

Equities

25 May 2012 | 18 pages

SABMiller (SAB.L)

Margin-ally Disappointing, But We Retain Buy

- Company Update
- Target Price Change
- Estimate Change

■ **FY12 results roughly in-line, as S Africa offsets weakness in Europe and Africa** — SAB's operating profit and EPS were close to expectations overall. It beat in S Africa as it out-executed Heineken there during the peak season, and because input cost inflation was very low. However, in Europe it has been forced to cut prices in Poland and introduce low-priced SKUs in Romania, and this drove down margins 380bps in 2H12. In Africa, too, pricing was disappointing and margins fell as management emphasized "affordability" and supply constraints pushed up costs.

■ **We have cut EPS by about 5% because of our concerns on margin outlook and due to F/X** — Almost 3% of the downgrade is organic. Unfortunately, we think the regions where margins were weak in 2H12 will continue to disappoint into FY13, but where margins were strong (ie S Africa), there won't be offsetting upgrades. In Europe the price cuts should continue to hurt well into FY13, and in Africa margins are likely to remain under pressure from the capacity issues and the lower-than-expected price/HL. By contrast, in S Africa we expect a double-digit increase in input costs due to the weakness of the rand and tough comps. About 2% of the downgrade is due to F/X: Since we last set numbers, the rand has fallen 6% and the Colombian peso 4%.

■ **SAB is reluctant to use its pricing power** — Like Europe's other quality beverages names, SAB has the power to significantly widen margins in most of its markets simply by pricing up. However, it chooses not to use this power as it focuses more on volume than profit. While this *might* be the right strategy for the very long term, we are somewhat frustrated because in the short- and medium-term it is not the profit maximising one.

■ **But we retain our Buy** — SAB ticks many boxes for investors, as it is a quality play and offers top-line and EPS growth at a time when many other European companies are struggling. However, we cut our price target to £27.50 from £30, to reflect our lower EPS estimates, the recent decline in market multiples, and our less optimistic view on margins.

Buy	1
Price (24 May 12)	£23.91
Target price	£27.50
from £30.00	
Expected share price return	15.0%
Expected dividend yield	2.7%
Expected total return	17.7%
Market Cap	£38,072M
	US\$59,725M

Price Performance (RIC: SAB.L, BB: SAB LN)



SABMiller (USD)

Year to 31 Mar	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	19,408.0	21,760.0	24,489.9	25,996.3	27,683.1
Profit Before Tax (\$M)	4,491.0	5,062.0	5,590.0	6,287.7	7,039.9
Diluted EPS (¢)	190.3	212.5	235.2	264.0	294.4
Diluted EPS (Old) (¢)	190.3	212.2	248.0	279.0	311.3
PE (x)	19.7	17.7	15.9	14.2	12.7
EV/EBITDA (x)	11.7	11.4	10.9	9.9	8.8
DPS (¢)	81.0	91.0	100.0	112.0	125.0
Net Div Yield (%)	2.2	2.4	2.7	3.0	3.3

Adam Spielman

+44-20-7986-4211
adam.spielman@citi.com

Andrea Pistacchi

+44-20-7986-0767
andrea.pistacchi@citi.com

Pooja Shirangi

+44-20-7986-4842
pooja.shirangi@citi.com

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

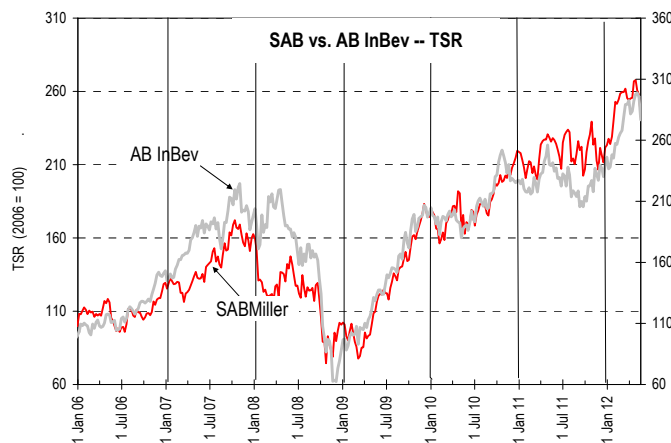
Citi Investment Research & Analysis is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of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

SAB.L: Fiscal year end 31-Mar						Price: £23.91; TP: £27.50; Market Cap: £38,072m; Recomm: Buy					
Profit & Loss (US\$m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	19,408	21,760	24,490	25,996	27,683	PE (x)	19.7	17.7	15.9	14.2	12.7
Cost of sales	-4,845	-5,435	-6,119	-6,436	-6,800	PB (x)	2.7	2.4	2.3	2.2	2.1
Gross profit	14,563	16,325	18,371	19,560	20,883	EV/EBITDA (x)	11.7	11.4	10.9	9.9	8.8
Gross Margin (%)	75.0	75.0	75.0	75.2	75.4	FCF yield (%)	3.2	4.3	4.1	5.1	6.4
EBITDA	4,687	5,169	5,816	6,362	6,940	Dividend yield (%)	2.2	2.4	2.7	3.0	3.3
EBITDA Margin (%)	24.1	23.8	23.7	24.5	25.1	Payout ratio (%)	43	43	43	42	42
Depreciation	-904	-909	-1,065	-1,142	-1,222	ROE (%)	11.5	17.9	12.3	13.5	15.1
Amortisation	-220	-273	-273	-273	-273	Cashflow (US\$m)	2011	2012	2013E	2014E	2015E
EBIT	3,563	3,987	4,478	4,947	5,445	EBITDA	4,687	5,169	5,816	6,362	6,940
EBIT Margin (%)	18.4	18.3	18.3	19.0	19.7	Working capital	40	304	186	52	115
Net interest	-525	-562	-855	-773	-659	Other	-1,684	-1,536	-2,021	-2,002	-1,905
Associates	1,055	1,141	1,224	1,328	1,419	Operating cashflow	3,043	3,937	3,980	4,412	5,151
Non-op/Except	-467	1,037	-189	-160	-30	Capex	-1,116	-1,357	-1,550	-1,400	-1,350
Pre-tax profit	3,626	5,603	4,658	5,343	6,175	Net acq/disposals	-324	-11,287	-374	-275	-279
Tax	-1,069	-1,126	-1,255	-1,432	-1,650	Other	911	1,017	1,026	1,063	1,097
Extraord./Min.Int./Pref.div.	-149	-256	-270	-311	-351	Investing cashflow	-529	-11,627	-898	-612	-532
Reported net profit	2,408	4,221	3,133	3,600	4,174	Dividends paid	-1,215	-1,433	-1,747	-1,964	-2,199
Net Margin (%)	12.4	19.4	12.8	13.8	15.1	Financing cashflow	-2,315	7,522	-1,647	-1,864	-2,099
Core NPAT	3,018	3,400	3,730	4,194	4,684	Net change in cash	224	-207	1,435	1,935	2,520
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	1,927	2,580	2,430	3,012	3,801
Reported EPS (¢)	151.8	263.8	197.6	226.6	262.3	Group Sales by Region (\$)	2011	2012	2013E	2014E	2015E
Core EPS (¢)	190.3	212.5	235.2	264.0	294.4	Latin America	6,335	7,158	7,725	8,239	8,803
DPS (¢)	81.0	91.0	100.0	112.0	125.0	Europe	5,394	5,482	5,391	5,387	5,545
CFPS (¢)	191.9	246.1	251.0	277.7	323.7	North America	5,223	5,250	5,239	5,253	5,287
FCFPS (¢)	121.5	161.3	153.2	189.6	238.9	Africa	3,254	3,686	4,009	4,651	5,210
BVPS (¢)	1,396.4	1,583.9	1,644.8	1,705.7	1,766.4	Asia	2,026	3,510	6,587	7,049	7,486
Wtd avg ord shares (m)	1,576	1,583	1,586	1,588	1,591	South Africa	6,079	6,302	6,231	6,705	7,261
Wtd avg diluted shares (m)	1,586	1,600	1,586	1,589	1,591	~ Beverages	5,598	5,815	5,757	6,197	6,717
Growth rates	2011	2012	2013E	2014E	2015E	~ Hotels and Gaming	481	487	473	508	544
Sales revenue (%)	7.7	12.1	12.5	6.2	6.5	Sales - total segments	34,390	37,690	41,413	43,990	46,852
EBIT (%)	15.3	11.9	12.3	10.5	10.1	Group EBITA by Region (\$)	2011	2012	2013E	2014E	2015E
Core NPAT (%)	20.3	12.7	9.7	12.4	11.7	Latin America	1,620	1,865	2,059	2,250	2,483
Core EPS (%)	18.6	11.7	10.7	12.2	11.5	Europe	887	836	788	808	837
Balance Sheet (US\$m)	2011	2012	2013E	2014E	2015E	North America	741	756	791	809	824
Cash & cash equiv.	1,067	745	600	800	1,000	Africa	647	743	804	942	1,066
Accounts receivables	1,687	2,156	2,084	2,235	2,392	Asia	92	321	912	1,039	1,141
Inventory	1,256	1,255	1,255	1,354	1,397	South Africa	1,204	1,303	1,304	1,434	1,580
Net fixed & other tangibles	9,655	9,552	10,007	10,271	10,405	~ Beverages	1,067	1,168	1,176	1,296	1,432
Goodwill & intangibles	16,318	30,029	29,930	29,732	29,538	~ Hotels and Gaming	137	135	129	137	148
Financial & other assets	9,131	11,814	11,934	12,134	12,334	Corporate	-147	-190	-200	-209	-214
Total assets	39,114	55,551	55,810	56,527	57,066	Total Group EBITA	5,044	5,634	6,459	7,072	7,717
Accounts payable	3,487	4,054	4,167	4,470	4,785	Organic EBITA Growth (%)	2011	2012	2013E	2014E	2015E
Short-term debt	1,345	1,062	1,044	1,000	1,000	Latin America	11.3	13.6	10.3	9.6	10.4
Long-term debt	6,813	17,545	15,984	14,292	11,973	Europe	4.0	-9.3	-2.1	3.6	3.6
Provisions & other liab	4,710	6,977	7,449	8,484	9,896	North America	19.7	2.0	4.7	2.2	1.8
Total liabilities	16,355	29,638	28,644	28,246	27,653	Africa	20.2	16.4	10.4	17.4	13.1
Shareholders' equity	22,008	25,073	26,079	27,086	28,094	Asia	32.4	30.1	21.9	14.2	9.8
Minority interests	751	940	1,087	1,195	1,319	South Africa Beverages	10.8	14.3	11.2	11.1	10.5
Total equity	22,759	26,013	27,166	28,281	29,413	South Africa H&G	3.0	3.0	5.1	7.4	7.9
Net debt	7,091	17,862	16,427	14,492	11,973	Total Organic EBITA	12.4	8.0	8.6	9.9	9.1
Net debt to equity (%)	31.2	68.7	60.5	51.2	40.7						

For further data queries on Citi's full coverage universe please contact CIRA Data Services Europe at CIRADDataServicesEMEA@citi.com or +44-207-986-4050
For definitions of the items in this table, please click [here](#).

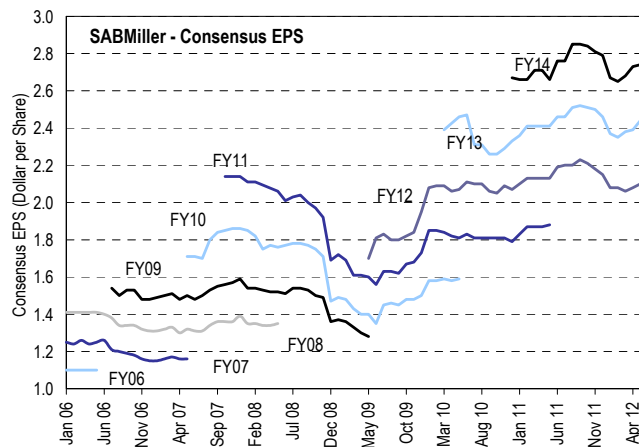
SAB – The Key Charts

Figure 1. SAB vs. ABI, 2006 to Present (USD)



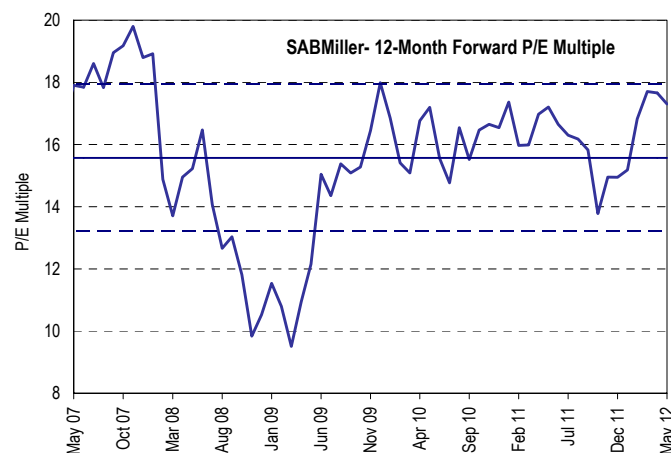
Source: DataStream and Citi

Figure 2. SABMiller – Consensus EPS



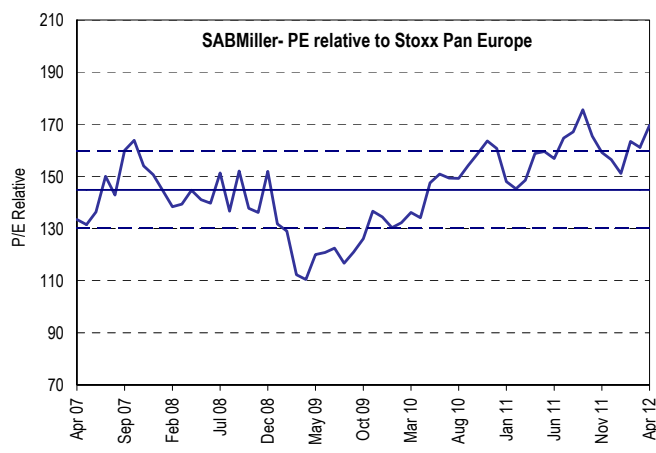
Source: DataStream and Citi

Figure 3. SABMiller – 12 Month Forward P/E Multiple



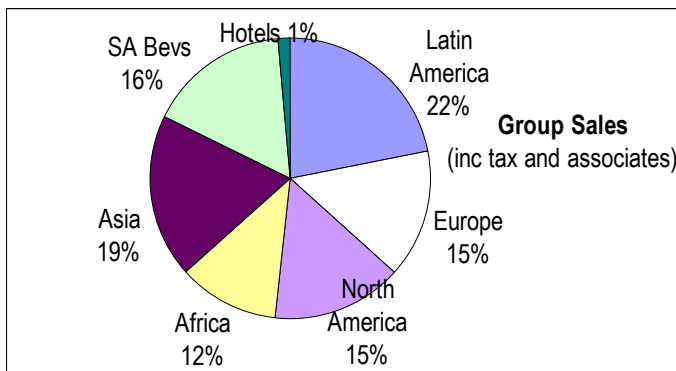
Source: DataStream and Citi

Figure 4. SABMiller – P/E Relative to Stoxx Pan Europe



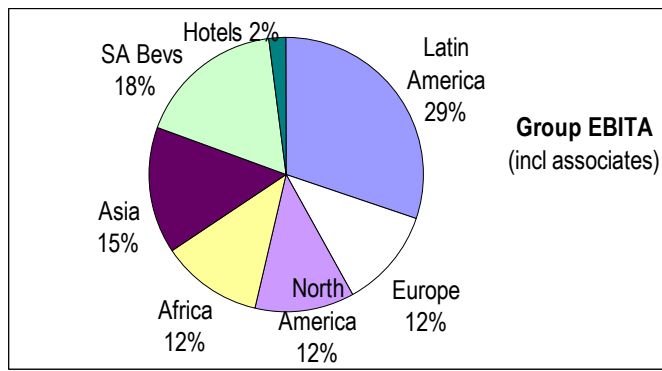
Source: DataStream and Citi

Figure 5. SAB – Split of Sales, FY13E



Source: Company Reports and Citi Estimates

Figure 6. SAB – Split of EBITA, FY13E



Source: Company Reports and Citi Estimates

SAB – FY12 Results at a Glance

1. Reported Numbers

As usual, SAB published its (organic) sales growth figure before the results, so the focus was on the margins and non-operating items. Group operating profit (\$5,634m) was effectively in-line, just 0.6% below consensus and 0.8% below Citi, as a positive margin surprise in S Africa was more than offset by disappointments in Europe and Africa. However the adjusted EPS (214.8 cents) was 3% ahead of consensus, partly due to a lower-than-expected tax rate, driven by one-time items. In addition, the net finance charge was lower than expected, although this was offset by a worse minorities charge.

In S Africa, SAB benefited from lower input costs and good mix, but in Europe SAB was forced to cut prices on its main brands in Poland and Romania. In Africa, SAB is facing capacity constraints, and this impacted margins.

To our surprise, SAB booked an exceptional gain of \$1.25bn on the disposal of its Russian business to Efes, and gains on two other transactions of \$169m, and these distorted the unadjusted EPS.

Figure 7. SABMiller — 2H12 & FY12 Income Statement vs. Citi and Consensus Expectations (USD in millions)

	2H11	FY11	2H12 Act	FY12 Act	Estimates for FY12		FY12	FY12 Variance		
					Cons	Citi	Growth	vs. Cons	vs. Citi	Comments
Group Sales (inc tax and associates)										
Latin America	3,364	6,335	3,762	7,158	7,122	7,116	+13.0%	+0.5%	+0.6%	
Europe	2,354	5,394	2,214	5,482	5,540	5,403	+1.6%	-1.1%	+1.5%	
North America	2,358	5,223	2,420	5,250	5,220	5,246	+0.5%	+0.6%	+0.1%	
Africa	1,748	3,254	1,847	3,686	3,827	3,918	+13.3%	-3.7%	-5.9%	
Asia	833	2,026	2,071	3,510	3,344	3,404	+73.2%	+5.0%	+3.1%	China & Australia M&A
South Africa	3,418	6,079	3,386	6,302	6,242	6,291	+3.7%	+1.0%	+0.2%	
~ Beverages	3,166	5,598	3,146	5,815	5,761	5,815	+3.9%	+0.9%	+0.0%	
~ Hotels and Gaming	252	481	240	487	481	477	+1.2%	+1.2%	+2.2%	
Total Group Sales	14,075	28,311	15,700	31,388	31,296	31,378	+10.9%	+0.3%	+0.0%	In-Line
Sales ex Associates	9,957	19,408	11,221	21,760	21,793	21,902	+12.1%	-0.2%	-0.6%	
Associate Sales	4,118	8,903	4,479	9,628	9,504	9,476	+8.1%	+1.3%	+1.6%	
EBITA (inc associates)										
Latin America	944	1,620	1,068	1,865	1,873	1,859	+15.1%	-0.4%	+0.3%	
Europe	338	887	266	836	873	863	-5.7%	-4.3%	-3.1%	Price cuts in PL, Rom hit margin
North America	261	741	304	756	740	769	+2.0%	+2.2%	-1.7%	
Africa	389	647	416	743	780	798	+14.8%	-4.8%	-6.9%	Disappointing
Asia	(18)	92	183	321	344	324	+248.9%	-6.7%	-0.8%	
South Africa	747	1,204	790	1,303	1,255	1,269	+8.2%	+3.8%	+2.6%	Lower input costs + Mix
~ Beverages	673	1,067	722	1,168	1,118	1,136	+9.5%	+4.5%	+2.8%	
~ Hotels and Gaming	74	137	68	135	137	134	-1.5%	-1.5%	+1.1%	
Corporate	(83)	(147)	(94)	(190)	(198)	(200)	+29.3%	-4.1%	-5.0%	
Total Group EBITA	2,578	5,044	2,933	5,634	5,668	5,682	+11.7%	-0.6%	-0.8%	In-Line
Adj EBIT, ex associates	1,967	3,563	2,203	3,987	4,119	4,082	+11.9%	-3.2%	-2.3%	
Adj Finance Charge	(236)	(518)	(313)	(542)	(572)	(580)	+4.6%	-5.2%	-6.6%	Lower than expected coupon
Adj Associates (post tax)	393	1,055	471	1,141	1,109	1,134	+8.2%	+2.9%	+0.6%	
Pretax Profit (inc exceptionals)	1,936	3,626	3,562	5,603	4,327	4,372	+54.5%	+29.5%	+28.2%	\$1b exceptional gains from Efes
Tax	(546)	(1,069)	(570)	(1,126)	(1,199)	(1,191)	+5.3%	-6.1%	-5.4%	Lower tax rate
Net Income	1,286	2,408	2,839	4,221	2,916	2,958	+75.3%	+44.8%	+42.7%	
Adjusted earnings	1,545	3,018	1,746	3,400	3,303	3,361	+12.7%	+2.9%	+1.1%	
Per Share										
Adjusted Basic EPS (US cents)	98.5	191.5	111.5	214.8	208.8	212.9	+12.2%	+2.9%	+0.9%	
Basic EPS (US cents)	81.5	152.8	179.2	266.6	184.4	187.4	+74.5%	+44.6%	+42.3%	Exceptional gains from Efes
DPS (US cents)	61.5	81.0	69.5	91.0	89.1	86.0	+12.3%	+2.1%	+5.8%	

Source: Company Reports and Citi Estimates, Consensus is compiled by Company through Vuma Consensus

2. Organic Growth

In organic terms, sales, profit and margins accelerated in the 2nd half, thanks to the good performances in S Africa and North America. In both regions, comps were quite easy, but nonetheless the absolute growth rates were impressive.

Although Europe and Africa missed expectations, the table below shows the margin comps were much tougher in 2H in both regions, which arguably explains some of the miss.

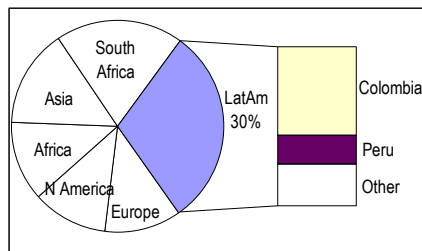
Figure 8. SABMiller — Organic Growth Rates by Division vs. Citi and Consensus Expectations

Group	1H10	2H10	FY10	1H11	2H11	FY11	1H12A	2H12 Act	FY12 Act	Citi Forecast	
										FY12	FY13E
Group											
Beer Volume	-0.8%	+1.0%	+0.0%	+1.5%	+2.7%	+2.0%	+2.7%	+3.1%	+2.9%	+3.1%	+3.5%
Total Vol	-0.3%	+1.4%	+0.3%	+2.0%	+3.4%	+2.6%	+3.1%	+4.3%	+3.6%	+3.7%	+3.7%
Price/Mix	+3.3%	+4.2%	+3.9%	+2.5%	+2.8%	+2.6%	+3.1%	+3.7%	+3.4%	+3.4%	+2.8%
Sales	+3.0%	+5.6%	+4.2%	+4.5%	+6.1%	+5.3%	+6.2%	+8.0%	+7.0%	+7.2%	+6.5%
EBITA	+10.8%	+1.1%	+6.3%	+10.1%	+14.7%	+12.4%	+5.6%	+10.0%	+8.0%	+8.7%	+8.6%
Margin (bps)	110	-72	20	90	140	110	-10	35	16	25	35
Latin America											
Beer Volume	-1.1%	+6.1%	+2.5%	-0.4%	+0.1%	-0.1%	+8.2%	+7.5%	+7.8%	+8.0%	+5.5%
Sales	+6.9%	+0.0%	+8.0%	+0.9%	+2.9%	+2.0%	+10.2%	+10.6%	+10.4%	+9.9%	+7.8%
EBITA	+33.0%	+6.9%	+17.4%	+10.4%	+12.0%	+11.3%	+16.1%	+11.9%	+13.6%	+12.3%	+10.3%
Margin (bps)	410	0	190	190	230	220	120	30	80	80	60
Europe											
Beer Volume	-6.2%	-3.2%	-5.0%	-5.5%	+0.9%	-2.9%	+0.0%	-2.1%	-0.8%	-0.7%	+0.3%
Sales	-0.4%	+0.0%	+0.3%	-1.6%	+1.5%	-0.3%	+0.0%	+0.1%	+0.0%	-1.2%	+1.3%
EBITA	+5.0%	+2.7%	+4.4%	-3.7%	+20.2%	+4.0%	-6.0%	-14.7%	-9.3%	-6.3%	-2.1%
Margin (bps)	100	0	60	-40	220	70	-110	-380	-160	-90	-50
North America											
Beer Volume	-4.6%	-4.9%	-4.7%	-2.9%	-2.3%	-2.6%	-3.6%	-0.8%	-2.4%	-1.9%	-1.7%
Sales	-1.5%	+0.0%	+0.0%	-0.2%	-0.0%	-0.1%	-1.2%	-1.0%	-1.1%	+0.4%	-0.2%
EBITA	+6.8%	+6.2%	+6.5%	+26.6%	+8.8%	+19.7%	-5.8%	+16.5%	+2.0%	+3.7%	+4.7%
Margin (bps)	100	0	70	350	0	230	-80	200	50	50	70
Africa											
Beer Volume	+2.8%	+8.3%	+5.6%	+11.5%	+14.3%	+13.0%	+14.9%	+12.1%	+13.4%	+13.6%	+7.0%
Sales	+3.5%	+0.0%	+8.8%	+23.4%	+24.1%	+23.7%	+19.0%	+14.3%	+16.5%	+18.9%	+11.0%
EBITA	+14.6%	-3.1%	+4.4%	+11.0%	+27.3%	+20.2%	+23.1%	+11.9%	+16.4%	+21.8%	+10.4%
Margin (bps)	190	0	-90	-200	0	-60	60	-50	0	50	-10
Asia											
Beer Volume	+9.1%	+4.7%	+7.4%	+10.2%	+9.3%	+9.9%	+4.4%	+3.2%	+4.0%	+4.0%	+7.2%
Sales	+14.6%	+0.0%	+9.6%	+14.4%	+14.2%	+14.3%	+17.0%	+19.8%	+18.1%	+16.3%	+13.2%
EBITA	+29.2%	-262.5%	+0.0%	+21.1%	n/m	+32.4%	+29.1%	+23.5%	+30.1%	+30.8%	+21.9%
Margin (bps)	100	0	-40	50	0	60	100	-10	50	60	70
South Africa											
Beer Volume	-2.7%	+1.1%	-0.7%	+2.5%	+1.8%	+2.1%	+0.1%	+3.8%	+2.1%	+2.1%	+3.0%
Sales	+6.4%	+5.6%	+6.0%	+8.4%	+7.1%	+7.7%	+5.1%	+11.4%	+8.7%	+8.8%	+9.4%
EBITA	+4.5%	+0.0%	+2.0%	+8.1%	+12.5%	+10.8%	+7.9%	+18.1%	+14.3%	+11.5%	+11.2%
Margin (bps)	-30	0	-70	0	0	50	40	130	100	60	30

Source: Company Reports and Citi Estimates, Consensus is compiled by Company through Vuma Consensus

FY12 Results Commentary by Division

Figure 9. LatAm as % of FY13E EBIT



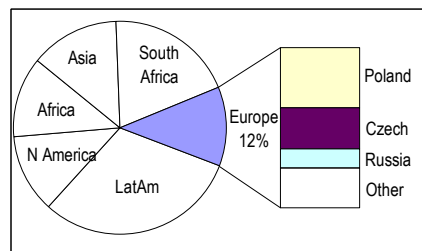
Source: Citi Investment Research and Analysis

Latin America

Org growth:	2H12	FY12
Beer Volume	+7.5%	+7.8%
Sales	+10.6%	+10.4%
EBITA	+11.9%	+13.6%
EBITA Margin	+30bps	+80bps

After a couple of years of subdued growth, caused by the tax increase in Colombia and flooding, volumes once again accelerated in FY12. Despite SAB's focus on ensuring that the mainstream brands remain affordable, the growth of premium ensured price/mix of a bit over 3%. SAB's margins are high, especially in Colombia and it is continuing to drive through the benefits of the BCP programmes in this region. (For example it has rolled out its new IT suites in Ecuador.) We were a little disappointed by the margin slowdown in 2H, however, which we think was driven mainly by worse input cost inflation.

Figure 10. Europe as % of FY13E EBIT



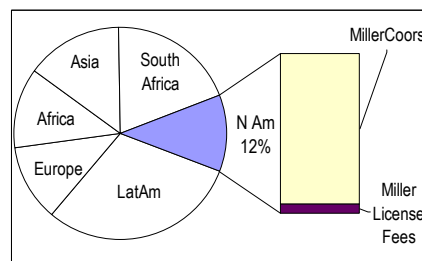
Source: Citi Investment Research and Analysis

Europe

Org growth:	2H12	FY12
Beer Volume	-2.1%	-0.8%
Sales	+0.1%	0%
EBITA	-14.7%	-9.3%
EBITA Margin	-380bps	-160bps

SAB has been struggling to hold margins steady in Europe since the beginning of FY12. SAB is strongly entrenched, with mainstream brands in traditional channels. However the modern trade and discounters are taking share, and its rivals have moved aggressively into these lower-margin channels. As a result SAB's brands looked increasingly expensive and SAB was losing share quite fast. In February it decided to bite the bullet and cut prices on its main brands in Poland (eg Lech and Tyskie). In Romania, SAB has introduced new, cheaper SKUs, packaged in PET, to win back market share. This means SAB has accepted a permanent diminution of the profit pool in these markets, but so far the competition hasn't responded with further price cuts, so we hope SAB will stop losing share in these markets. SAB said profit either grew or was stable in most of its other markets in Europe.

Figure 11. NAM as % of FY13E EBIT



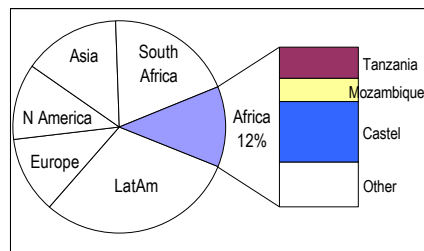
Source: Citi Investment Research and Analysis

North America

Org growth:	2H12	FY12
Beer Volume	-0.8%	-2.4%
Sales	-1.0%	-1.1%
EBITA	+16.5%	+2.0%
EBITA Margin	200	+50bps

Miller Coors posted excellent margin gains in SAB's second half, driven by pricing and mix, and good cost control. Because Miller Coors had already reported its results, these figures were not a surprise. SAB also books a small N American profit for licence fees, but this figure is quite volatile.

Figure 12. Africa as % of FY13E EBIT



Source: Citi Investment Research and Analysis

Africa

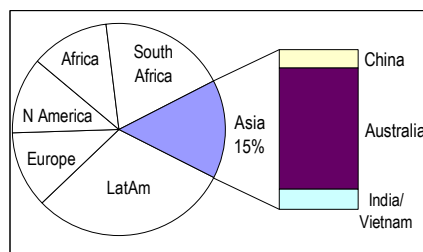
Org growth:	2H12	FY12
Beer Volume	+12.1%	+13.4%
Sales	+14.3%	+16.5%
EBITA	+11.9%	+16.4%
EBITA Margin	-50bps	0bps

Africa is one of the core contributors to SAB's group growth. However the company is facing supply constraints, and it blames this on the disappointing margins in 2H, saying that:

- It has been forced to distribute beer over long distances
- As it has set up new breweries, operating costs increased

However it is also true that price mix fell to +2.7% in 2H from +8.8% in 1H (against easier comps) presumably because of SAB's attempts to develop volumes through ensuring the price of mainstream beer evolves below CPI in most markets here.

Figure 13. Asia as % of FY13E EBIT



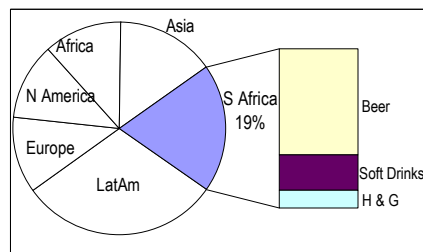
Source: Citi Investment Research and Analysis

Asia

Org growth:	2H12	FY12
Beer Volume	+3.2%	+4.0%
Sales	+19.8%	+18.1%
EBITA	+23.5%	+30.1%
EBITA Margin	n/a	+50bps

In Asia, the organic driver is China, where weak volumes have been offset by strong pricing. However the real focus in Asia is the Foster's acquisition, which doesn't appear in the organic movements. Management said that underlying volumes at Foster's were -4%, in part due to the weak consumer environment there, but also that staff were well motivated. We remain sceptical about the acquisition, but it is still too early to form a definitive judgment.

Figure 14. S Africa as % of FY13E EBIT



Source: Citi Investment Research and Analysis

South Africa

Org growth:	2H12	FY12
Beer Volume	+3.8%	+2.1%
Sales	+11.4%	+8.7%
EBITA	+18.1%	+14.3%
EBITA Margin	+130bps	+100bps

SAB posted really excellent results for the summer period in S Africa, as its competitor, Brandhouse, struggled in the main summer seasons. Price/mix was strong, reflecting the growth of Castle Lite, and this, combined with unusually low input costs, fed straight through into excellent margin growth.

Changes to Estimates

We have ended up lowering our EPS estimates by about 5%, of which almost 3% is due to our greater concern about margins and a little over 2% is due to F/X.

- Organically, we have had to lower our forecasts for margins in Europe and Africa, quite substantially. Partly this reflects the lower base, but in Europe in particular we think the full year effect of the lower prices must have a negative impact on margins.
- In S Africa the base is higher than we had expected, but the company says input cost inflation there will be in the double-digits in FY13, and therefore we have reduced our expectation of margin growth.
- Many EM currencies have weakened sharply recently, particularly the rand, and this accounts for a bit over 2% of the downgrade.

Figure 15. SABMiller — Changes to Citi Estimates Following FY12 Results (USD in millions)

	FY13E			FY14E			FY15E		
	New	Old	Change	New	Old	Change	New	Old	Change
Group Sales (inc tax and associates)									
Latin America	7,725	7,825	-1.3%	8,239	8,362	-1.5%	8,803	8,933	-1.5%
Europe	5,391	5,306	1.6%	5,387	5,315	1.4%	5,545	5,474	1.3%
North America	5,239	5,232	0.1%	5,253	5,245	0.2%	5,287	5,278	0.2%
Africa	4,009	4,407	-9.0%	4,651	5,103	-8.8%	5,210	5,740	-9.2%
Asia	6,587	6,584	0.1%	7,049	6,977	1.0%	7,486	7,398	1.2%
South Africa Bevs	5,757	6,042	-4.7%	6,197	6,545	-5.3%	6,717	7,094	-5.3%
S Africa H&G	473	486	-2.7%	508	525	-3.2%	544	562	-3.2%
Total Group Sales	35,182	35,883	-2.0%	37,285	38,072	-2.1%	39,591	40,478	-2.2%
~ Subsidiaries (inc tax)	24,490	25,136	-2.6%	25,996	26,714	-2.7%	27,683	28,485	-2.8%
~ Associates (share, inc tax)	10,693	10,747	-0.5%	11,289	11,357	-0.6%	11,908	11,993	-0.7%
Group Op Profit (inc associates)									
Latin America	2,059	2,083	-1.1%	2,250	2,301	-2.2%	2,483	2,530	-1.8%
Europe	788	856	-8.0%	808	879	-8.0%	837	911	-8.0%
North America	791	797	-0.7%	809	815	-0.7%	824	830	-0.7%
Africa	804	893	-10.0%	942	1,049	-10.2%	1,066	1,198	-11.0%
Asia	912	936	-2.6%	1,039	1,054	-1.5%	1,141	1,155	-1.2%
South Africa Bevs	1,176	1,206	-2.5%	1,296	1,339	-3.2%	1,432	1,480	-3.2%
S Africa H&G	129	136	-5.4%	137	147	-6.6%	148	157	-5.9%
Central	-200	-200	-0.2%	-209	-185	13.2%	-214	-194	10.0%
Total Group EBITA	6,459	6,707	-3.7%	7,072	7,399	-4.4%	7,717	8,065	-4.3%
~ Subsidiaries (inc tax)	4,929	5,099	-3.3%	5,412	5,645	-4.1%	5,924	6,161	-3.8%
~ Associates (share, inc tax)	1,529	1,607	-4.8%	1,660	1,755	-5.4%	1,793	1,904	-5.8%
Sub's EBITA, pre-exceptionals									
Exceptionals	-200	-180	11.1%	-160	-160	0.0%	-30	-30	0.0%
Amortisation	-451	-212	112.8%	-465	-214	117.3%	-479	-216	122.0%
EBIT after exceptionals	4,278	4,707	-9.1%	4,787	5,271	-9.2%	5,415	5,916	-8.5%
Net Finance	-855	-890	-3.9%	-773	-773	0.0%	-659	-648	1.7%
Post tax associates	1,235	1,286	-3.9%	1,328	1,389	-4.4%	1,419	1,491	-4.8%
Pretax Profit	4,658	5,103	-8.7%	5,343	5,887	-9.3%	6,175	6,758	-8.6%
Tax	-1,255	-1,321	-5.0%	-1,432	-1,517	-5.6%	-1,650	-1,737	-5.0%
Effective rate	27.3%	27.8%		27.4%	27.8%		27.5%	27.9%	
Minorities	-270	-247	9.5%	-311	-290	7.1%	-351	-331	6.2%
Net Profit	3,133	3,535	-11.4%	3,600	4,080	-11.8%	4,174	4,691	-11.0%
Adjusted Net Profit	3,730	3,922	-4.9%	4,194	4,420	-5.1%	4,684	4,938	-5.1%
Per Share									
Adjusted Basic EPS	235.3	248.1	-5.1%	264.1	279.1	-5.4%	294.5	311.4	-5.4%
Dividend per share (US cents)	100.0	104.3	-4.1%	112.0	117.2	-4.5%	125.0	130.8	-4.4%
Basic Shares Outstanding	1,586	1,581		1,588	1,584		1,591	1,586	
Rand / \$	8.32	7.88	5.5%	8.38	7.89	6.2%	8.38	7.89	6.2%
Columbian Peso / \$	1,835	1,767	3.8%	1,845	1,767	4.4%	1,845	1,767	4.4%

Source: CIRA Estimates

SAB - Financial Summary

Figure 16. Financial Summary, FY08-FY17E (USD in millions)

P&L / Year to March	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E 5-yr CAGR
Group sales (inc assoc + tax)	23,828	25,302	26,350	28,311	31,388	35,182	37,285	39,591	42,144	44,950 7.4%
Net Sales (excludes ass & excise)	17,057	14,883	14,883	15,145	16,713	19,014	20,393	21,830	23,356	25,008 8.4%
EBITDA (inc Miller dvd)	4,598	4,633	4,882	5,509	6,065	6,712	7,276	7,868	8,532	9,274 8.9%
Operating Profit (Adj EBIT, ex associates)	3,560	3,146	3,091	3,563	3,987	4,478	4,947	5,445	5,994	6,594 10.6%
Margin	20.9%	21.1%	20.8%	23.5%	23.9%	23.6%	24.3%	24.9%	25.7%	26.4% 2.0%
Associates, after tax	272	516	873	1,024	1,152	1,235	1,328	1,419	1,519	1,645 7.4%
Group EBITA (inc associates, pretax)	4,141	4,129	4,381	5,044	5,634	6,459	7,072	7,717	8,417	9,199 10.3%
Adjusted Net Finance	(491)	(699)	(538)	(518)	(542)	(840)	(758)	(649)	(520)	(377)
Adjusted Pretax Profit	3,639	3,405	3,803	4,491	5,062	5,590	6,288	7,040	7,870	8,796 11.7%
Exceptionals (Pretax)	(112)	2	(472)	(436)	1,026	(200)	(160)	(30)	(30)	(30)
Underlying tax	(1,068)	(915)	(966)	(1,126)	(1,215)	(1,313)	(1,478)	(1,659)	(1,864)	(2,094)
Underlying Tax Rate (on Subsidiaries)	33.4%	31.4%	29.6%	29.1%	28.2%	29.0%	29.0%	29.0%	29.0%	29.0%
Minorities	(265)	(276)	(171)	(149)	(256)	(270)	(311)	(351)	(394)	(441) 11.5%
Adjusted Net Profit	2,147	2,065	2,509	3,018	3,400	3,730	4,194	4,684	5,230	5,837 11.4%
Per-Share Data / Yr to March	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E 5-yr CAGR
EPS (Adjusted, diluted)	142.4	136.8	160.4	190.3	212.5	235.2	264.0	294.4	328.2	365.8 11.5%
DPS (cents, not pence)	58.0	58.0	68.0	81.0	91.0	100.0	112.0	125.0	139.5	155.5 11.3%
Number of Dil. Shares Out	1,508	1,509	1,564	1,586	1,600	1,586	1,589	1,591	1,594	1,596 -0.1%
Growth Rates (%) / Yr to March	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E 5-yr CAGR
Organic Volume (all bev)	6.3%	0.8%	0.3%	2.6%	3.6%	3.7%	3.2%	3.1%	3.4%	3.5%
Organic Sales	9.6%	9.0%	4.2%	5.3%	7.0%	6.5%	6.4%	6.2%	6.4%	6.7%
Organic EBITA	9%	4.7%	6.3%	12.4%	8.0%	8.6%	9.9%	9.1%	9.1%	9.3%
Group Sales (Reported)	14.8%	-12.7%	0.0%	1.8%	10.4%	13.8%	7.3%	7.0%	7.0%	7.1% 8.4%
EBITDA (Reported)	14.4%	0.8%	5.4%	12.8%	10.1%	10.7%	8.4%	8.1%	8.4%	8.7% 8.9%
Group EBITA (Reported)	15.3%	-0.3%	6.1%	15.1%	11.7%	14.6%	9.5%	9.1%	9.1%	9.3% 10.3%
Profit before Tax	15.4%	-6.4%	11.7%	18.1%	12.7%	10.4%	12.5%	12.0%	11.8%	11.8% 11.7%
Net Profit	19.5%	-3.8%	21.5%	20.3%	12.7%	9.7%	12.4%	11.7%	11.6%	11.6% 11.4%
EPS	19.3%	-3.9%	17.3%	18.6%	11.7%	10.7%	12.2%	11.5%	11.5%	11.4% 11.5%
Cash Flow / Yr to March	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E 5-yr CAGR
Operating Cash Flow	4,276	3,671	4,537	4,568	5,237	5,948	6,415	7,203	7,808	8,529 10.2%
Interest	(502)	(722)	(640)	(640)	(407)	(898)	(811)	(692)	(556)	(407)
Tax	(969)	(766)	(620)	(885)	(893)	(1,070)	(1,192)	(1,360)	(1,567)	(1,763)
Net capex	(1,927)	(2,072)	(1,491)	(1,242)	(1,523)	(1,724)	(1,475)	(1,429)	(1,527)	(1,652) 1.6%
Other (Divs to/from minorities/associates)	(105)	389	655	809	908	864	877	886	909	949
Free Cash Flow	773	500	2,441	2,610	3,322	3,120	3,813	4,608	5,067	5,656 11.2%
Margin	4.5%	3.4%	16.4%	17.2%	19.9%	16.4%	18.7%	21.1%	21.7%	22.6%
M&A	(1,434)	(548)	(501)	(198)	(11,121)	(200)	(200)	(200)	(200)	(200)
New Equity	6	(14)	106	107	151	100	100	100	100	100
Change in Cash Items	(1,447)	(952)	981	1,358	(9,029)	1,435	1,935	2,520	2,744	3,075
Non-Cash Items	(736)	1,303	(670)	(51)	(1,742)	0	0	0	0	0
Change in Net Debt	(2,183)	351	311	1,307	(10,771)	1,435	1,935	2,520	2,744	3,075
End of Year Net Cash/(Debt)	(9,060)	(8,709)	(8,398)	(7,091)	(17,862)	(16,427)	(14,492)	(11,973)	(9,228)	(6,154) -19.2%
Ratios / Yr to March	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E
Interest Cover	7.3	4.5	5.7	6.9	7.4	5.3	6.5	8.4	11.5	17.5
Dividend Payout	40.7%	42.4%	42.4%	42.6%	42.8%	42.5%	42.4%	42.5%	42.5%	42.5%
Net Debt/EBITDA	2.0	1.9	1.7	1.3	2.9	2.4	2.0	1.5	1.1	0.7
Historical Multiples / Yr to March	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E
Historical Average Share Price (p)	1,257	1,097	1,520	2,024	2,280	2,426	2,408	2,408	2,408	2,408
Historical \$/£ rate	2.01	1.72	1.60	1.56	1.60	1.57	1.57	1.57	1.57	1.57
P/E	17.7	13.8	15.1	16.6	17.1	16.2	14.3	12.8	11.5	10.3
Dividend Yield	2.3%	3.1%	2.8%	2.6%	2.5%	2.6%	3.0%	3.3%	3.7%	4.1%
FCF Yield	2.0%	1.8%	6.4%	5.2%	5.7%	5.2%	6.4%	7.7%	8.4%	9.4%
Historic EV	46,699	38,856	44,517	54,448	67,222	74,252	71,962	69,761	67,297	64,554
EV/EBITDA (treats Miller dvd as EBITDA)	10.2	8.4	9.1	9.9	11.1	11.1	9.9	8.9	7.9	7.0

Source: Company Reports and CIRA Estimates

Figure 17. SABMiller — Divisional Summary, FY07-FY17E (USD in millions)

Sales / Year to March	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	5-yr CAGR
Group Sales, including associates and tax											
Latin America	5,251	5,495	5,905	6,335	7,158	7,725	8,239	8,803	9,399	10,037	7.0%
Europe	5,248	6,145	5,577	5,394	5,482	5,391	5,387	5,545	5,698	5,858	1.3%
North America	5,120	5,227	5,228	5,223	5,250	5,239	5,253	5,287	5,391	5,544	1.1%
Africa	3,367	2,567	2,716	3,254	3,686	4,009	4,651	5,210	5,810	6,480	11.9%
Asia		1,565	1,741	2,026	3,510	6,587	7,049	7,486	7,953	8,452	19.2%
South Africa	4,842	4,303	5,183	6,079	6,302	6,231	6,705	7,261	7,892	8,580	6.4%
~ Beverages	4,446	3,955	4,777	5,598	5,815	5,757	6,197	6,717	7,321	7,980	6.5%
~ Hotels and Gaming	396	348	406	481	487	473	508	544	571	600	4.2%
Total Group Sales	23,828	25,302	26,350	28,311	31,388	35,182	37,285	39,591	42,144	44,950	7.4%
Associates' share	2,418	6,599	8,330	8,903	9,628	10,693	11,289	11,908	12,636	13,475	7.0%
Sales (inc tax, excludes associates)	21,410	18,703	18,020	19,408	21,760	24,490	25,996	27,683	29,507	31,475	7.7%
Net Sales (excludes tax)	17,057	14,883	14,195	15,145	16,713	19,014	20,393	21,830	23,356	25,008	8.4%
Operating profit / Yr to March											
Group EBITA											
Latin America	1,071	1,173	1,386	1,620	1,865	2,059	2,250	2,483	2,726	2,992	9.9%
Europe	952	944	872	887	836	788	808	837	872	908	1.7%
North America	477	581	619	741	756	791	809	824	855	903	3.6%
Africa	568	562	565	647	743	804	942	1,066	1,194	1,339	12.5%
Asia		80	71	92	321	912	1,039	1,141	1,252	1,372	33.7%
South Africa	1,167	886	1,007	1,204	1,303	1,304	1,434	1,580	1,738	1,913	8.0%
~ Beverages	1,026	764	885	1,067	1,168	1,176	1,296	1,432	1,583	1,749	8.4%
~ Hotels and Gaming	141	122	122	137	135	129	137	148	155	163	3.9%
Corporate	(94)	(97)	(139)	(147)	(190)	(200)	(209)	(214)	(220)	(227)	3.6%
Total Group EBITA	4,141	4,129	4,381	5,044	5,634	6,459	7,072	7,717	8,417	9,199	10.3%
Amortisation	146	200	199	209	264	451	465	479	495	511	14.1%
Associates' share	435	783	1,091	1,272	1,383	1,529	1,660	1,793	1,929	2,094	8.7%
Total EBIT (pre exceptionals and associates)	3,560	3,146	3,091	3,563	3,987	4,478	4,947	5,445	5,994	6,594	10.6%
Operating Margins / Yr to March											
Group, on Gross Sales											5-yr change
Latin America	20.4%	21.3%	23.5%	25.6%	26.1%	26.7%	27.3%	28.2%	29.0%	29.8%	bps
Europe	18.1%	15.4%	15.6%	16.4%	15.2%	14.6%	15.0%	15.1%	15.3%	15.5%	25
North America	9.3%	11.1%	11.8%	14.2%	14.4%	15.1%	15.4%	15.6%	15.9%	16.3%	188
Africa	16.9%	21.9%	20.8%	19.9%	20.2%	20.1%	20.3%	20.5%	20.6%	20.7%	50
Asia		5.1%	4.1%	4.5%	9.1%	13.8%	14.7%	15.2%	15.7%	16.2%	709
South Africa	24.1%	20.6%	19.4%	19.8%	20.7%	20.9%	21.4%	21.8%	22.0%	22.3%	162
~ Beverages	23.1%	19.3%	18.5%	19.1%	20.1%	20.4%	20.9%	21.3%	21.6%	21.9%	184
~ Hotels and Gaming	35.6%	35.1%	30.0%	28.5%	27.7%	27.2%	27.0%	27.2%	27.2%	27.2%	-50
Total Group EBITA	17.4%	16.3%	16.6%	17.8%	17.9%	18.4%	19.0%	19.5%	20.0%	20.5%	252
Associates' margin on gross sales	18.0%	11.9%	13.1%	14.3%	14.4%	14.3%	14.7%	15.1%	15.3%	15.5%	118
EBIT (non-associates), on net sales	20.9%	21.1%	21.8%	23.5%	23.9%	23.6%	24.3%	24.9%	25.7%	26.4%	251

Source: Company Reports and CIRA Estimates

Figure 18. SABMiller — Organic Growth Rates by Division, FY07-FY17E

Organic Sales Growth / Yr to March	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	5-yr CAGR
Group Sales, including associates and tax											
Latin America	9.5%	6.1%	8.0%	2.0%	10.4%	7.8%	7.0%	6.8%	6.8%	6.8%	7.0%
Europe	12.9%	6.4%	0.3%	-0.3%	0.0%	1.3%	0.8%	2.9%	2.8%	2.8%	2.1%
North America	4.8%	2.1%	0.0%	-0.1%	-1.1%	-0.2%	0.3%	0.6%	2.0%	2.8%	1.1%
Africa	19.7%	26.2%	8.8%	23.7%	16.5%	11.0%	16.3%	12.0%	11.5%	11.5%	12.4%
Asia			9.6%	14.3%	18.1%	13.2%	7.2%	6.2%	6.2%	6.3%	7.8%
South Africa											
~ Beverages	5.2%	10.5%	6.0%	7.7%	8.7%	9.4%	8.4%	8.4%	9.0%	9.0%	8.8%
~ Hotels and Gaming	17.7%	7.5%	-4.0%	8.0%	6.0%	8.5%	8.2%	7.0%	5.0%	5.0%	6.7%
Total Group Sales	9.6%	9.0%	4.1%	5.3%	7.0%	6.5%	6.4%	6.2%	6.4%	6.7%	6.4%
Organic EBITA Growth / Yr to March											
Latin America	5.8%	11.3%	17.4%	11.3%	13.6%	10.3%	9.6%	10.4%	9.8%	9.7%	10.0%
Europe	15.4%	-5.1%	4.4%	4.0%	-9.3%	-2.1%	3.6%	3.6%	4.1%	4.2%	2.6%
North America	27.2%	21.8%	6.5%	19.7%	2.0%	4.7%	2.2%	1.8%	3.7%	5.6%	3.6%
Africa	15.6%	15.7%	4.4%	20.2%	16.4%	10.4%	17.4%	13.1%	12.1%	12.1%	13.0%
Asia			0.0%	32.4%	30.1%	21.9%	14.2%	9.8%	9.7%	9.6%	12.9%
South Africa											
~ Beverages	-5.8%	-7.9%	2.0%	10.8%	14.3%	11.2%	11.1%	10.5%	10.5%	10.5%	10.8%
~ Hotels and Gaming	42.0%	4.0%	-16.5%	3.0%	3.0%	5.1%	7.4%	7.9%	5.1%	5.1%	6.1%
Total Group	9.1%	4.5%	6.3%	12.4%	8.0%	8.6%	9.9%	9.1%	9.1%	9.3%	9.2%

Source: Company Reports and CIRA Estimates

SABMiller

Company description

SABMiller is one of the world's largest brewers and has significant management expertise in and geographic bias towards emerging markets. Its most important region is (the north of) Latin America (in particular Colombia and Peru), followed by Asia (which for SAB is essentially Australia), S Africa, the rest of Africa, Europe and N America. It focuses on local brands, but it also owns Peroni Nastro Azzurro, Pilsner Urquell, Miller Genuine Draft and Grolsch. The company has large associates and minorities in the US, China and Africa, as well as other partnerships.

Investment strategy

We have a Buy rating on SAB. SAB has a strong top-line outlook, due to its pragmatic approach to brand building and its bias to frontier markets. We also expect decent margin growth in its emerging market businesses, mainly from operational leverage. We expect organic profit to be constrained slightly in calendar 2012 by increased input costs, but this should be more than offset in EPS terms from the accretion of the Foster's acquisitions. Going forward, we expect low teens EPS growth, driven by about 3-3½% volume growth, about 6½% sales growth, 20-60bps of annual margin expansion, and financial deleverage. So, despite our concerns about the Australian deal, we believe SAB's strong EPS growth should ensure a good return from the shares.

Valuation

Our £27.50 target price is set using a (rounded) fair value on P/Es. We assume that in 12 months the stock will trade at 15x forward P/E, fractionally above the current level because we expect the multiple to expand slightly as the EM growth comes through. This is then applied to our CY14E EPS. This implies a fair value of \$43.02 (=287¢ for calendar 2014/share *15) or 2749p (based on an exchange rate of 1.565, which we round to 2750p).

Risks

Compared with most industries brewing is relatively predictable, but nonetheless brewers' profits tend to be more volatile than tobacco or branded food companies. For SAB in particular we highlight the following risk:

Australia: The synergies and operational improvements might be more, or less, than the market expects.

Emerging market exposure: SAB has a large exposure to emerging markets, albeit dispersed around the world. If emerging markets in general see slowing economies, or the stock market rotates away from valuing emerging markets, the share price is likely to suffer.

FX: Only about 10% of SAB's profits are generated in dollars (SAB's reporting currency) and a negligible amount in sterling. If the rand, Colombian peso, Australian dollar or emerging market currencies in general are either stronger or weaker than expected, this will affect profit and cash flows, either for better or worse.

Input costs: All brewers depend on malting barley, glass and aluminium, and they are also exposed to the price of oil. If the price SAB pays is either higher or lower than we expect, profit is likely to be affected.

Excise tax risk: If beer taxes go up in any of its important markets, SAB is likely to suffer.

M&A: It is possible that SAB makes another large acquisition that either positively or negatively affects its share price. It is also possible that SAB could itself be bid for.

Regulations: It is possible that harsher anti-alcohol laws could affect SAB's businesses.

If the impact of these risk factors is more or less negative than we anticipate, then the share price could deviate significantly from our target price.

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.

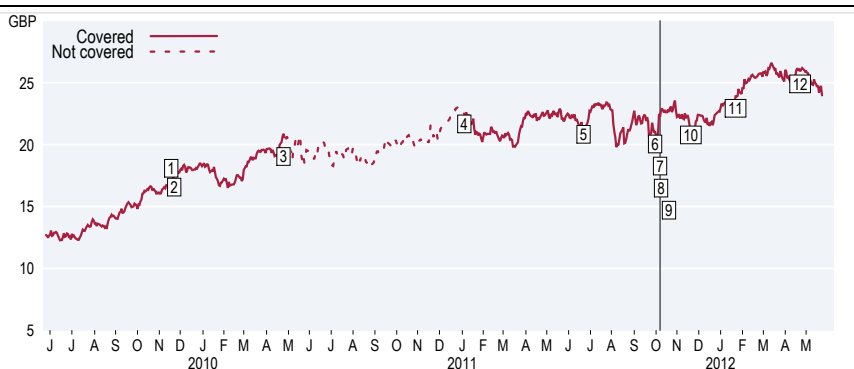
IMPORTANT DISCLOSURES

SABMiller (SAB.L)

Ratings and Target Price History Fundamental Research

Analyst: Adam Spielman

Covered since January 5 2011



	Date	Rating	Target Price	Closing Price
1	18-Nov-09	2M	*16.70	16.57
2	23-Nov-09	2M	*17.30	17.68
3	26-Apr-10	Coverage terminated		
4	5-Jan-11	*1M	*27.00	22.47

* Indicates change

	Date	Rating	Target Price	Closing Price
5	22-Jun-11	*2M	*23.50	21.00
6	30-Sep-11	2M	*22.40	21.08
7	7-Oct-11	Stock rating system changed		
8	8-Oct-11	*2	22.40	22.23

	Date	Rating	Target Price	Closing Price
9	20-Oct-11	2	*23.40	22.63
10	20-Nov-11	2	*23.60	21.40
11	22-Jan-12	*1	*27.00	23.30
12	22-Apr-12	1	*30.00	26.13

Rating/target price changes above reflect Eastern Standard Time

SABMiller (SAB.L)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Adam Spielman

Covered since January 5 2011



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 SABMiller.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from SABMiller.

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 SABMiller.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from SABMiller 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): SABMiller.

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: SABMiller.

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: SABMiller.

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 SABMiller.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Investment Research & Analysis product ("the Product"), please contact Citi Investment Research & Analysis, 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/eppublic/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 Investment Research & Analysis Ratings Distribution

Data current as of 31 Mar 2012

	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Investment Research & Analysis Global Fundamental Coverage	52%	37%	11%	10%	79%	10%
% of companies in each rating category that are investment banking clients	44%	42%	40%	47%	42%	43%

Guide to Citi Investment Research & Analysis (CIRA) Fundamental Research Investment Ratings:

CIRA's 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: CIRA's 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 CIRA 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: CIRA 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 CIRA's 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	Adam Spielman; Andrea Pistacchi
Citigroup Global Markets India Private Limited	Pooja Shirangi

OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 24 May 2012 04:30 PM on the issuer's primary market.

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to SABMiller. (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.)

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.

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 Investment Research & Analysis (CIRA) does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of CIRA 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 Investment Research & Analysis (CIRA) research report. Ask your Financial Advisor or use smithbarney.com to view any available Morgan Stanley research reports in addition to CIRA research reports.

Important disclosure regarding the relationship between the companies that are the subject of this CIRA 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 CIRA 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 CIRA. 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 Citigroup 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 110-180, 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 **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 Buyukdere 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 CIRA 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 CIRA's Products can be found at

https://www.citivelocity.com/cvr/eppublic/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), CIRA concurrently disseminates its research via proprietary and non-proprietary electronic distribution platforms. Periodically, individual CIRA 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. CIRA simultaneously distributes product that is limited to QIBs only through email distribution.

The level and types of services provided by CIRA 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.

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

© 2012 Citigroup Global Markets Inc. Citi Investment Research & Analysis 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, redisseminated 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
