi	SASY.PA	82176	50	4.36	8.78
Deutsche Telekom	DTEGn.DE	28005	89	7.63	8.55
Muenchener Rueckver	MUVGn.DE	19027	66	5.48	8.36
National Grid	NG.L	31899	69	5.67	8.21
ABB	ABBN.VX	33851	51	4.13	8.09
Roche	ROG.VX	101394	50	4.06	8.07
British American Tobacco	BATS.L	88399	47	3.75	8.06
Centrica	CNA.L	21217	65	4.76	7.34
E.On	EONGn.DE	35928	90	6.23	6.95
Vodafone Group	VOD.L	118620	83	5.21	6.28
Royal Dutch Shell A	RDSa.L	106335	75	4.54	6.08
Statoil	STL.OL	21802	76	4.57	6.02
SKF B	SKFb.ST	6533	69	4.08	5.90
United Utilities Group	UU.L	5877	80	4.67	5.81
Siemens	SIEGn.DE	65074	78	4.41	5.66
Koninklijke DSM	DSMN.AS	6462	67	3.76	5.61
BASF	BASFn.DE	56259	81	4.47	5.53

Source: Datastream and Citi Research

Theme #3 — Income (CDS-Adjusted Dividends, Riskier)

Figure 58. European Stocks: CDS More Than 250 (Stoxx Universe Where We Have Data)

- Figure 58 is the opposite risk adjustment and looks for those companies with high CDS and dividend yields.

- This is much more a screen of peripheral exposure.

Stock	RIC	Market Cap	>250 CDS	>5<12 Trailing DY	CDS Adjusted Dividend Score
Enel	ENEL.MI	15652	370	10.87	2.94
Restricted					
AXA	AXAF.PA	20497	252	6.86	2.72
Iberdrola	IBE.MC	12160	397	9.75	2.46
Gas Natural Sdg	GAS.MC	3290	414	8.19	1.98
BBV Argentaria	BBVA.MC	29523	422	8.17	1.93
Atlantia	ATL.MI	3624	362	6.90	1.90
Repsol Ypf	REP.MC	11344	476	8.52	1.79
UPM-Kymmene	UPM1V.HE	4664	389	6.46	1.66
Unicredit	CRDI.MI	15878	491	7.31	1.49
Stora Enso R	STERV.HE	2703	443	6.11	1.38
EDP Energias De Portugal	EDP.LS	4593	689	9.46	1.37
Telecom Italia	TLIT.MI	7482	432	5.86	1.36
Mediobanca Bc.Fin	MDBI.MI	1459	432	5.73	1.33
Banco Popular Espanol	POP.MC	1760	886	10.49	1.18

Source: Datastream and Citi Research

Theme #3 — Income (Dividend Diamonds)

Figure 59. Companies Which Have Not Cut Their Dividends Since 2000, Decent 2yr Annualised Dividend Growth

- If by your actions you reveal your true character we want companies that are committed to the dividend. These companies not only haven't cut the dividend in over a decade but are also forecast to grow it by 8% compound over the coming 2 years.

- This is another Defensive Growth screen.

Stock	RIC	>€3bn Market Cap, Em	>8% 2yr Annual Dividend Growth	Net Debt/EBITDA 2012E	Dividend Cover 2012E
Aggreko	AGGK.L	7445	11	0.96	4.40
AMEC	AMEC.L	4861	22	-0.28	2.27
Assa Abloy B	ASSAb.ST	8174	19	1.71	2.13
Babcock Intl.	BAB.L	3984	12	1.58	2.79
BHP Billiton	BLT.L	52762	12	0.82	2.57
British American Tobacco	BATS.L	88399	12	1.33	1.54
Capita	CPI.L	6192	11	2.03	2.22
Centrica	CNAL	21217	8	1.13	1.66
Cobham	COB.L	3238	12	0.93	2.66
Coloplast B*	COLOb.CO	3440	13	-0.20	3.17
Dassault Systemes	DAST.PA	4995	12	-1.56	4.13
Diageo	DGE.L	54105	11	2.09	2.12
Essilor Intl.	ESSI.PA	14726	11	0.35	2.72
Fugro*	FUGRc.AS	3716	13	1.62	2.63
Givaudan N	GIVN.VX	6355	9	1.68	2.11
Henkel Pref.	HNKG_p.DE	10652	10	0.31	4.12
Hennes & Mauritz B	HMb.ST	28265	10	-0.77	1.15
IMI	IMI.L	3531	10	0.25	2.65
Imperial Tobacco Gp.	IMT.L	31507	14	2.59	1.87
Kerry Group A*	KYGa.I	5285	13	1.72	6.62
L'Oreal	OREP.PA	24195	9	-0.41	2.18
Lindt & Sprungli R	LISN.S	3264	10	-1.16	2.23
LVMH	LVMH.PA	35341	13	0.45	2.49
Meggitt	MGGT.L	3967	12	1.22	3.06
Nestle R	NESN.VX	163970	10	0.80	1.55
Next	NXT.L	7511	13	0.71	2.82
Novo Nordisk B	NOVOb.CO	51512	24	-0.49	2.04
Novozymes*	NZYMb.CO	4736	13	0.28	3.00
Publicis Groupe	PUBP.PA	7009	10	0.47	4.20
Rolls-Royce Holdings	RR.L	20075	12	-0.58	2.93
SABMiller	SAB.L	36089	14	2.52	2.35
Sanofi	SASY.PA	82176	15	0.70	2.16
SAP	SAPG.DE	48417	11	-0.52	3.13
Serco Group	SRP.L	3703	12	0.94	4.64
Sika B*	SIK.VX	3289	9	0.27	2.52
Smith & Nephew	SN.L	7506	13	-0.54	3.93
Technip	TECF.PA	9289	31	-0.47	2.50
Unilever (UK)	ULVR.L	38011	8	0.96	1.64
Weir Group	WEIR.L	4594	10	1.31	4.00
WPP	WPP.L	13454	12	0.93	2.50
Average			13	0.64	2.79

Source: Datastream and Citi Research estimates
(estimates for stocks marked * are Datastream
consensus)

Theme #3 — Income (Potentially Risky Dividends, Weak Cash Flow Dividend Cover)

Figure 60. Potentially Risky Dividend Screen (Stoxx Constituents Under Coverage)

- High yields are of little use if they prove to be illusory. The following screen looks for those companies where the dividend is on average not covered by FCF.

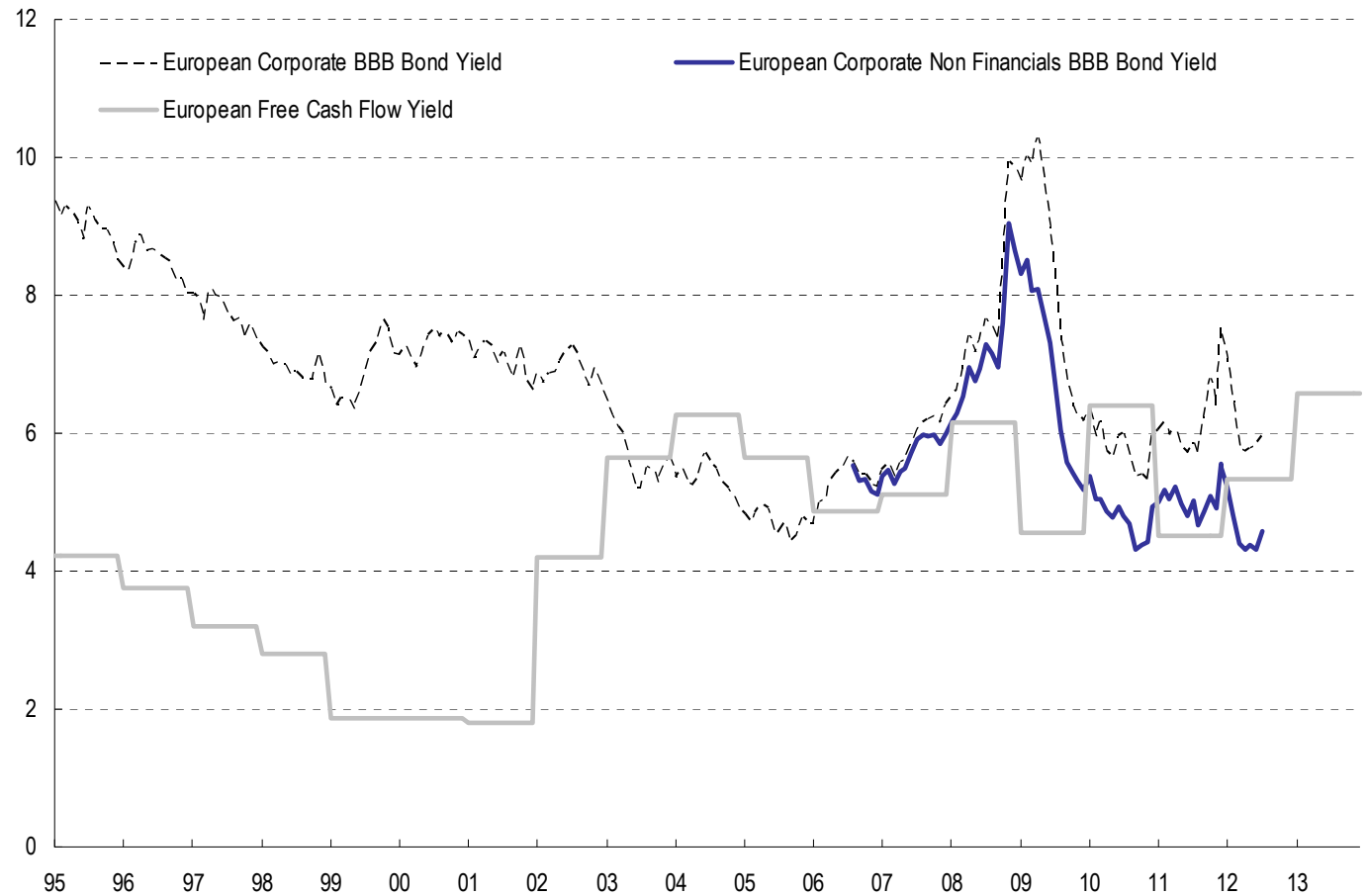
		Mkt Cap.	DY			FCF Yield			Average		R/S	
Stock	RIC	€m	2011E	2012E	2013E	2011E	2012E	2013E	FCFY-DY	Cover	2012E	Rel Perf YTD
Veolia	VIE.PA	3451	8.39	8.39	8.39	-15.93	-13.20	-13.85	-22.71	1.0	3.64	2
EDF	EDF.PA	4692	6.87	6.87	7.04	-8.52	-10.67	-10.36	-16.77	1.8	3.43	-14
Nokia	NOK1V.HE	8171	9.17	4.58	0.00	-3.64	-33.84	12.28	-12.98	-2.0	-8.39	-62
Repsol Ypf	REP.MC	11344	7.71	5.34	5.74	-20.17	1.82	3.42	-11.24	2.1	1.82	-47
Seadrill	SDRL.OL	10961	6.75	8.31	8.41	-3.87	3.85	-2.46	-8.65	0.9	4.10	11
Lazardere Groupe	LAGA.PA	2325	5.69	5.69	5.69	-31.38	11.28	12.04	-8.37	1.2	2.61	6
RWE	RWEG.DE	16424	5.96	5.96	5.96	-9.07	-0.12	2.50	-8.19	2.1	1.85	20
Metro	MEOG.DE	2980	5.78	5.05	6.08	-1.52	-3.85	-2.12	-8.13	1.0	0.87	-31
Atlantia	ATL.MI	3624	6.57	6.57	6.90	8.09	-6.73	-2.36	-7.02	1.5	4.73	-17
Enel	ENEI.MI	15652	10.59	6.14	6.35	-1.68	-2.06	6.14	-6.90	2.5	2.90	-27
Snam	SRG.MI	5262	7.30	7.66	8.04	1.31	0.03	2.29	-6.46	1.1	4.49	0
Terna Rete Elettrica	TRN.MI	3676	7.42	6.71	6.71	2.97	-1.00	0.45	-6.14	1.1	4.41	3
EDP Energias	EDP.LS	4593	9.30	9.30	9.30	-6.27	9.52	10.22	-4.81	1.6	4.45	-22
Sainsbury (J)	SBRY.L	5721	4.50	4.85	5.03	-2.87	0.35	2.59	-4.77	1.8	1.72	4
United Utilities	UU.L	5877	4.25	4.82	5.21	1.55	0.06	-1.04	-4.57	1.1	5.91	14
Scottish & Southern	SSE.	15762	5.50	6.11	6.53	0.26	2.16	2.57	-4.38	1.4	2.75	10
Inmarsat	ISAL	3117	4.18	5.04	5.15	6.62	-2.31	-2.09	-4.05	1.4	2.50	20
Morrison (Wm)	MRW.L	8775	3.47	4.09	4.24	1.07	-0.95	-0.15	-3.95	2.2	1.39	-16
Vodafone Group	VOD.L	118620	6.00	7.20	7.61	3.13	3.12	3.85	-3.57	1.1	1.78	3
Statoil	STL.OL	21802	4.09	4.49	4.79	3.81	-2.12	1.36	-3.44	2.5	0.16	-8
National Grid	NG.L	31899	5.20	5.77	6.10	3.40	2.69	1.01	-3.32	1.3	4.71	12
Arcelormittal	ISPA.AS	12092	4.12	4.52	4.62	-8.44	3.38	8.86	-3.16	1.6	2.71	-17
Red Electrica Corpn.	REE.MC	3573	6.70	6.93	7.65	1.76	1.69	8.98	-2.95	1.5	4.60	-1
Total	TOTF.PA	88280	5.74	5.89	5.94	3.26	5.09	2.81	-2.13	2.2	0.58	-13
Tele2 B	TEL2b.ST	4232	5.32	11.06	12.12	8.20	6.86	8.11	-1.78	0.8	1.43	-18
GDF Suez	GSZ.PA	27040	7.60	7.60	7.75	7.24	-0.26	11.12	-1.62	1.2	2.86	-19
Drax Group	DRX.L	2229	5.25	5.21	2.70	7.94	7.98	-7.57	-1.60	2.0	-0.89	5
E.On	EONGn.DE	35928	5.57	6.13	6.13	-3.09	4.49	12.31	-1.37	2.0	1.78	1
Metso	MEO1V.HE	4169	5.45	4.70	3.85	7.06	0.58	2.48	-1.29	1.8	0.90	-11
Eutelsat	ETL.PA	3345	3.68	4.17	4.75	3.02	2.55	3.23	-1.27	1.4	2.61	-22
Suez	SEVI.PA	2409	7.13	7.13	7.13	-2.00	9.83	9.82	-1.25	1.1	3.50	-10
Tesco	TSCOL	32934	4.15	4.33	4.61	2.30	3.21	3.91	-1.22	2.2	1.72	-21
SES Fdr	SESFd.PA	6350	4.36	4.79	5.27	1.18	4.49	6.10	-0.88	1.5	2.99	-1
Portugal Telecom R	PTC.LS	2427	18.47	9.24	9.51	12.53	5.51	16.78	-0.80	1.7	3.16	-21
Deutsche Post	DPWGn.DE	12922	4.55	4.88	5.20	3.47	2.03	7.25	-0.63	1.7	0.09	15
ENI	ENI.MI	47723	5.77	5.99	5.99	1.32	8.39	6.55	-0.50	1.7	0.48	1
BAE Systems	BAES.L	12901	5.48	6.06	6.35	1.70	7.03	7.88	-0.43	1.9	0.41	9
Nokian Renkaat	NRE1V.HE	4229	3.67	4.65	4.99	1.64	3.91	6.53	-0.41	1.9	-0.04	15
Royal Dutch Shell A	RDSa.L	106335	4.20	4.72	5.05	2.18	6.92	3.96	-0.30	2.4	0.32	-5
Saint Gobain	SGOB.PA	11842	4.59	4.62	4.81	-0.01	5.76	7.42	-0.28	2.0	1.80	-10
TDC	TDC.CO	2390	10.41	11.03	9.84	10.83	8.79	11.18	-0.16	0.8	2.17	-15
Seyvern Trent	SVT.L	5184	3.68	4.21	4.59	2.80	4.47	5.15	-0.02	1.3	4.86	15
TeliaSonera	TLSN.ST	12103	5.76	6.14	6.46	4.26	6.15	7.95	0.00	1.4	1.35	-4

Source: Datastream and Citi Research estimates

Theme #4 — De-Equitisation

Figure 61. European FCF Yield vs European Corporate Bond Yield

- The arbitrage between debt and equity is clearly on. We expect companies to respond by buying shares, either their own or someone else's.



Source: Datastream & Citi Research

Theme #4 — De-Equitisation (The Shrinkers)

Figure 62. Consistent Retirers

- These are companies that have consistently retired their equity over the last 4-6 years.

Mega Caps

5 Years

Diageo	DGE.L
Restricted	
BASF	BASFn.DE
Nestle R	NESN.VX
BHP Billiton	BLT.L
GlaxoSmithKline	GSK.L
Telefonica	TEF.MC

5 Years

British American Tobacco
Total
Sanofi
Unilever (UK)
Novartis R

BATS.L
TOTF.PA
SASY.PA
ULVR.L
NOVN.VX

4 Years

Royal Dutch Shell A	RDSa.L
BP	BP.L

Large Caps

6 years

KPN	KPN.AS
Swedish Match	SWMA.ST
Next	NXT.L
Novo Nordisk B	NOVOB.CO
Syngenta	SYNN.VX
William Demant Hldg.	WDH.CO
Michael Page Intl.	MPI.L

5 Years

SES Fdr
Topdanmark
Portugal Telecom R
Muenchener Rueckver
Swisscom R
Nokia
L'Oreal
Yara International

SESFd.PA
TOP.CO
PTC.LS
MUVGn.DE
SCMN.VX
NOK1V.HE
OREP.PA
YAR.OL

4 Years

Volkswagen Pref.	VOWG.DE
Philips Electronics	PHG.AS
CSM	CSMnc.AS
PostNL	PTNL.AS
Hays	HAYS.L
Compass Group	CPG.L
Telekom Austria	TELA.VI
Deutsche Boerse	DB1Gn.DE
Intl.HtIs.Gp.	IHG.L
Puma	PUMG.DE
BT Group	BT.L
IMI	IMI.L

Source: Datastream & Citi Research

Theme #5 — Size

- Mega cap was the stand-out trade of the 1990s.
- Mid cap took over and was the outperformer in the last decade.
- YTD, large ex-mega-caps is the lead size group.

Figure 63. Large Cap vs Mid Cap 1990-2000

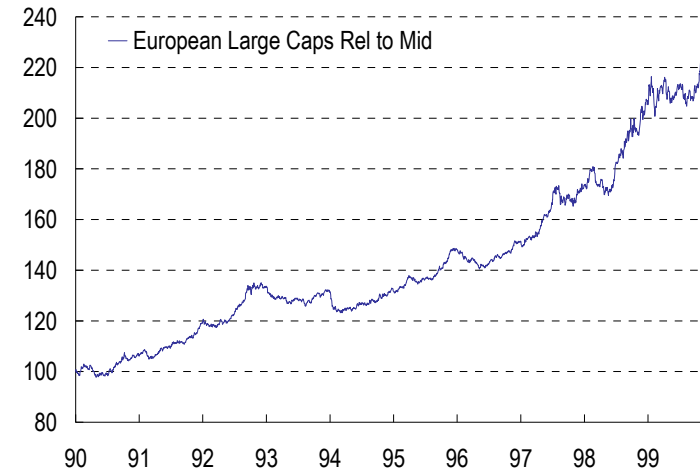


Figure 64. Large Cap vs Mid Cap 2000 - Now

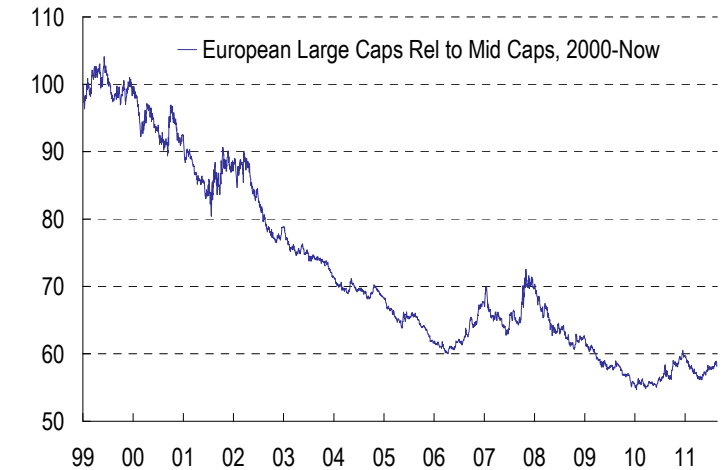


Figure 65. Mega Caps Are Like Japan

- Mega caps have also performed much like Japan. No market for corporate control one of the main reasons for the similarity, in our view.
- Mid Cap meanwhile has been like EM. Both have had the benefit of flows.

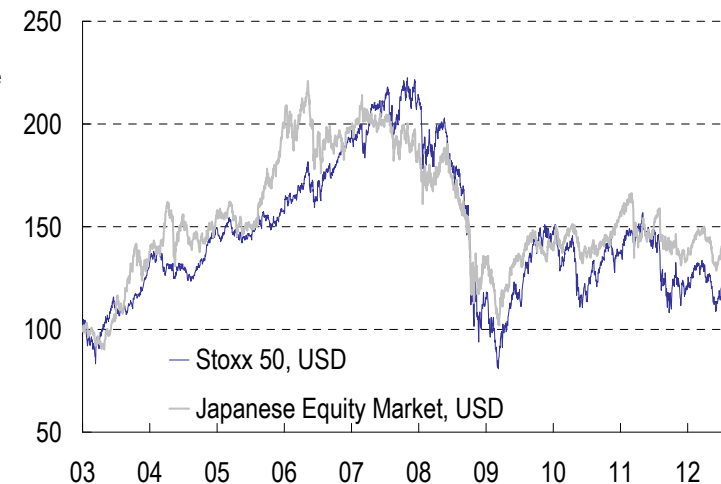
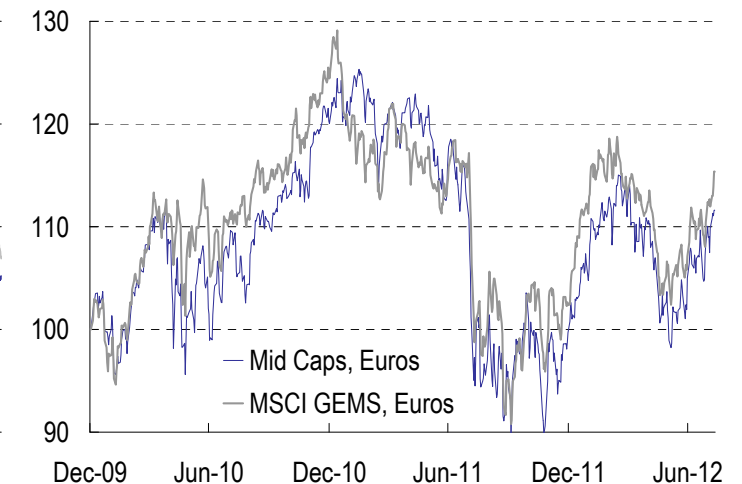


Figure 66. Mid Caps Are Like Emerging Mkts



Source: Datastream & Citi Research

Theme #5 — Size (Mid-Cap Arb)

Figure 67. Mid Cap Arb Screen

- We expect Mid Cap flows to be either self-provided (buy backs) or from M&A.
- We look for those companies that have robust balance sheets, attractive FCF yields and a sub €10 bn market cap.

Stock	RIC	<€10bn MktCap,€m	>5% Avg FCF (2012-2013E)	<1 ND/EBITDA 2012E
British Sky Broadcasting	BSY.L	9433	7.6	0.6
Wolseley	WOS.L	8817	6.8	-0.2
Kingfisher	KGF.L	8437	6.3	-0.1
Next	NXT.L	7511	6.8	0.7
Smith & Nephew	SN.L	7506	7.1	-0.5
Burberry Group	BRBY.L	7397	6.2	-0.8
Yara International	YAR.OL	7151	13.0	-0.1
Publicis Groupe	PUBP.PA	7009	9.1	0.5
Koninklijke DSM	DSMN.AS	6462	7.1	0.8
Sodexo	EXHO.PA	6122	7.0	0.8
Ryanair Holdings	RYA.I	5921	10.9	0.2
Johnson Matthey	JMAT.L	5861	6.0	0.6
Alstom	ALSO.PA	5803	13.3	1.0
Antofagasta	ANTO.L	5475	8.0	-0.4
Petrofac	PFC.L	5048	6.1	-2.5
Sage Group	SGE.L	4932	7.9	0.1
AMEC	AMEC.L	4861	8.1	-0.3
Cap Gemini	CAPP.PA	4693	8.4	-0.6
Actelion	ATLN.VX	4406	8.4	-1.4
Umicore	UMI.BR	4252	5.5	0.3
Nokian Renkaat	NRE1V.HE	4229	5.2	0.0
Tate & Lyle	TATE.L	3943	7.1	0.9
Edenred	EDEN.PA	3938	7.7	-0.8
Arkema	AKE.PA	3779	6.3	0.7
GEA Group	G1AG.DE	3734	5.0	0.6
Serco Group	SRP.L	3703	5.6	0.9
ITV	ITV.L	3679	7.4	-0.1
IMI	IMI.L	3531	8.2	0.2
Belgacom	BCOM.BR	3273	8.5	0.9
Cobham	COB.L	3238	8.8	0.9
Colruyt	COLR.BR	2941	5.1	-0.4
Valeo	VLOF.PA	2778	11.3	0.4
William Hill	WMH.L	2772	9.8	0.3
Mondi	MNDI.L	2624	8.8	0.8
Flismidt & Company B	FLS.CO	2611	5.0	0.8
Thales	TCFP.PA	2523	8.9	-0.9
Spectris	SXS.L	2430	8.4	0.8
Schibsted	SBST.OL	2041	6.8	0.4

Source: Datastream & Citi Research estimates

Valuation Tables

Figure 68. Pan-European Sector Weightings & Returns

As at Close 31 Aug 12	Mkt Cap	% of	Return Relative to Stoxx				Absolute Return			
Sector (No of Stocks)	(Euros m)	Stoxx	1m	3m	12m	Ytd	1m	3m	12m	Ytd
Oil & Gas (34)	534,016	10.0	1	1	5	-7	3	13	22	5
Chemicals (23)	264,539	4.9	0	-1	7	8	2	11	24	20
Basic Resources (30)	226,797	4.2	-3	-6	-22	-14	-1	5	-10	-4
Construction & Materials (23)	115,248	2.2	-1	-3	-10	-5	1	9	4	6
Industrial G&S (103)	555,312	10.4	0	-2	0	3	2	10	16	15
Automobiles & Parts (14)	123,863	2.3	-3	-5	-5	8	-1	6	10	21
Food & Beverage (29)	499,276	9.3	-2	-1	12	6	0	10	29	19
Personal & H'hold Goods (31)	330,498	6.2	-1	-3	11	7	1	9	29	20
Health Care (35)	613,583	11.5	-3	-1	9	2	-1	11	27	14
Retail (25)	178,621	3.3	1	1	3	-3	3	13	19	9
Media (28)	128,987	2.4	2	4	4	3	4	16	20	15
Travel & Leisure (21)	71,300	1.3	-1	-1	10	8	1	11	28	21
Telecommunications (19)	293,893	5.5	0	0	-5	-8	2	12	10	3
Utilities (25)	238,444	4.5	2	0	-8	-5	4	12	7	6
Banks (46)	584,811	10.9	5	5	-12	-2	7	17	2	9
Insurance (32)	287,471	5.4	5	8	6	9	7	21	23	22
Real Estate (26)	73,254	1.4	-3	-1	-3	8	-1	11	13	21
Financial Services (30)	69,651	1.3	-1	0	-9	1	1	12	6	13
Technology (26)	157,580	2.9	-2	-2	-4	0	1	10	12	12
Stoxx - Pan Europe (600)	5,347,145	100.0	—	—	—	—	2	12	16	12
Pan Euro - Large Cap	4,392,328	82.1	0	0	1	0	2	12	17	12
Pan Euro - Mid Cap	664,352	12.4	0	-1	-3	2	2	10	13	14
Pan Euro - Small Cap	290,465	5.4	0	-2	-5	2	2	9	10	14
Stoxx ex UK (419)	3,450,665	64.5	—	—	—	—	3	13	12	11
EuroStoxx - Eurozone (301)	2,314,988	43.3	—	—	—	—	4	14	9	10

Source: DataStream, Citi Research

Figure 69. Pan-European Sector Relative Ratings

As at Close 31 Aug 12	P/E Relative to Stoxx				Yield Relative to Stoxx			
Sector	2010	2011E	2012E	2013E	2010	2011E	2012E	2013E
Oil & Gas	91	84	81	90	91	103	109	105
Chemicals	121	104	109	112	69	75	76	74
Basic Resources	73	65	94	87	78	81	86	88
Construction & Materials	109	96	108	106	109	106	105	102
Industrial G&S	121	117	110	113	82	86	85	83
Automobiles & Parts	86	61	63	61	76	96	109	120
Food & Beverage	174	159	147	150	64	69	74	76
Personal & H'hold Goods	171	149	133	135	63	68	74	77
Health Care	110	108	108	112	87	90	95	95
Retail	119	119	114	120	94	89	94	93
Media	110	100	98	104	108	119	103	101
Travel & Leisure	147	137	168	128	75	74	72	74
Telecommunications	74	79	85	93	197	207	157	163
Utilities	73	88	82	98	197	168	163	151
Banks	71	87	92	74	125	100	103	110
Insurance	77	90	66	69	121	120	128	125
Real Estate	149	150	153	162	119	121	119	112
Financial Services	99	111	103	93	126	127	135	126
Technology	121	123	166	136	68	63	59	53
Stoxx - Pan Europe	100	100	100	100	100	100	100	100
Pan Euro - Large Cap	97	96	97	98	101	102	103	102
Pan Euro - Mid Cap	115	119	120	110	95	91	90	91
Pan Euro - Small Cap	111	132	117	109	95	89	84	85
Stoxx ex UK	96	100	100	100	110	104	99	99
EuroStoxx - Eurozone	87	93	95	94	122	112	103	103

Source: DataStream, Citi Research

Figure 70. Pan-European Sector Growth

As at Close 31 Aug 12	Earnings Growth %			Net Dividend Growth %		
	2011E	2012E	2013E	2011E	2012E	2013E
Sector						
Oil & Gas	7.4	8.0	2.1	19.0	9.7	6.2
Chemicals	14.2	-0.1	9.9	12.4	5.8	7.1
Basic Resources	11.1	-28.3	22.5	8.7	10.9	11.7
Construction & Materials	12.7	-8.1	15.2	1.9	3.0	6.5
Industrial G&S	2.2	10.5	10.4	9.4	3.0	7.2
Automobiles & Parts	39.5	-0.3	16.7	33.0	17.8	21.1
Food & Beverage	7.9	12.7	10.5	13.0	12.0	12.1
Personal & H'hold Goods	13.3	17.1	11.2	12.4	13.3	14.5
Health Care	1.1	3.7	9.0	8.6	9.6	10.3
Retail	-1.3	8.1	7.8	-0.4	9.4	8.3
Media	8.8	6.0	6.1	15.4	-10.1	7.9
Travel & Leisure	6.3	-15.4	48.0	2.8	0.6	13.8
Telecommunications	-7.7	-3.6	3.5	9.6	-21.3	14.4
Utilities	-18.6	11.9	-5.4	-10.6	0.6	1.5
Banks	-19.9	-1.3	40.2	-16.8	7.5	17.1
Insurance	-15.0	40.7	8.8	3.7	11.1	6.9
Real Estate	-1.3	2.0	6.1	6.0	2.5	3.7
Financial Services	-11.7	12.2	24.2	5.3	9.8	2.8
Technology	-2.5	-22.7	37.9	-4.3	-2.0	-1.7
Stoxx - Pan Europe	-1.2	4.0	12.9	4.6	3.9	9.7
Pan Euro - Large Cap	0.1	3.6	11.2	5.6	4.4	9.5
Pan Euro - Mid Cap	-4.0	2.9	23.4	0.2	2.5	11.3
Pan Euro - Small Cap	-17.2	17.2	21.9	-2.6	-2.0	10.9
Stoxx ex UK	-5.2	3.9	13.9	-0.5	-1.2	9.8
EuroStoxx - Eurozone	-7.7	1.9	13.9	-4.2	-4.3	9.1

Source: DataStream, Citi Research

Figure 71. Pan-European Sector Ratings

As at Close 31 Aug 12	Price/Earnings		Net Dividend Yield	
	2010	2011E	2010	2011E
Sector				
Oil & Gas	11.1	10.4	3.27	3.89
Chemicals	14.7	12.9	2.51	2.82
Basic Resources	8.9	8.0	2.81	3.05
Construction & Materials	13.3	11.8	3.93	4.00
Industrial G&S	14.8	14.4	2.97	3.25
Automobiles & Parts	10.4	7.5	2.73	3.63
Food & Beverage	21.1	19.6	2.30	2.60
Personal & H'hold Goods	20.8	18.4	2.28	2.56
Health Care	13.4	13.3	3.13	3.40
Retail	14.5	14.6	3.38	3.36
Media	13.4	12.3	3.89	4.49
Travel & Leisure	17.9	16.8	2.72	2.80
Telecommunications	9.0	9.7	7.13	7.81
Utilities	8.9	10.9	7.10	6.35
Banks	8.6	10.7	4.53	3.76
Insurance	9.4	11.1	4.36	4.53
Real Estate	18.2	18.4	4.29	4.55
Financial Services	12.1	13.7	4.56	4.80
Technology	14.8	15.2	2.47	2.36
Stoxx - Pan Europe	12.2	12.3	3.61	3.77
Pan Euro - Large Cap	11.9	11.9	3.64	3.85
Pan Euro - Mid Cap	14.0	14.6	3.44	3.45
Pan Euro - Small Cap	13.5	16.3	3.45	3.36
Stoxx ex UK	11.7	12.4	3.95	3.93
EuroStoxx - Eurozone	10.6	11.5	4.41	4.23

Source: DataStream, Citi Research

Figure 72. Pan-European Country Weightings & Returns

As at Close 31 Aug 12	Price/Earnings			Net Dividend Yield			
	2010	2011E	2012E	2010	2011E	2012E	2013E
Country							
Austria	9.8	24.2	10.7	8.9	4.20	3.22	4.20
Belgium	16.7	16.6	14.5	13.7	2.64	2.79	2.80
Denmark	22.2	24.7	18.9	15.5	1.03	1.50	1.88
Finland	9.6	13.6	18.2	13.2	6.41	5.54	4.99
France	10.8	11.2	11.1	9.9	4.29	4.01	4.16
Germany	11.3	11.8	10.5	9.7	3.49	3.57	3.69
Greece	4.4	22.2	-4719.4	15.5	7.78	4.60	3.35
Ireland	23.1	17.9	18.4	16.0	1.96	2.00	2.08
Italy	9.5	10.6	9.7	8.8	5.13	4.21	4.22
Netherlands	11.7	12.0	11.0	9.8	2.94	3.26	3.22
Norway	14.4	12.5	11.3	10.0	4.43	4.63	4.41
Portugal	9.2	11.8	10.5	9.4	9.09	7.15	5.64
Spain	7.4	9.1	13.6	9.4	8.69	8.44	5.83
Sweden	15.2	13.3	12.9	11.8	3.31	3.62	4.07
Switzerland	14.4	14.7	13.5	11.7	3.01	3.31	3.51
UK	13.1	12.3	11.7	10.6	2.99	3.49	3.98
EuroStoxx - Eurozone	10.6	11.5	11.2	9.9	4.41	4.23	4.05
Stoxx ex UK - Europe ex UK	11.7	12.4	11.9	10.4	3.95	3.93	3.88
Stoxx - Pan Europe	12.2	12.3	11.8	10.5	3.61	3.77	3.92

Source: DataStream, Citi Research

Figure 73. Pan-European Country Relative Ratings

As at Close 31 Aug 12	Price/Earnings			Net Dividend Yield			
	2010	2011E	2012E	2010	2011E	2012E	2013E
Country							
Austria	81	196	90	85	116	85	107
Belgium	137	134	123	131	73	74	71
Denmark	183	200	160	148	28	40	48
Finland	79	111	153	125	178	147	127
France	89	91	94	95	119	106	106
Germany	93	96	88	92	97	95	94
Greece	36	180	-39843	148	216	122	85
Ireland	190	146	155	152	54	53	53
Italy	78	86	82	84	142	111	108
Netherlands	96	97	93	93	82	86	82
Norway	118	102	95	95	123	123	113
Portugal	75	96	89	90	252	189	144
Spain	61	74	115	89	241	224	149
Sweden	125	108	109	112	92	96	104
Switzerland	118	120	114	112	83	88	90
UK	107	99	99	101	83	92	102
EuroStoxx - Eurozone	87	93	95	94	122	112	103
Stoxx ex UK - Europe ex UK	96	100	100	100	110	104	99
Stoxx - Pan Europe	100	100	100	100	100	100	100

Source: DataStream, Citi Research

Figure 74. Pan-European Country Growth

As at Close 31 Aug 12	Earnings Growth %			Dividend Growth %		
Country	2011E	2012E	2013E	2011E	2012E	2013E
Austria	-59.5	127.1	19.4	-23.2	30.2	6.9
Belgium	0.7	14.0	6.2	5.5	0.3	10.7
Denmark	-9.8	30.4	21.8	46.5	25.0	27.3
Finland	-29.4	-24.9	38.2	-13.7	-9.8	-10.1
France	-3.3	1.0	11.6	-6.6	3.8	9.5
Germany	-4.4	12.9	8.4	2.4	3.4	8.2
Greece	-80.3	-100.5	-30,458.3	-40.9	-27.1	30.3
Ireland	28.9	-2.5	15.4	2.2	4.0	4.3
Italy	-10.0	8.9	11.0	-18.0	0.3	7.6
Netherlands	-2.0	8.5	12.7	10.8	-1.2	6.3
Norway	15.1	11.1	12.7	4.5	-4.8	15.0
Portugal	-22.4	12.4	11.8	-21.3	-21.1	9.7
Spain	-18.4	-33.0	45.2	-2.9	-30.9	16.4
Sweden	14.1	3.3	9.2	9.5	12.2	7.4
Switzerland	-2.2	9.3	15.2	10.0	5.9	11.6
UK	6.8	4.3	11.2	16.7	14.3	9.6
EuroStoxx - Eurozone	-7.7	1.9	13.9	-4.2	-4.3	9.1
Stoxx ex UK - Europe ex UK	-5.2	3.9	13.9	-0.5	-1.2	9.8
Stoxx - Pan Europe	-1.2	4.0	12.9	4.6	3.9	9.7

Source: DataStream, Citi Research

Figure 75. Pan-European Country Ratings

As at Close 31 Aug 12		Price/Earnings			Net Dividend Yield				
2013E	Country	2010	2011E	2012E	2013E	2010	2011E	2012E	2013E
6.9	Austria	9.8	24.2	10.7	8.9	4.20	3.22	4.20	4.49
10.7	Belgium	16.7	16.6	14.5	13.7	2.64	2.79	2.80	3.10
27.3	Denmark	22.2	24.7	18.9	15.5	1.03	1.50	1.88	2.39
-10.1	Finland	9.6	13.6	18.2	13.2	6.41	5.54	4.99	4.49
9.5	France	10.8	11.2	11.1	9.9	4.29	4.01	4.16	4.55
8.2	Germany	11.3	11.8	10.5	9.7	3.49	3.57	3.69	4.00
30.3	Greece	4.4	22.2	-4719.4	15.5	7.78	4.60	3.35	4.36
4.3	Ireland	23.1	17.9	18.4	16.0	1.96	2.00	2.08	2.17
7.6	Italy	9.5	10.6	9.7	8.8	5.13	4.21	4.22	4.54
6.3	Netherlands	11.7	12.0	11.0	9.8	2.94	3.26	3.22	3.43
15.0	Norway	14.4	12.5	11.3	10.0	4.43	4.63	4.41	5.07
9.7	Portugal	9.2	11.8	10.5	9.4	9.09	7.15	5.64	6.18
16.4	Spain	7.4	9.1	13.6	9.4	8.69	8.44	5.83	6.79
7.4	Sweden	15.2	13.3	12.9	11.8	3.31	3.62	4.07	4.37
11.6	Switzerland	14.4	14.7	13.5	11.7	3.01	3.31	3.51	3.92
9.6	UK	13.1	12.3	11.7	10.6	2.99	3.49	3.98	4.37
9.1	EuroStoxx - Eurozone	10.6	11.5	11.2	9.9	4.41	4.23	4.05	4.42
9.8	Stoxx ex UK - Europe ex UK	11.7	12.4	11.9	10.4	3.95	3.93	3.88	4.27
9.7	Stoxx - Pan Europe	12.2	12.3	11.8	10.5	3.61	3.77	3.92	4.30

Source: DataStream, Citi Research



This page is intentionally left blank

Appendix

Figure 76. Companies Mentioned

Stock	RIC Code	Rating	Price	Currency	Stock	RIC Code	Rating	Price	Currency	Stock	RIC Code	Rating	Price	Currency
ANHEUSER-BUSCH INBEV	ABI.BR	1	69.82	EUR	Gas Natural Sdg	GAS.MC	1	10.305	EUR	Sainsbury (J)	SBRY.L	2	3.29055	GBP
ABB	ABBN.VX	1	17.02	CHF	GDF Suez	GSZ.PA	1	19.115	EUR	Saint Gobain	SGOB.PA	1	27.435	EUR
ABERDEEN ASSET MAN.	ADN.L	1	2.818	GBP	GEA Group	G1AG.DE	1	21.55	EUR	Saipem	SPMI.MI	1	37.5	EUR
Actelion	ATLN.VX	2	46.9	CHF	GEBERIT 'R'	GEBN.VX	3	201.3	CHF	Sandvik	SAND.ST	1	88.65	SEK
Adidas	ADSGn.DE	1	63.56	EUR	Givaudan N	GIVN.VX	3	904	CHF	Sanofi	SASY.PA	1	66.05	EUR
Aggreko	AGGK.L	1	22.96	GBP	GlaxoSmithKline	GSK.L	1	14.3	GBP	SAP	SAPG.DE	1	53.17	EUR
Ahold Kon.	AHLN.AS	1	10.195	EUR	Hays	HAYS.L	3	0.707	GBP	Schibsted	SBST.OL	2	209.9	NOK
Air Liquide	AIRP.PA	2	95.55	EUR	Henkel Pref.	HNKG_p.DE	2	62.1	EUR	Scottish & Southern	SSE.L	3	13.61	GBP
Alstom	ALSO.PA	2	27.915	EUR	Hennes & Mauritz B	HMB.ST	2	240.4	SEK	Seadrill	SDRL.OL	1	233.7	NOK
AMEC	AMEC.L	2	10.95	GBP	HSBC	HSBA.L	1	5.433	GBP	Serco Group	SRP.L	1	5.625	GBP
Antofagasta	ANTO.L	3	11.41	GBP	Iberdrola	IBE.MC	1	3.359	EUR	SES Fdr	SESFd.PA	2	20.985	EUR
Arcelormittal	ISPA.AS	1	11.685	EUR	Icti.HtIs.Gp.	IHG.L	1	16.21	GBP	Severn Trent	SVT.L	1	17.035	GBP
Arkema	AKE.PA	1	68.83	EUR	IG Group	IGG.L	1	4.348	GBP	SGS 'N'	SGSN.VX	2	1935	CHF
Arm Holdings	ARM.L	1	5.37	GBP	IMI	IMI.L	1	8.555	GBP	Shire	SHP.L	1	19.36	GBP
Ashmore Group	ASHM.L	3	3.236	GBP	Imperial Tobacco Gp.	IMT.L	2	23.74	GBP	Siemens	SIEGn.DE	1	75.86	EUR
Assa Abloy B	ASSAb.ST	3	203.8	SEK	Inditex	ITX.MC	1	91.87	EUR	Sika B	SIK.VX		1831	CHF
Atlantia	ATL.MI	2	11.46	EUR	Inmarsat	ISA.L	3	5.845	GBP	SKF B	SKFb.ST	3	139.2	SEK
Atlas Copco	ATCOa.ST	3	149.6	SEK	Intercontinental Hotels	IHG.L	1	16.21	GBP	Smith & Nephew	SN.L	3	6.705	GBP
AXA	AXAF.PA	2H	11.705	EUR	ITV	ITV.L	1	0.86721	GBP	Smiths Group	SMIN.L	3	10.42	GBP
Babcock Intl.	BAB.L	1	9.305	GBP	JC Decaux	JCDX.PA	2	17.575	EUR	Snam	SRG.MI	1	3.362	EUR
BAE Systems	BAES.L	2	3.227	GBP	Jeronimo Martins	JMT.LS	1	13.47	EUR	Sodexo	EXHO.PA	2	62.89	EUR
Banco Popular Espanol	POP.MC	3H	1.869	EUR	Johnson Matthey	JMAT.L	1	23.79	GBP	Sonova	SOON.VX	1	95	CHF
BASF	BASFn.DE	2	62.26	EUR	Kerry Group A	KYGa.I		38.17	EUR	Spectris	SXS.L	1	17.33	GBP
BAT	BATS.L	1	32.3	GBP	Kingfisher	KGF.L	1	2.781	GBP	SPIRAX-SARCO	SPX.L	1	19.62	GBP
Bayer	BAYGn.DE	1	63.98	EUR	Koninklijke DSM	DSMN.AS	1	37.635	EUR	Spirent Comms	SPT.L	1	1.583	GBP
BBV Argentaria	BBVA.MC	2H	6.091	EUR	KPN	KPN.AS	2	6.568	EUR	Standard Chartered	STAN.L	1	13.775	GBP
Belgacom	BCOM.BR	3	23.69	EUR	Kuehne+Nagel Intl.	KNIN.VX	1	107.3	CHF	Statoil	STL.OL	2	148	NOK
BG	BG.L	1	12.31	GBP	Lagardere Groupe	LAGA.PA	2	21.75	EUR	Stora Enso R	STERV.HE		4.84	EUR
BHP Billiton	BLT.L	1	18.045	GBP	Lindt & Sprungli R	LISN.S	1	34150	CHF	Suez Environnement	SEVI.PA	1	9.046	EUR
BMW	BMWG.DE	2	55.61	EUR	L'Oreal	OREP.PA	2	99.09	EUR	Swatch	UHR.VX	2	400.7	CHF
BP	BP.L	2	4.235	GBP	Luxottica	LUX.MI	1	27.46	EUR	Swedish Match	SWMA.ST	1	273	SEK
British American Tobacco	BATS.L	1	32.3	GBP	LVMH	LVMH.PA	1	129.4	EUR	Swiss Re	SRENH.VX	1	60.55	CHF
British Land	BLND.L		5.315	GBP	Mediobanca Bc.Fin	MBDI.MI		4.096	EUR	Swisscom R	SCMN.VX	2	387.2	CHF
British Sky Broadcasting	BSY.L	1	7.57	GBP	Meggitt	MGGT.L	2	3.974	GBP	Syngenta	SYNN.VX	1	330.9	CHF
BT Group	BT.L	2	2.23236	GBP	Merck KGAA	MRCG.DE	2	93.09	EUR	Tate & Lyle	TATE.L	1	6.45	GBP
Burberry Group	BRBY.L	2	13.13	GBP	Metro	MEOG.DE	3	23.955	EUR	TDC	TDC.CO	2	40.34	DKK
Cap Gemini	CAPP.PA	1	30.16	EUR	Metso	MEO1V.HE	3	27.94	EUR	Technip	TECF.PA	1	84.87	EUR
Capita	CPI.L	1	7.3475	GBP	Michael Page Intl.	MPI.L	2	3.592	GBP	Tele2 B	TEL2b.ST	1	117.3	SEK
Centrica	CNA.L	2	3.341	GBP	Michelin	MICP.PA	1	58.85	EUR	Telecom Italia	TLIT.MI	1	0.757	EUR
Cobham	COB.L	2	2.194	GBP	Mondi	MNDI.L	1	5.69	GBP	Telefonica	TEF.MC	2	10.685	EUR
Coloplast B	COLOb.CO		1190	DKK	Morrison (Wm)	MRW.L	2	2.887	GBP	Telekom Austria	TELA.VI	1	6.35	EUR
Colruyt	COLR.BR	1	38.095	EUR	Muenchener Rueckver	MUVGn.DE	2	118.65	EUR	TeliaSonera	TLSN.ST	1	46.8	SEK
Compass	CPG.L	1	7.04	GBP	National Grid	NG.L	2	6.96	GBP	TERNA SpA	TRN.MI	2	2.8	EUR

Compass Group	CPG.L	1	7.04	GBP	Nestle R	NESN.VX	2	59.85	CHF	Tesco	TSCO.L	3	3.440749	GBP
Continental	CONG.DE	1	79.87	EUR	Next	NXT.L	1	35.92	GBP	Thales	TCFP.PA	1	26.7	EUR
CSM CERTS.	CSMNC.AS		13.61	EUR	Nokia	NOK1V.HE	2	1.99	EUR	Topdanmark	TOP.CO		1127	DKK
Daimler	DAIGn.DE	1	38.09	EUR	Nokian Renkaat	NRE1V.HE	2	31.69	EUR	Total	TOTF.PA	3	39.88	EUR
Danone	DANO.PA	1	49.96	EUR	Novartis R	NOVN.VX	2	56.85	CHF	Umicore	UMI.BR	2	37.755	EUR
Dassault Systemes	DAST.PA	1	77.97	EUR	Novo Nordisk B	NOVOB.CO	1	941	DKK	Unibail-Rodamco	UNBP.PA		162.55	EUR
Deutsche Bank	DBGn.DE	2	28.19	EUR	Novozymes	NZYMB.CO		167.9	DKK	Unicredit	CRDI.MI	1H	3.318	EUR
Deutsche Boerse	DB1Gn.DE	2	40.065	EUR	Pearson	PERSON.L	2	11.89	GBP	Unilever (UK)	ULVR.L	2	22.81875	GBP
Deutsche Post	DPWGN.DE	1	15.725	EUR	Pernod-Ricard	PERP.PA	1	90.28	EUR	Unilever Certs.	UNc.AS	2	27.975	EUR
Deutsche Telekom	DTEGn.DE	1	9.567	EUR	Petrofac	PFC.L	2	15.51	GBP	United Utilities Group	UU.L	2	7.075	GBP
Diageo	DGE.L	2	17.59	GBP	Philips Electronics	PHG.AS	3	18.585	EUR	UPM-Kymmene	UPM1V.HE		8.82	EUR
Drax Group	DRX.L	2	4.797	GBP	Portugal Telecom R	PTC.LS	1	3.824	EUR	Valeo	VLOF.PA	1	36.78	EUR
E.On	EONGn.DE	3	18.485	EUR	PostNL	PTNL.AS	1	2.805	EUR	Veolia	VIE.PA	1	8.5	EUR
EADS	EAD.PA	1	30.155	EUR	Prudential	PRU.L	1	7.95	GBP	Vodafone Group	VOD.L	1	1.75922	GBP
Edenred	EDEN.PA	1	21.515	EUR	Publicis Groupe	PUBP.PA	3	41.585	EUR	Volkswagen Pref.	VOWG.DE	2	125.25	EUR
EDF	EDF.PA	2	16.5	EUR	Puma	PUMG.DE		228.45	EUR	Volvo B	VOLVb.ST	2	85.55	SEK
EDP Energias De Portugal	EDP.LS	2	2.053	EUR	Reckitt Benckiser Group	RB.L	1	36.19	GBP	Weir Group	WEIR.L	2	15.856	GBP
Enel	ENEI.MI	1	2.682	EUR	Red Electrica Corpn.	REE.MC	1	35	EUR	William Demant Hldg.	WDH.CO	2	524	DKK
ENI	ENI.MI	1	17.39	EUR	Repsol Ypf	REP.MC	1	15.19	EUR	William Hill	WMH.L	1	3.054	GBP
Ericsson 'B'	ERICb.ST	1	60.7	SEK	Richemont	CFR.VX	1	60.05	CHF	Wolseley	WOS.L	1	26.5	GBP
Essilor Intl.	ESSI.PA	2	71.73	EUR	Rio Tinto	RIO.L	1	27.8	GBP	WPP	WPP.L	2	8.185	GBP
EUTELSAT COMMUNICATIONS	ETL.PA	1	24.27	EUR	Roche	ROG.VX	2	175.5	CHF	Yara International	YAR.OL	1	292.3	NOK
Experian	EXP.N.L	1	10.07	GBP	Rolls-Royce Holdings	RR.L	1	8.315	GBP	Zurich FS	ZURN.VX	1	230.8	CHF
Fenner	FENR.L	1	3.45	GBP	Rotork	ROR.L	2	22.43	GBP					
Flsmidth & Company B	FLS.CO	2	332.1	DKK	Royal Dutch Shell A	RDSa.L	2	21.96	GBP					
Fortum	FUM1V.HE	2	14.45	EUR	RSA Insurance Group	RSA.L	2	1.13	GBP					
Fraport	FRAG.DE	1	43.6	EUR	RWE	RWEG.DE	3	33.735	EUR					
Fresenius	FREG.DE	1	87.499	EUR	Ryanair Holdings	RYA.I	1	4.262	EUR					
Fresenius Med. Care	FMEG.DE	2	56.9	EUR	SABMiller	SAB.L	1	28.04	GBP					
Fugro	FUGRc.AS		48.855	EUR	Sage Group	SGE.L	2	3.019	GBP					

Note: Prices as at Close 5th September, 2012. Source: Powered by dataCentral



Notes

Citi Research



Notes

Citi Research



Notes

Citi Research

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

Citigroup Global Markets Ltd is currently mandated as Joint Bookrunner on the recently announced equity placing of ordinary shares for Capita Group Plc.

The Chairman of Citi serves as a director of Diageo plc.

Citigroup Global Markets Ltd is currently mandated as advisor to Koninklijke DSM NV in relation to the announced all cash tender offer to acquire all the outstanding common stock of Kensey Nash.

Citigroup Global Markets Ltd is currently mandated as financial advisor in relation to the announced agreement between Energie Baden-Wuerttemberg and Electricite de France for the acquisition of Energie Baden-Wuerttemberg's shares in Kogeneracja and Elektrownia Rybnik by Electricite de France. Consequently, Citi is restricted from offering any view, opinion, rating or target price on Kogeneracja.

Citigroup Global Markets Ltd is currently acting as advisor to EDP Energias de Portugal SA in relation to the Portuguese government's sale of a 21.35% stake in EDP to China Three Gorges.

A director of Citi serves on the board of Fraport.

An employee of Citigroup Global Markets or its affiliates is a Sales Consultant of Next Retail Ltd.

An employee of Citigroup Global Markets or its affiliates is a Chairman of the Audit Committee and a Board member of L'Oreal SA.

The Chairman of Citi serves as a director of Roche Holding AG.

Citigroup Global Markets Ltd is currently mandated as advisor to Sage Group Plc in relation to the announced acquisition of Folhamatic Technology Systems.

An employee of Citigroup Global Markets or its affiliates is chairman of the audit committee and Non-Executive Director of Smiths Group.

Citigroup Global Markets Ltd acted as a Joint Bookrunner on Technip SA's most recent convertible bond issuance.

Citigroup Global Markets Limited is currently mandated as advisor to GKN Plc on its announced acquisition of Volvo Aero from Volvo AB.

Citigroup Global Markets Ltd is currently mandated as advisor to Volkswagen AG in relation to the announced acquisition of Porsche AG.

An employee of Citi serves on the board of WPP Group PLC.

Adrian Cattley, Strategist, holds a long position in the securities of Prudential Plc.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Banco Bilbao Vizcaya Argentaria SA, FLSmidth, ArcelorMittal, Nokia Oyj, Repsol, Seadrill, Standard Chartered PLC, Volkswagen AG. This position reflects information available as of the prior business day.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of ABB, adidas Group, Alstom, Antofagasta PLC, British American Tobacco PLC, Banco Bilbao Vizcaya Argentaria SA, BG Group, BP, BT Group PLC, Centrica PLC, Compass Group, Capita Group PLC, UniCredit Group, Daimler AG, Danone, Diageo, Deutsche Telekom AG, Electricite de France, ENEL SpA, Eni, Essilor, Gas Natural SDG SA, GlaxoSmithKline PLC, GDF Suez, HSBC Holdings PLC, Imperial Tobacco Group PLC, ArcelorMittal, KPN NV, Luxottica Group SpA, LVMH, Michelin, Nestle, National Grid PLC, Philips, Banco Popular Espanol, Pearson PLC, Repsol, Rio Tinto PLC, RWE AG, SABMiller, Sanofi SA, Saint Gobain, Siemens, Snam Rete Gas SpA, Syngenta AG, Technip, Telefonica SA, Telecom Italia SpA, TeliaSonera AB, Tesco, Valeo SA, Volvo AB, Volkswagen AG, WPP PLC, Zurich Insurance Group.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from ABB, AB-InBev, Aberdeen Asset Management, adidas Group, Aggreko PLC, L'Air Liquide SA, Arkema, Alstom, Ashmore Group, Assa Abloy, Atlas Copco, Atlantia, AXA SA, BAE Systems, BASF SE, British American Tobacco PLC, Bayer AG, Banco Bilbao Vizcaya Argentaria SA, Belgacom SA, BG Group, BHP Billiton PLC, BMW AG, BP, BT Group PLC, Centrica PLC, Continental AG, Compass Group, Capita Group PLC, UniCredit Group, Daimler AG, Danone, Deutsche Boerse AG, Deutsche Bank, Diageo, Deutsche Post, DSM NV, Deutsche Telekom AG, EADS, Electricite de France, Energias de Portugal, ENEL SpA, Eni, E.ON AG, Ericsson LM, Essilor, Sodexo, Fresenius SE, Fortum Oyj,

Gas Natural SDG SA, Givaudan AG, GlaxoSmithKline PLC, GDF Suez, Henkel, HSBC Holdings PLC, Iberdrola SA, Intercontinental Hotels Group Plc, Imperial Tobacco Group PLC, ArcelorMittal, ITV PLC, KPN NV, Luxottica Group SpA, LVMH, Metso Oyj, Metro AG, Michelin, Mondi Plc, Merck KGaA, Munich Re, Nestle, National Grid PLC, Nokia Oyj, Novartis AG, Novo Nordisk A/S, Pernod-Ricard, Philips, Banco Popular Espanol, Prudential Plc, Pearson PLC, Portugal Telecom, Publicis Groupe SA, Royal Dutch Shell, Red Electrica de Espana SA, Repsol, Rio Tinto PLC, Roche Holding AG, Rolls Royce, RWE AG, Ryanair, SABMiller, Sandvik, SAP AG, Sanofi SA, Swisscom AG, Seadrill, Sage Group PLC, Saint Gobain, Shire Pharmaceuticals, Siemens, SKF, Smiths Group, Saipem, Swiss Re, Snam Rete Gas SpA, Standard Chartered PLC, Statoil, Severn Trent PLC, Syngenta AG, Tate and Lyle, Technip, Telefonica SA, Telekom Austria, Telecom Italia SpA, TeliaSonera AB, Total, Tesco, Unilever NV, Veolia Environnement, Valeo SA, Vodafone Group PLC, Volvo AB, Volkswagen AG, Wolseley PLC, WPP PLC, Yara International, Zurich Insurance Group.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from AB-InBev, Atlas Copco, AXA SA, Banco Bilbao Vizcaya Argentaria SA, BMW AG, BP, Centrica PLC, Deutsche Bank, DSM NV, Electricite de France, Energias de Portugal, ENEL SpA, Eni, E.ON AG, GDF Suez, Henkel, HSBC Holdings PLC, Imperial Tobacco Group PLC, ArcelorMittal, Nestle, National Grid PLC, Petrofac, Royal Dutch Shell, Red Electrica de Espana SA, Rolls Royce, Ryanair, SABMiller, Seadrill, Saipem, Snam Rete Gas SpA, Statoil, Technip, Telefonica SA, Telekom Austria, Total, Valeo SA, Volkswagen AG, WPP PLC.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from ABB, AB-InBev, Aberdeen Asset Management, adidas Group, Aggreko PLC, Ahold, L'Air Liquide SA, Arkema, Alstom, AMEC, Antofagasta PLC, ARM Holdings PLC, Ashmore Group, Assa Abloy, Atlas Copco, Atlantia, Actelion Ltd, AXA SA, BAE Systems, BASF SE, British American Tobacco PLC, Bayer AG, Banco Bilbao Vizcaya Argentaria SA, Belgacom SA, BG Group, BHP Billiton PLC, BMW AG, BP, British Sky Broadcasting Group PLC, BT Group PLC, Capgemini SA, Richemont, Centrica PLC, Cobham, Continental AG, Compass Group, Capita Group PLC, UniCredit Group, Daimler AG, Danone, Dassault Systemes SA, Deutsche Boerse AG, Deutsche Bank, Diageo, Deutsche Post, Drax Group Plc, DSM NV, Deutsche Telekom AG, EADS, Edenred, Electricite de France, Energias de Portugal, ENEL SpA, Eni, E.ON AG, Ericsson LM, Essilor, Sodexo, Experian, FLSmidth, Fresenius Medical Care, Fraport, Fresenius SE, Fortum Oyj, GEA Group, Gas Natural SDG SA, Givaudan AG, GlaxoSmithKline PLC, GDF Suez, Hays, Hennes & Mauritz AB, Henkel, HSBC Holdings PLC, Iberdrola SA, IG Group, Intercontinental Hotels Group Plc, IMI, Imperial Tobacco Group PLC, ArcelorMittal, ITV PLC, Inditex, JCDecaux, Johnson Matthey PLC, Jeronimo Martins, Kuehne & Nagel International, KPN NV, Lagardere Groupe, Lindt & Sprungli, Luxottica Group SpA, LVMH, Metso Oyj, Metro AG, Michelin, Mondi Plc, Michael Page Group, Merck KGaA, Morrison (Wm), Munich Re, Nestle, National Grid PLC, Nokia Oyj, Novartis AG, Novo Nordisk A/S, Next Group PLC, L'Oréal, Pernod-Ricard, Petrofac, Philips, Banco Popular Espanol, Prudential Plc, Pearson PLC, Portugal Telecom, PostNL NV, Publicis Groupe SA, Reckitt Benckiser, Royal Dutch Shell, Red Electrica de Espana SA, Repsol, Rio Tinto PLC, Roche Holding AG, Rolls Royce, RSA Insurance Group, RWE AG, Ryanair, SABMiller, Sandvik, SAP AG, Sanofi SA, Sainsbury, Swisscom AG, Seadrill, Suez Environnement, Sage Group PLC, Saint Gobain, SGS, Shire Pharmaceuticals, Siemens, SKF, Smiths Group, Sonova Holdings AG, Saipem, Spirent Communications Plc, Spirax-Sarco, Swiss Re, Snam Rete Gas SpA, SSE PLC, Standard Chartered PLC, Statoil, Severn Trent PLC, Spectris, Syngenta AG, Tate and Lyle, Thales, Technip, Telefonica SA, Tele2 AB, Telekom Austria, Telecom Italia SpA, TeliaSonera AB, Total, TERNAL SpA, Tesco, Swatch Group AG, Unilever PLC, Umicore NV/SA, Unilever NV, United Utilities PLC, Veolia Environnement, Valeo SA, Vodafone Group PLC, Volvo AB, Volkswagen AG, Wolseley PLC, WPP PLC, Yara International, Zurich Insurance Group in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): BASF SE, Publicis Groupe SA, Banco Bilbao Vizcaya Argentaria SA, Pearson PLC, ABB, Roche Holding AG, DSM NV, AB-InBev, Aberdeen Asset Management, adidas Group, Aggreko PLC, L'Air Liquide SA, Arkema, Alstom, Ashmore Group, Assa Abloy, Atlas Copco, Atlantia, AXA SA, BAE Systems, British American Tobacco PLC, Bayer AG, Belgacom SA, BG Group, BHP Billiton PLC, BMW AG, BP, BT Group PLC, Centrica PLC, Continental AG, Compass Group, Capita Group PLC, UniCredit Group, Daimler AG, Danone, Deutsche Boerse AG, Deutsche Bank, Diageo, Deutsche Post, Deutsche Telekom AG, EADS, Electricite de France, Energias de Portugal, ENEL SpA, Eni, E.ON AG, Ericsson LM, Essilor, Sodexo, Fresenius SE, Fortum Oyj, Gas Natural SDG SA, Givaudan AG, GlaxoSmithKline PLC, GDF Suez, Henkel, HSBC Holdings PLC, Iberdrola SA, Intercontinental Hotels Group Plc, Imperial Tobacco Group PLC, ArcelorMittal, ITV PLC, KPN NV, Luxottica Group SpA, LVMH, Metso Oyj, Metro AG, Michelin, Mondi Plc, Merck KGaA, Munich Re, Nestle, National Grid PLC, Nokia Oyj, Novartis AG, Novo Nordisk A/S, Pernod-Ricard, Petrofac, Philips, Banco Popular Espanol, Prudential Plc, Portugal Telecom, Royal Dutch Shell, Red Electrica de Espana SA, Repsol, Rio Tinto PLC, Rolls Royce, RWE AG, Ryanair, SABMiller, Sandvik, SAP AG, Sanofi SA, Swisscom AG, Seadrill, Sage Group PLC, Saint Gobain, Shire Pharmaceuticals, Siemens, SKF, Smiths Group, Saipem, Swiss Re, Snam Rete Gas SpA, Standard Chartered PLC, Statoil, Severn Trent PLC, Syngenta AG, Tate and Lyle, Technip, Telefonica SA, Telekom Austria, Telecom Italia SpA, TeliaSonera AB, Total, Tesco, Unilever NV, Veolia Environnement, Valeo SA, Vodafone Group PLC, Volvo AB, Volkswagen AG, Wolseley PLC, WPP PLC, Yara International, Zurich Insurance Group.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Pearson PLC, IMI, ITV PLC, Publicis Groupe SA, Severn Trent PLC, ABB, AB-InBev, Aberdeen Asset Management, adidas Group, Aggreko PLC, Ahold, L'Air Liquide SA, Arkema, Alstom, AMEC, Antofagasta PLC, ARM Holdings PLC, Ashmore Group, Assa Abloy, Atlas Copco, Atlantia, Actelion Ltd, AXA SA, BAE Systems, BASF SE, British American Tobacco PLC, Bayer AG, Banco Bilbao Vizcaya Argentaria SA, Belgacom SA, BG Group, BHP Billiton PLC, BMW AG, BP, Burberry Group PLC, British Sky Broadcasting Group PLC, BT Group PLC, Capgemini SA, Richemont, Centrica PLC, Continental AG, Compass Group, Capita Group PLC, UniCredit Group, Daimler AG, Danone, Dassault Systemes SA, Deutsche Boerse AG, Deutsche Bank, Diageo, Deutsche Post, Drax Group Plc, DSM NV, Deutsche Telekom AG, EADS, Edenred, Electricite de France, Energias de Portugal, ENEL SpA, Eni, E.ON AG, Ericsson LM, Essilor, Sodexo, Experian, FLSmidth, Fresenius Medical Care, Fraport, Fresenius SE, Fortum Oyj, GEA Group, Gas Natural SDG SA, Givaudan AG, GlaxoSmithKline PLC, GDF Suez, Hays, Henkel, HSBC Holdings PLC, Iberdrola SA, IG Group, Intercontinental Hotels Group Plc, Imperial Tobacco Group PLC, Inmarsat plc, ArcelorMittal, Inditex, JCDecaux, Johnson Matthey PLC, Jeronimo Martins, Kuehne & Nagel International, KPN NV, Lagardere Groupe, Luxottica Group SpA, LVMH, Metso Oyj, Metro AG, Michelin, Mondi Plc, Michael Page Group, Merck KGaA, Morrison (Wm), Munich Re, Nestle, National Grid PLC, Nokia Oyj, Novartis AG, Novo Nordisk A/S, L'Oréal, Pernod-Ricard, Philips, Banco Popular Espanol, Prudential Plc, Portugal Telecom, PostNL NV, Reckitt Benckiser, Royal Dutch Shell, Red Electrica de Espana SA, Repsol, Rio Tinto PLC, Roche Holding AG, Rotork, Rolls Royce, RSA Insurance Group, RWE AG, Ryanair, SABMiller, Sandvik, SAP AG, Sanofi SA, Sainsbury, Schibsted, Swisscom AG, Seadrill, SES S.A., Suez Environnement, Sage Group PLC, Saint Gobain, SGS, Shire Pharmaceuticals, Siemens, SKF, Smiths Group, Smith & Nephew PLC, Sonova

Holdings AG, Saipem, Spirent Communications Plc, Spirax-Sarco, Swiss Re, Snam Rete Gas SpA, SSE PLC, Standard Chartered PLC, Statoil, Spectris, Syngenta AG, Tate and Lyle, Thales, TDC, Technip, Telefonica SA, Tele2 AB, Telekom Austria, Telecom Italia SpA, TeliaSonera AB, Total, TERN A SpA, Tesco, Swatch Group AG, Unilever PLC, Umicore NV/SA, Unilever NV, United Utilities PLC, Veolia Environnement, Valeo SA, Vodafone Group PLC, Volvo AB, Volkswagen AG, William Demant Holding, Weir Group, William Hill, Wolseley PLC, WPP PLC, Yara International, Zurich Insurance Group.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: Pearson PLC, Schibsted, Lagardere Groupe, ABB, AB-InBev, Aberdeen Asset Management, adidas Group, Aggreko PLC, Ahold, L'Air Liquide SA, Arkema, Alstom, AMEC, Antofagasta PLC, Assa Abloy, Atlas Copco, Atlantia, Actelion Ltd, AXA SA, BAE Systems, BASF SE, British American Tobacco PLC, Bayer AG, Banco Bilbao Vizcaya Argentaria SA, Belgacom SA, BG Group, BHP Billiton PLC, BMW AG, BP, BT Group PLC, Capgemini SA, Richemont, Centrica PLC, Cobham, Continental AG, Compass Group, Capita Group PLC, UniCredit Group, Daimler AG, Danone, Dassault Systemes SA, Deutsche Boerse AG, Deutsche Bank, Diageo, Deutsche Post, DSM NV, Deutsche Telekom AG, EADS, Edenred, Electricite de France, Energias de Portugal, ENEL SpA, Eni, E.ON AG, Ericsson LM, Essilor, Sodexo, Experian, FLSmidth, Fresenius Medical Care, Fraport, Fresenius SE, Fortum Oyj, GEA Group, Gas Natural SDG SA, Givaudan AG, GlaxoSmithKline PLC, GDF Suez, Hays, Hennes & Mauritz AB, Henkel, HSBC Holdings PLC, Iberdrola SA, Intercontinental Hotels Group Plc, IMI, Imperial Tobacco Group PLC, ArcelorMittal, ITV PLC, Inditex, JCDcaux, Johnson Matthey PLC, Jeronimo Martins, Kuehne & Nagel International, KPN NV, Lindt & Sprungli, Luxottica Group SpA, LVMH, Metso Oyj, Metro AG, Michelin, Mondi Plc, Michael Page Group, Merck KGaA, Morrison (Wm), Munich Re, Nestle, National Grid PLC, Nokia Oyj, Novartis AG, Novo Nordisk A/S, Next Group PLC, L'Oréal, Pernod-Ricard, Petrofac, Philips, Banco Popular Espanol, Prudential Plc, Portugal Telecom, PostNL NV, Publicis Groupe SA, Reckitt Benckiser, Royal Dutch Shell, Red Electrica de Espana SA, Repsol, Rio Tinto PLC, Roche Holding AG, Rolls Royce, RSA Insurance Group, RWE AG, Ryanair, SABMiller, Sandvik, SAP AG, Sanofi SA, Swisscom AG, Seadrill, Suez Environnement, Sage Group PLC, Saint Gobain, SGS, Shire Pharmaceuticals, Siemens, SKF, Smiths Group, Sonova Holdings AG, Saipem, Spirent Communications Plc, Spirax-Sarco, Swiss Re, Snam Rete Gas SpA, SSE PLC, Standard Chartered PLC, Statoil, Severn Trent PLC, Spectris, Syngenta AG, Tate and Lyle, Thales, Technip, Telefonica SA, Tele2 AB, Telekom Austria, Telecom Italia SpA, TeliaSonera AB, Total, TERN A SpA, Tesco, Swatch Group AG, Unilever PLC, Umicore NV/SA, Unilever NV, United Utilities PLC, Veolia Environnement, Valeo SA, Vodafone Group PLC, Volvo AB, Volkswagen AG, Wolseley PLC, WPP PLC, Yara International, Zurich Insurance Group.

Citigroup Global Markets Inc. or an affiliate received compensation in the past 12 months from Pearson PLC, ITV PLC, Publicis Groupe SA.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability which includes investment banking revenues.

The Firm is a market maker in the publicly traded equity securities of adidas Group, Ahold, L'Air Liquide SA, Arkema, Antofagasta PLC, ARM Holdings PLC, Atlas Copco, AXA SA, BAE Systems, Bayer AG, Banco Bilbao Vizcaya Argentaria SA, BG Group, BMW AG, Capgemini SA, Centrica PLC, Continental AG, Compass Group, Daimler AG, Danone, Dassault Systemes SA, Deutsche Boerse AG, DSM NV, Deutsche Telekom AG, Energias de Portugal, ENEL SpA, E.ON AG, Ericsson LM, Sodexo, Experian, GDF Suez, Hennes & Mauritz AB, Henkel, HSBC Holdings PLC, Iberdrola SA, IMI, Imperial Tobacco Group PLC, Johnson Matthey PLC, Kingfisher PLC, KPN NV, LVMH, Metso Oyj, Michael Page Group, Munich Re, Nestle, L'Oréal, Pernod-Ricard, PostNL NV, Publicis Groupe SA, Reckitt Benckiser, Repsol, Roche Holding AG, Rolls Royce, RWE AG, Ryanair, SABMiller, Sandvik, Sanofi SA, Sainsbury, Swisscom AG, Sage Group PLC, SGS, Shire Pharmaceuticals, SKF, SSE PLC, Standard Chartered PLC, Statoil, Tate and Lyle, Telekom Austria, Tesco, United Utilities PLC, Valeo SA, Vodafone Group PLC, Volvo AB, Volkswagen AG, Wolseley PLC, WPP PLC, Yara International, Zurich Insurance Group.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Research product ("the Product"), please contact Citi Research, 388 Greenwich Street, 28th Floor, New York, NY, 10013, Attention: Legal/Compliance [E6WYB6412478]. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at https://www.citivelocity.com/cvr/epublic/citi_research_disclosures. Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

Citi Research Ratings Distribution

Data current as of 30 Jun 2012	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Research Global Fundamental Coverage	53%	37%	10%	10%	80%	10%
% of companies in each rating category that are investment banking clients	44%	43%	40%	48%	43%	45%

Guide to Citi Research Fundamental Research Investment Ratings:

Citi Research stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.

Risk rating takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

Investment Ratings: Citi Research investment ratings are Buy, Neutral and Sell. Our ratings are a function of analyst expectations of expected total return ("ETR") and risk. ETR is the sum of the forecast price appreciation (or depreciation) plus the dividend yield for a stock within the next 12 months. The Investment rating definitions are: Buy (1) ETR of 15% or more or 25% or more for High risk stocks; and Sell (3) for negative ETR. Any covered stock not assigned a Buy or a Sell is a Neutral (2). For stocks rated Neutral (2), if an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Citi Research management not to assign a target price and, thus, not derive an ETR. Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and / or trading in the company's securities (e.g. trading suspension). As soon as practically

possible, the analyst will publish a note re-establishing a rating and investment thesis. To satisfy regulatory requirements, we correspond Under Review and Neutral to Hold in our ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation.

Relative three-month ratings: Citi Research may also assign a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the geographic and industry sector over a 3 month period. The relative call may highlight a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Absent any specific catalyst the analyst(s) will indicate the most and least preferred stocks in the universe of stocks under consideration, explaining the basis for this short-term view. This three-month view may be different from and does not affect a stock's fundamental equity rating, which reflects a longer-term total absolute return expectation. For purposes of NASD/NYSE ratings-distribution-disclosure rules, most preferred calls correspond to a buy recommendation and least preferred calls correspond to a sell recommendation. Any stock not assigned to a most preferred or least preferred call is considered non-relative-rated (NRR). For purposes of NASD/NYSE ratings-distribution-disclosure rules we correspond NRR to Hold in our ratings distribution table for our 3-month relative rating system. However, we reiterate that we do not consider NRR to be a recommendation.

Prior to October 8, 2011, the firm's stock recommendation system included a risk rating and an investment rating. **Risk ratings**, which took into account both price volatility and fundamental criteria, were: Low (L), Medium (M), High (H), and Speculative (S). **Investment Ratings** of Buy, Hold and Sell were a function of the Citi Research expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating. Additionally, analysts could have placed covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and/or trading in the company's securities (e.g. trading suspension). Stocks placed "Under Review" were monitored daily by management and as practically possible, the analyst published a note re-establishing a rating and investment thesis. For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings were: Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return). For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings were: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

NON-US RESEARCH ANALYST DISCLOSURES

Non-US research analysts who have prepared this report (i.e., all research analysts listed below other than those identified as employed by Citigroup Global Markets Inc.) are not registered/qualified as research analysts with FINRA. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The legal entities employing the authors of this report are listed below:

Citigroup Global Markets Ltd

Adrian Cattley; Anna Esposito; Jonathan Stubbs; Willem Buiter; Robert Dickinson, CA; Haley A Tam, CFA; Jeremy Bragg; Dimitri Y Kallianiotis, CFA; Alastair R Syme; Andrea Pistacchi; Antonella Bianchessi; Ronit Ghose; Georgios Ierodiaconou; Sofia Savvantidou; Dominik Frauendienst; Ed Steele; Amit B Harchandani; Natalia Mamaeva; Tania Valiente; Andrew S Baum; Andrew Benson; Simon Weeden; Hugo Mills; Robert Coates; Jonathan Beake; Paul L Bradley; Thomas A Singlehurst, CFA; James Ainley; Ruchi Malaiya, CFA; Thomas Dorner; Marc Van'T Sant; Harald C Hendrikse; Clyde Lewis; Thomas Chauvet; Roger Elliott; Andrew M Simms; Adam Spielman; Alastair A Johnston; Mark Fielding; David I Phillips; Philip Watkins; Andrew Light; Richard Edwards; Heath R Jansen; Azzurra Guelfi; Ignacio Moreno; Ryan W Kauppila; Catherine T O'Neill; Aynsley Lammin; Liav Abraham; Joanne Jerman; Jatinder Goel, CFA; Laurie Fitzjohn-Sykes, CFA; Mark Dainty, ACA; Mauro Baragiola; Dr. Gunnar Plagge; Thomas O'Hara; Kinner Lakhani; Nese Guner; Michael J Alsford

Citigroup Global Markets (Pty) Ltd

Tassin Meyer

OTHER DISCLOSURES

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to AB-InBev, adidas Group, Ahold, L'Air Liquide SA, Arkema, Alstom, Assa Abloy, AXA SA, BAE Systems, BASF SE, British American Tobacco PLC, Bayer AG, Banco Bilbao Vizcaya Argentaria SA, Belgacom SA, BG Group, BMW AG, BP, Centrica PLC, Continental AG, Compass Group, Capita Group PLC, Daimler AG, Danone, Deutsche Boerse AG, Deutsche Bank, Deutsche Post, DSM NV, Deutsche Telekom AG, EADS, Edenred, Electricite de France, Eni, E.ON AG, Ericsson LM, Essilor, Sodexo, Experian, Fresenius SE, Fortum Oyj, Gas Natural SDG SA, Givaudan AG, GlaxoSmithKline PLC, GDF Suez, Henkel, HSBC Holdings PLC, Intercontinental Hotels Group Plc, Imperial Tobacco Group PLC, ArcelorMittal, Inditex, Johnson Matthey PLC,

Jeronimo Martins, KPN NV, Lagardere Groupe, Luxottica Group SpA, LVMH, Metso Oyj, Metro AG, Mondi Plc, Merck KGaA, Nestle, National Grid PLC, Nokia Oyj, Novo Nordisk A/S, L'Oréal, Pernod-Ricard, Philips, Prudential Plc, Pearson PLC, Publicis Groupe SA, Repsol, Rio Tinto PLC, Roche Holding AG, Rolls Royce, RSA Insurance Group, RWE AG, SABMiller, Sandvik, SAP AG, Sanofi SA, Seadrill, Saint Gobain, SGS, Siemens, SKF, Smiths Group, Snam Rete Gas SpA, Statoil, Severn Trent PLC, Syngenta AG, Tate and Lyle, Thales, TDC, Technip, Telefonica SA, Telekom Austria, Telecom Italia SpA, TeliaSonera AB, Total, Tesco, Veolia Environnement, Valeo SA, Vodafone Group PLC, Volkswagen AG, Yara International, Zurich Insurance Group. (For an explanation of the determination of significant financial interest, please refer to the policy for managing conflicts of interest which can be found at www.citiVelocity.com.)

Citigroup Global Markets Inc. or its affiliates beneficially owns 2% or more of any class of common equity securities of Banco Bilbao Vizcaya Argentaria SA, Nokia Oyj, Seadrill, Standard Chartered PLC.

Citigroup Global Markets Inc. or its affiliates beneficially owns 5% or more of any class of common equity securities of ArcelorMittal.

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Citigroup Global Markets Inc. or its affiliates acts as a corporate broker to Aggreko PLC, BHP Billiton PLC, Capita Group PLC, Deutsche Telekom AG, Fenner, GlaxoSmithKline PLC, IMI, Michael Page Group, Pearson PLC, Sage Group PLC, Severn Trent PLC, Tate and Lyle, Vodafone Group PLC, William Hill.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

Important Disclosures for Morgan Stanley Smith Barney LLC Customers: Morgan Stanley & Co. LLC (Morgan Stanley) research reports may be available about the companies that are the subject of this Citi Research research report. Ask your Financial Advisor or use smithbarney.com to view any available Morgan Stanley research reports in addition to Citi Research research reports.

Important disclosure regarding the relationship between the companies that are the subject of this Citi Research research report and Morgan Stanley Smith Barney LLC and its affiliates are available at the Morgan Stanley Smith Barney disclosure website at www.morganstanleysmithbarney.com/researchdisclosures.

For Morgan Stanley and Citigroup Global Markets, Inc. specific disclosures, you may refer to www.morganstanley.com/researchdisclosures and https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures. This Citi Research research report has been reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval was conducted by the same person who reviewed this research report on behalf of Citi Research. This could create a conflict of interest.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in **Australia** through Citi Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e

Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is made available in **France** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product is distributed in **Germany** by Citigroup Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A, Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Via dei Mercanti, 12, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea Securities Ltd. <http://dis.kofia.or.kr/fs/dis2/fundMgr/DISFundMgrAnalystPop.jsp?companyCd2=A03030&pageDiv=02>. The Product is made available in Korea by Citibank Korea Inc., which is regulated by the Financial Services Commission and the Financial Supervisory Service. Address is Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Company No. 460819-D) ("CGMM") to its clients and CGMM takes responsibility for its contents. CGMM is regulated by the Securities Commission of Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 ('FAA') through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in the Philippines through Citibank NA Philippines branch, Citibank Tower, 8741 Paseo De Roxas, Makati City, Manila. Citibank NA Philippines NA is regulated by The Bangko Sentral ng Pilipinas. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul.Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold/Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company

registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in **Spain** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 29 Jose Ortega Y Gasset, 4th Floor, Madrid, 28006, Spain. The Product is made available in the **Republic of China** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Büyükdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. In the **U.A.E.**, these materials (the "Materials") are communicated by Citigroup Global Markets Limited, DIFC branch ("CGML"), an entity registered in the Dubai International Financial Center ("DIFC") and licensed and regulated by the Dubai Financial Services Authority ("DFSA") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different Citi Research ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority.

Pursuant to Comissão de Valores Mobiliários Rule 483, Citi is required to disclose whether a Citi related company or business has a commercial relationship with the subject company. Considering that Citi operates multiple businesses in more than 100 countries around the world, it is likely that Citi has a commercial relationship with the subject company.

Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Research's Products can be found at https://www.citivelocity.com/cvr/epublic/citi_research_disclosures.

Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations.

The Product may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted.

Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product.

With the exception of our product that is made available only to Qualified Institutional Buyers (QIBs) and other product that is made available through other distribution channels only to certain categories of clients to satisfy legal or regulatory requirements, Citi Research concurrently disseminates its research via proprietary and non-proprietary electronic distribution platforms. Periodically, individual Citi Research analysts may also opt to circulate research posted on such platforms to one or more clients by email. Such email distribution is discretionary and is done only after the research has been disseminated via the aforementioned distribution channels. Citi Research simultaneously distributes product that is limited to QIBs only through email distribution.

The level and types of services provided by Citi Research analysts to clients may vary depending on various factors such as the client's individual preferences as to the frequency and manner of receiving communications from analysts, the client's risk profile and investment focus and perspective (e.g. market-wide, sector specific, long term, short-term etc.), the size and scope of the overall client relationship with Citi and legal and regulatory constraints.

Citi Research product may source data from dataCentral. dataCentral is a Citi Research proprietary database, which includes Citi estimates, data from company reports and feeds from Reuters and Datastream.

© 2012 Citigroup Global Markets Inc. Citi Research is a division of Citigroup Global Markets Inc. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc. and its affiliates and are used and registered throughout the world. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure of this report (the "Product"), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, disseminated or used to create any financial products,



including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST
