

## Equities

8 June 2011 | 36 pages

# CEEMEA Strategy Notebook

## Beyond The Burger: Purchasing Power Parity In CEEMEA

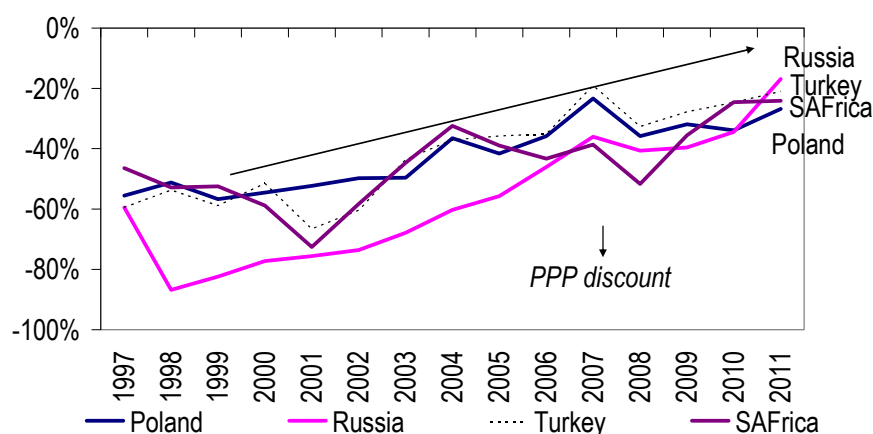
- **\$4.60 for a Big Mac in Istanbul, \$6.50 for a tall latte in Moscow** — A sample of goods and services in CEEMEA's capital cities suggests that these places are more expensive than ever. The evidence is more than anecdotal: as currencies have rebounded and inflation has picked up, CEEMEA real exchange rates are close to all-time highs.
- **PPP is important over long term, less so in near term** — Economic research suggests that purchasing power parity (PPP) plays an important role in guiding the direction of exchange rates over time. In the near term, other factors such as relative interest rate differentials and capital flows may be more important.
- **Beyond the burger: our PPP measure says ruble, lira look expensive** — We have measured the prices of 22 goods and services in CEEMEA urban centres, looking beyond the well-known (but occasionally misleading) "Big Mac index". Moscow prices look particularly stretched, followed by Istanbul. By contrast, Johannesburg and especially Warsaw look much cheaper. Dubai fares about average.
- **Medium-term outlook still supportive of currencies** — In coming months, there seems little reason to expect FX weakness in CEEMEA. We expect interest rates to rise more than in the US and Eurozone, while capital flows are likely to remain robust. However, real FX appreciation is a longer-term worry: as CEEMEA currencies become more expensive, volatility associated with an eventual rise in global interest rates is likely to be even greater.

### Equities

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Figure 1. Discount of CEEMEA currencies to USD on PPP basis



Source: Haver, IMF

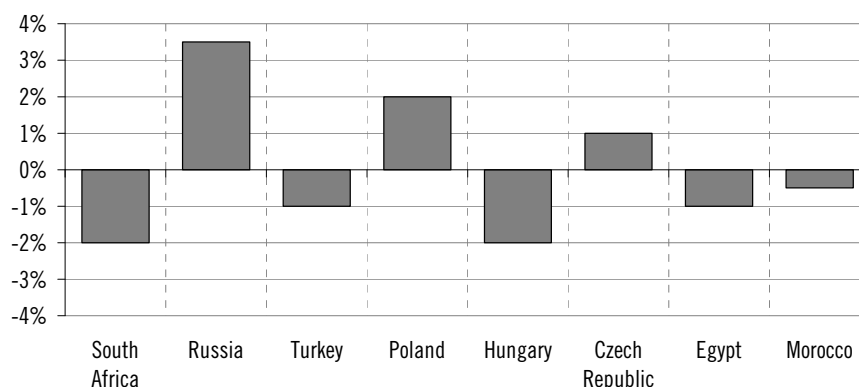
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## CIRA Strategy/Macro Recommendations

We are Overweight Russia, Poland and Czech Republic. We remain Underweight Turkey.

Figure 2. Country Overweights / Underweights (relative to MSCI EMEA index)



Source: Citi Investment Research and Analysis

We expect modestly weaker FX, except for the rand (significant weakness) and koruna/zloty (modest strength).

Figure 3. Exchange rate forecasts

Exchange Rates		Spot	3M	6M	12M
S. Africa rand	USD-ZAR	6.71	6.88	6.97	7.21
Russia ruble	USD-RUB	27.77	28.83	28.57	28.39
Turkey new lira	USD-TRY	1.57	1.62	1.62	1.62
Hungary forint	EUR-HUF	264.36	270.42	271.42	273.52
Czech Republic koruna	EUR-CZK	24.33	24.55	24.18	23.56
Poland zloty	EUR-PLN	3.96	3.94	3.90	3.82
Euro	EUR-USD	1.46	1.37	1.42	1.49

Source: Citi Investment Research and Analysis

Interest rates are expected to rise the most in Turkey and South Africa.

Figure 4. Policy rate forecasts

Policy Interest Rates		Current	3M	6M	12M
S. Africa	Average Repo rate	5.50	6.00	6.50	7.00
Russia	Refinancing Rate	8.25	8.25	8.25	8.00
Turkey	O/N Deposit Rate	6.25	6.75	7.75	9.00
Hungary	14-Day Repo Rate	6.00	6.00	6.00	6.50
Czech Republic	2 Week Repo Rate	0.75	1.00	1.25	1.75
Poland	7-Day Repo Rate	4.25	4.50	4.75	5.00

Source: Citi Investment Research and Analysis

Figure 5. CIRA Global Aggregate Valuations

	# of co's	MCap USD b	P/E (x)			EPS Growth (%)			EV/EBITDA (x)			Price/Bk (x)		ROE (x)		Div Yield (%)	
			2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e	2011e	2012e	2011e	2012e	2011e	2012e
<u>Countries</u>																	
CEEMEA	276	2,121	11.1	8.2	7.7	49%	35%	7%	6.3	4.9	4.5	1.4	1.2	18%	17%	3%	4%
Czech Republic	3	47	11.7	12.0	12.1	-2%	-13%	-3%	7.1	6.9	7.2	2.0	1.9	18%	16%	6%	6%
Egypt	7	20	9.6	7.9	6.5	16%	22%	23%	5.5	4.9	4.3	1.5	1.3	20%	22%	7%	9%
Hungary	2	12	14.7	10.7	8.3	-13%	23%	25%	5.1	4.5	4.3	1.1	1.1	11%	13%	6%	7%
Israel	15	116	13.4	11.0	10.0	22%	12%	8%	9.6	8.3	7.1	2.1	1.9	20%	19%	4%	4%
Poland	48	160	17.6	12.5	11.5	19%	29%	6%	7.9	6.0	5.7	1.6	1.5	14%	13%	4%	4%
Russia	70	901	8.9	6.3	6.2	66%	40%	1%	5.4	4.0	3.8	1.1	0.9	19%	16%	3%	3%
Russia non-resources	50	269	13.0	8.3	7.2	317%	56%	15%	6.5	4.9	4.5	1.3	1.1	16%	16%	3%	3%
South Africa	53	408	17.7	12.0	10.2	15%	38%	16%	8.2	6.3	5.5	2.2	1.9	19%	20%	4%	4%
Turkey	26	167	9.7	9.5	8.6	24%	6%	11%	6.0	5.4	4.9	1.7	1.5	18%	18%	4%	4%
Latin America	145	1,823	14.8	11.8	11.0	34%	26%	8%	8.5	6.9	6.5	1.8	1.6	17%	16%	3%	4%
Argentina	5	11	12.0	10.8	8.7	46%	12%	24%	19.7	14.7	11.5	2.5	2.1	26%	27%	4%	3%
Brazil	78	1,198	13.0	10.6	10.0	42%	23%	5%	7.8	6.4	6.2	1.6	1.4	16%	15%	3%	4%
Chile	20	202	21.6	16.3	14.4	31%	32%	13%	11.4	9.1	8.2	2.8	2.5	18%	19%	3%	3%
Mexico	37	389	21.3	15.6	13.7	8%	37%	14%	9.2	7.3	6.7	2.7	2.4	18%	18%	3%	3%
EM Asia	555	5,574	14.8	11.9	10.2	38%	24%	17%	8.6	7.0	6.1	1.9	1.6	17%	17%	3%	3%
China	126	2,296	13.0	10.8	9.0	31%	21%	20%	7.7	6.5	5.7	1.8	1.6	18%	19%	3%	4%
India	149	1,058	17.7	14.1	12.1	20%	25%	17%	10.6	8.6	7.5	2.4	2.1	18%	19%	1%	2%
Korea	86	832	12.9	9.9	8.8	64%	31%	12%	6.9	5.4	4.5	1.3	1.2	15%	14%	2%	2%
Malaysia	45	275	18.9	15.6	14.0	45%	22%	11%	9.7	8.1	7.3	2.3	2.1	15%	16%	4%	4%
Taiwan	80	566	17.3	14.5	12.5	76%	19%	16%	9.0	7.4	6.3	2.1	1.9	15%	16%	4%	5%
Thailand	27	166	15.0	11.5	10.1	40%	31%	13%	8.3	6.1	5.2	2.0	1.8	19%	19%	4%	4%
GEMS TOTAL	965	9,294	13.7	10.8	9.6	39%	27%	12%	7.8	6.3	5.7	1.7	1.5	17%	17%	3%	3%
WORLD TOTAL	2,959	36,825	14.9	12.5	11.0	45%	20%	13%	6.6	5.6	4.9	1.7	1.6	13%	14%	3%	3%
<u>Sectors</u>																	
Banks	131	2,342	12.0	9.7	8.2	39%	24%	19%				1.6	1.4	18%	19%	4%	4%
CEEMEA	42	402	12.6	9.8	8.3	89%	28%	18%				1.5	1.4	17%	17%	3%	4%
Latin America	14	326	11.9	9.8	8.3	40%	22%	17%				1.7	1.5	19%	19%	4%	4%
Asia	74	1,612	11.9	9.7	8.1	31%	23%	19%				1.7	1.4	19%	19%	4%	4%
Telecoms	69	932	13.3	11.8	10.5	20%	13%	12%	5.4	4.8	4.4	2.0	1.8	17%	18%	5%	5%
CEEMEA	18	202	10.9	9.0	7.9	29%	21%	14%	5.2	4.6	4.1	2.2	2.0	25%	26%	7%	8%
Latin America	13	187	12.9	11.9	10.9	59%	9%	9%	5.8	4.9	4.6	2.4	2.2	20%	20%	5%	5%
Asia	37	543	14.6	13.1	11.7	7%	11%	12%	5.4	4.8	4.4	1.8	1.7	14%	15%	4%	4%
Oil & Gas	50	1,601	10.3	7.9	8.0	24%	30%	-1%	6.1	4.9	4.8	1.3	1.1	17%	15%	3%	3%
CEEMEA	25	579	7.5	5.6	5.9	30%	33%	-5%	4.9	3.7	3.6	0.9	0.8	19%	15%	3%	3%
Latin America	4	248	13.7	11.4	12.9	-17%	20%	-11%	8.4	7.1	8.1	1.2	1.2	11%	9%	2%	2%
Asia	21	767	12.7	9.9	9.2	35%	29%	7%	6.7	5.5	5.1	1.7	1.5	19%	18%	4%	4%
Metals & Mining	75	1,027	14.0	9.5	8.8	86%	47%	8%	8.0	5.8	5.1	1.9	1.6	22%	20%	3%	3%
CEEMEA	30	402	14.0	9.0	7.9	159%	56%	14%	7.9	5.6	4.9	1.8	1.6	22%	22%	3%	4%
Latin America	9	283	11.6	7.5	8.0	108%	54%	-5%	7.4	5.0	4.8	1.9	1.5	29%	22%	3%	3%
Asia	42	452	14.9	11.7	10.0	45%	28%	17%	8.2	6.5	5.4	1.8	1.6	17%	17%	2%	3%

Source: Citi Investment Research and Analysis

Figure 6. CEEMEA Preferred Stock List

Stock	ETR	PE 11E	PB 11E	Rationale
Arcelik	25%	9.8	1.5	Underperformance vs international peers has opened up a PE discount. However a premium appears justified given a dominant position in a fast-growing white goods market with high margins and ROE. Consumer confidence and a rebound in the construction sector are supportive. 7% sales growth forecast for 2011 vs minimal growth in Europe and the US. Price increases and appreciation of the Euro will partially offset rising cost pressures. Upside from the flat TV business, as well as the Sony OED agreement.
CEZ	13%	11.2	2.0	Higher achieved power prices and a more positive scenario for phase III CO2 allocations are supportive. Ideally placed to benefit from higher power prices given low-cost producer status. Valuation discount to peers, but looks unjustified given competitive positioning in the power curve and a supportive domestic political environment. 7.2% 2011-15 EPS CAGR compares favourably to the sector.
DP World	7%	27.1	1.3	Solid FY10, with momentum clearly maintained in 2H10. Container business continues to deliver, with volumes growing on the back of global trends and new additions to the portfolio. The company's financial position appears stable, we see eventual expansion potential at Jebel Ali and positive long-term industry fundamentals. EBITDA risks are to the upside as pricing power returns and non-container/storage revenue grows.
Gazprom	49%	4.6	0.7	Stronger European spot gas price reinforces the appeal of Gazprom as the largest gas producer globally; potential exposure to the rapidly growing Chinese economy. Recovery in European gas market remains the key driver, while finalisation of the gas price formula for exports to China may be a catalyst. Trading at 3.5x 2011E EV/DACF, valuation remains attractive.
PZU	13%	16.2	2.6	Trades at a premium to European peers, but more than justified by higher profitability in our view. Insurance market in Poland is under-penetrated (premium-to-GDP of 3.8% vs ~8% in the EU). High single-digit growth in sector insurance premium expected in 2011-12, as growth in premium follows GDP growth. A dominant market position allows PZU to avoid less profitable segments of the market, focusing on a combination of growth and high profitability.
Sasol	26%	10.2	1.9	After de-rating vs global peers, trading on an attractive fwd PE of 7.8x and EV/EBITDA of 5.0x. The company has recently signaled an improvement in operating performance in both energy and chemicals; focus on cost control and volumes expected to result in better operational trends, despite ZARUSD strength and some pullback in commodity prices. Main supports are production growth, the ability to fund expansion internally, as well as a progressive dividend policy.
Sberbank	41%	7.8	1.7	Revenue growth is forecast to catch up with cost inflation in 2012, with improvement in the cost-to-income ratio. Strong provision coverage of NPLs; with 2011 provision releases expected to boost earnings. Stronger corporate lending vs the sector; limited scope for downward asset pricing. Excepting strong bottom line expansion in 2011 on recovering lending volumes, aggressive deposit repricing and zero provisions.
Severstal	35%	8.6	1.9	Scores best on the EBITDA/ton profitability metric, while also the cheapest in the sector. Defensive and profitable gold business: recently raised gold production guidance and higher realized prices, substantial organic growth expected. Asset portfolio optimization in North America continues; majority shareholder may divest or shut EU assets. More near-term catalysts and options to grow organically than among peers.
Uralkali	40%	12.0	6.6	After merger with Silvinit, top 3 global fertilizer company and among the most liquid. EBITDA and volumes expected to double after merger; valuation undemanding (trading at the widest discount to peers in two years). Strong momentum in potash globally (demand growing, prices on the rise again); Uralkali a cheap way to play the story in our view.
Woolworths	18%	15.9	5.6	Improving profitability thanks to procurement/stock availability focus on costs in SA, operating profit growth in food, solid unit volumes. Impressive operational/strategic enhancements under new management include strong focus on costs, relationship with customers, re-focusing efforts, new initiatives.
Zenith Bank	35%	9.2	1.2	Solid CAR (35%) and liquidity ratios (64%) well above the regulatory minimum; low LDR (57%). NIMs and interest income improving given a rising rate environment. NPLs and NPL ratio are on the decline. Cost increases look to be one-offs. Effective distribution network with a focus on the major economic hubs.

Source: Citi Investment Research and Analysis

## CEEMEA Currencies And PPP

**A cocktail in Istanbul is not as cheap as it used to be**

### Price shock in Istanbul

Imagine the scene. A warm spring evening in Istanbul. A gentle breeze drifts in off the Sea of Marmara as residents start to gather in the bars and restaurants of the fashionable Nişantaşı quarter. You choose a small, unassuming bar and order a cocktail to finish the day. So far, so good... but then the bill comes: 18 Turkish lira for a gin & tonic. At the current exchange rate, this equates to a bit over US\$12. \$12? You would be hard pressed to pay this sum in most bars in New York City. In London's West End, Corney & Barrow charges \$11.50 (£7) for the same drink.

Such an experience may not raise eyebrows among regular travelers to emerging market cities these days — we all know that these places have become expensive — but should it? GDP per capita is, after all, 72% lower in Turkey than in the UK, and 77% lower than in the US. Even assuming that wealth is more concentrated in Turkey and Russia than in the UK and US, does it make sense to pay more for products in Istanbul, not to mention Moscow<sup>1</sup>, than in well-heeled parts of London or New York?

**Costs in capital cities are not fully representative of a country's price level**

We must proceed with caution here. It goes without saying that the cost of living in Moscow or Istanbul is not fully representative of the cost of living elsewhere in, say, Perm or Kayseri. High prices, especially for luxury items, can say as much about supply rigidities and lack of competition as they do about the overall price level. Moreover, various factors can distort the prices of individual goods: in the case of the gin & tonic, alcohol taxes in Turkey are the highest in Europe.

Nevertheless we think it is a mistake to ignore what purchasing power parity (PPP) is telling us. A growing body of research indicates that PPP is indeed an important driver of exchange rates over the longer term, and taking a look at PPP in CEEMEA today we see some worrisome signs for the longer term. There are a few takeaways from our analysis.

**However they are sending a signal that these countries are becoming more expensive places**

Firstly, there is mounting evidence that CEEMEA currencies are looking more expensive than ever on a PPP basis — whether looking at a simple measure like the Big Mac index, our own broader basket, more intricate models compiled by the World Bank, or proxies like the real effective exchange rate.

Secondly, among the major CEEMEA currencies we surveyed (Russian rouble, South African rand, Polish zloty, Turkish lira and UAE dirham) the rouble looks particularly expensive, followed not far behind — despite some recent depreciation — by the Turkish lira. By contrast, the zloty stands out as the most attractive currency on a PPP basis, while the rand also fares well. The UAE dirham looks about middle of the pack.

Our third point is that it is hard to see this PPP appreciation unwinding over the near/medium term: CEEMEA exchange rates should continue to benefit from the tailwinds of the carry trade. In other words, any overvaluation could well get worse before it gets better. For now, we see no reason to change our strategy views (overweight Russia and Poland, underweight Turkey and South Africa) on the basis of this analysis. However over the longer term these trends, if unchecked, are likely to make it more difficult for these countries to compete, and could be setting the stage for greater exchange rate volatility in the future — particularly when global interest rates rise more significantly.

<sup>1</sup> The City Space bar in Moscow's Swissotel charges Rbl 50, about \$18, for the same drink.

## Purchasing Power Parity in CEEMEA

### The theoretical basis

The concept of PPP stems from the Law of One Price

Purchasing power parity is the idea that "a unit of currency should be able to buy the same basket of goods in one country as the equivalent amount of foreign currency, at the going exchange rate, can buy in a foreign country" (Taylor and Taylor)<sup>2</sup>. This simple concept is an outcome of the so-called Law of One Price – which makes the point that a traded good should cost the same everywhere in the world, once adjusted for "frictional costs" like transportation and transaction costs. If this were not the case, then traders would arbitrage the difference by buying goods cheaply in one place and re-selling them elsewhere. As they do everyday, all around the world.

However, those frictional costs make PPP a slippery concept. While the Law of One Price might indeed hold in theory, a host of costs including taxes, tariffs, duties, subsidies, kickbacks and bribes might considerably move prices away from what cross-border parity would suggest. In addition, up to two-thirds of the goods and services in any economy are not tradable, meaning there is no easy way to arbitrage differences in price levels. It is easy to understand why most goods and services do in fact cost different amounts in different places.

Most economists believe that PPP plays a role in determining FX moves over the longer term

Nevertheless the concept of PPP remains an important one in economics, and as Ken Rogoff wrote in a landmark study on the topic, "while few empirically literate economists take PPP seriously as a short-term proposition, most instinctively believe in some variant of purchasing power parity as an anchor for long-run real exchange rates".<sup>3</sup>

In fact, the empirical evidence supporting both absolute PPP (goods and services cost the same across borders) and relative PPP (relative price differentials should remain stable over time across borders) has strengthened in recent years. As one paper put it: "Results are suggesting more strongly that exchange rates do revert to a certain level determined by the price level in the long run" (Taylor and Taylor). The research also suggests that currencies that are *more extremely* overvalued or undervalued on a PPP basis are more likely to converge back towards equilibrium more quickly.<sup>4</sup>

### 1) The Big Mac Index: Elegant simplicity (but potentially misleading)

Perhaps the simplest PPP measure is the Big Mac index

So what are measures of PPP in CEEMEA telling us? Perhaps the best-known measure of absolute PPP is the Big Mac index, introduced by the *Economist* in 1986 and updated each year since then (although the 2011 version has not yet been released). The simplicity of the measure is certainly appealing: McDonald's is present in most countries (119 at last count); its Big Mac is (nearly) identical in each location; and the product is made up largely of local ingredients and a significant component of non-tradables (rent, labour).

The 2010 Big Mac prices are shown in Figure 7 along with 2001 prices for CEEMEA as well as the US, the UK and Europe. As the chart shows, there is quite a bit of variation in the price for CEEMEA Big Macs, but they tend to be cheaper than in developed economies (exception: Turkey). However, the gap has been closing: as

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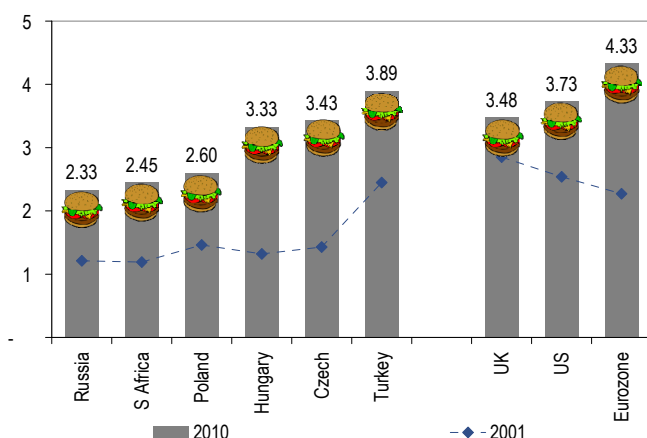
<sup>2</sup> Alan M Taylor and Mark P Taylor, "The Purchasing Power Parity Debate", *Journal of Economic Perspectives*, 2004.

<sup>3</sup> Ken Rogoff, "The Purchasing Power Parity Puzzle", *Journal of Economic Literature*, 1996.

<sup>4</sup> Taylor and Taylor state that over a long historical timeframe, "moderate" exchange rate shocks have tended to revert to equilibrium over a period of 3-5 years.

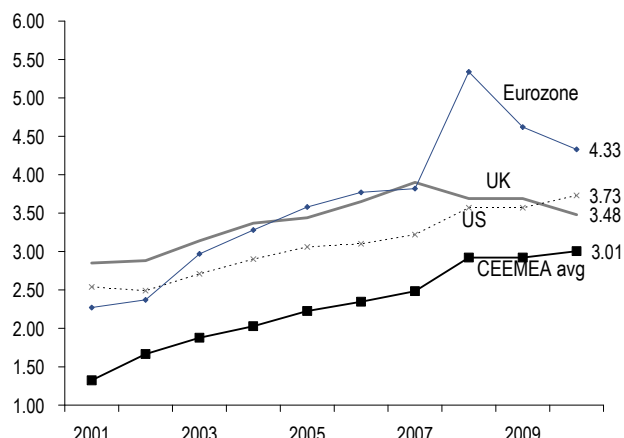
Figure 8 shows, the average CEEMEA Big Mac has risen more than in developed markets, from a 47% discount to the developed market average in 2001 to a 21% discount today. PPP convergence at work. Based on price samples taken by some of our burger-munching colleagues, it looks like this gap is closing further this year: in Turkey, for example, the Big Mac price has risen to \$4.63, one of the highest in the world (TL7.40). Elsewhere in EM, red flags are also being thrown up by runaway burger prices in places like Brazil and Colombia (\$4.91 and \$4.39, respectively, as of last year).

Figure 7. Big Mac Prices, 2001 and 2010



Source: The Economist, Bloomberg

Figure 8. Big Mac Index, since 2001



Source: Citi Investment Research and Analysis

## 2) A better measure: Our "Beyond the Burger" basket

However burgers may not tell the whole story

The Big Mac index has its shortcomings. Let's face it, the price of a hamburger is unlikely to tell the full story about the pricing environment in a country. One particular cause for suspicion of this index is how Russia fares on this measure: its \$2.33 Big Mac in 2010 (\$2.64 at last check) is on the cheaper side, hardly consistent with the impression one gets at a Moscow shopping mall. Clearly, McDonald's products are positioned and priced differently in different countries, so the signals from this index can be misleading.

For this reason, we decided to look "beyond the burger" to a broader range of comparable products in CEEMEA urban centres. Focusing on the largest city in each country, we gathered prices for a basket of goods and services with the help of our local offices. Our survey, while yielding a broader sample of products than the Big Mac index, still suffers from major shortcomings. Firstly, as noted above, the price level of the capital may not be fully applicable of price trends in the country more broadly. Secondly, as much as we tried to choose truly comparable products, this was not easy to do: gin & tonics, haircuts and taxi rides do come in differentiated forms that can make strict comparisons difficult. A third problem is different taxation and subsidy regimes in different countries, which can distort the results. Finally, we have chosen a consumption basket that probably does not represent how "average" residents of Moscow, Dubai or Warsaw – not to mention citizens outside those capitals – actually spend their money. The gap may not be as extreme as in Luanda, Angola (currently the world's most expensive city for expats, according to *Forbes*), but it is certainly there.



With the above caveats in mind, Figure 9 summarises the contents of our "Beyond the Burger" basket: 22 items covering a mix of food & beverage, transportation, leisure, "personal items" and real estate. We have gathered current prices for all of these for five CEEMEA cities, plus London, and converted them to USD using spot exchange rates. The right-hand columns of Figure 9 display each city's price as a percentage of the London prices in "heat map" form, with the more expensive items shaded more darkly.

It is striking how many items cost more in CEEMEA than in London

Viewing this data, it is perhaps striking just how many products are *more* expensive in CEEMEA cities than they are in London, a place hardly known for being inexpensive. The most egregious examples are Moscow's \$6.50 tall latte (Rbl 182 from Starbucks on Ulitsa Gasheka) and a \$2.72 litre of milk in Dubai (from Lulu Hypermarket, Deira) — both more than double the London price. But in fact, each city contains a least a few items that cost more than they do in London (11 items in Moscow, 6 in Istanbul, Dubai and Johannesburg, 5 in Warsaw).

Figure 9. Our "Beyond the Burger" basket: Prices of 22 comparable items in CEEMEA:

Category	Item	Description	USD Price						As a % of London (darker = more expensive)				
			Russia Moscow	Turkey Istanbul	UAE Dubai	S Africa Joburg	Poland Warsaw	UK London	Russia Moscow	Turkey Istanbul	UAE Dubai	S Africa Joburg	Poland Warsaw
Food	1 Potatoes	1 kilo loose	1.25	1.56	2.72	1.68	0.90	2.30	54%	68%	118%	73%	39%
Food	2 Wheat flour	1kg package, plain	1.25	1.68	0.54	1.17	0.80	1.07	117%	157%	51%	109%	74%
Food	3 Milk	1l, lowfat (2g)	1.79	1.18	2.72	1.46	1.01	1.30	137%	91%	209%	113%	78%
Food	4 Big Mac		2.64	4.63	3.27	2.04	3.23	3.77	70%	123%	87%	54%	86%
Beverage	5 Gin & Tonic	Single, standard gin	7.15	7.51	10.89	5.20	5.82	7.32	98%	103%	149%	71%	79%
Beverage	6 Beer	1 330ml can of Carlsberg or similar	2.00	1.75	1.36	0.90	1.09	1.02	196%	172%	133%	88%	107%
Beverage	7 Tall latte	Starbucks or similar	6.50	3.13	3.27	3.08	3.63	3.45	188%	91%	95%	89%	105%
Transport	8 Bus ticket	Single ticket, full fare adult avg journey	0.96	1.03	2.72	1.71	1.02	2.14	45%	48%	127%	80%	48%
Transport	9 Petrol	1 litre diesel	0.94	2.65	0.47	1.50	1.86	2.30	41%	115%	20%	65%	81%
Transport	10 Taxi fare	10m travel time in citi centre	10.72	12.52	5.45	1.61	4.36	14.81	72%	85%	37%	11%	29%
Transport	11 Postage	1st class letter, domestic	0.84	0.56	0.54	0.37	0.69	0.76	111%	74%	72%	48%	91%
Leisure	12 Newspaper	Leading daily, newsstand rate	0.71	0.63	0.82	1.68	1.27	1.65	43%	38%	50%	102%	77%
Leisure	13 Cinema ticket	Peak time, Hollywood film	14.29	11.27	8.17	6.59	8.36	22.87	63%	49%	36%	29%	37%
Leisure	14 Hotel	1 night in 4-star Marriott hotel	375	343	177	207	136	360	104%	95%	49%	57%	38%
Personal	15 Haircut	Men's cut, standard quality city centre	39	9.39	19.06	23.43	10.90	32.90	119%	29%	58%	71%	33%
Personal	16 Dry cleaning	One men's shirt	5.36	3.13	2.72	9.52	3.45	4.85	110%	64%	56%	196%	71%
Personal	17 Shoes	Basic men's trainers, low-range Nike	107	53	54	124	91	74	145%	72%	74%	168%	123%
Personal	18 Stockings	Basic women's tights (20 den)	5.36	4.69	12.25	4.80	3.27	6.99	77%	67%	175%	69%	47%
Personal	19 Painkiller	24 paracetamol pills, standard	4.11	1.60	2.99	2.03	4.82	4.69	88%	34%	64%	43%	103%
Property	20 Ikea bookshelf	Billy bookshelf, white (80x28x202)	63.95	61.96	47.64	55.66	54.51	50.24	127%	123%	95%	n/a	109%
Property	21 Office rent	Prime rent, per square meter	965	488	834	270	449	1,293	75%	38%	65%	21%	35%
Property	22 Retail rent	Prime rent, per square meter	7,882	1,585	655	391	1,555	5,938	133%	27%	11%	7%	26%

Source: Citi Investment Research and Analysis

Also striking is the variation of price deviations within a given city: most items look expensive in Moscow, but not all: potatoes, bus tickets, newspapers, petrol and, as we already know, Big Macs look reasonably cheap. To take another example, Warsaw is generally an inexpensive city on our survey, but not in the case of beer, trainers or painkillers. Drycleaning and newspapers are expensive in Johannesburg, while rent and taxis are cheap in Dubai. Nuances abound.

However "frictions" play an important role for many goods

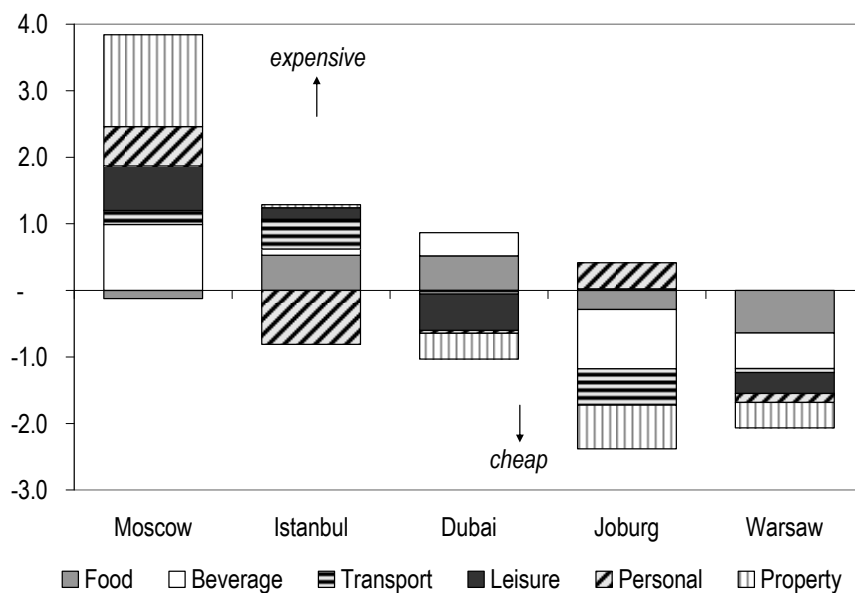
It requires quite a bit of work to distinguish which of these price differences are due to "frictions" such as subsidies/taxes, and which are due simply to the fact that the price level is higher or lower. Averaging them out, we hope to get a more accurate sense of the overall price level, which is summarised in Figure 10. A few patterns do emerge:

- Based on what Moscow prices are telling us, **the rouble does look expensive**. It seems that the Big Mac really is misleading: Moscow prices are, on average, higher even than in London, despite a few "cheap" goods like burgers. While Moscow prices are not fully representative of the entire country, ignore the signal at your peril: Moscow's economic output is 15% of the national total (a high ratio), and its importance as a political, administrative and financial centre is paramount.



- On our measure, **Turkey's lira also looks expensive** – in this case consistent with the Big Mac index – although considerably less so than the rouble. This is true particularly in food, beverages and petrol (with tax playing a role in many of these). By contrast property prices look more reasonable. We find it somewhat surprising that recent weakness of the lira – weakening 5% versus the dollar since last October, versus 9% for the rouble and rand – has not done much to dent Istanbul's "expensiveness".
- At the other extreme, **the zloty stands out as cheap** on a PPP basis. There are a few exceptions, noted above, but Warsaw comes out with below-average pricing in many goods and services. This is likely the result of a mixture of factors: significant zloty weakness since 2009, quiescent inflation, and a more competitive services sector.
- The **South African rand** also looks cheap if Johannesburg prices are any indicator. Indeed, by some measures – taxi fare, a cinema ticket, and especially commercial rents – Johannesburg stands out the cheapest in CEEMEA. As usual, there are exceptions: flour, newspapers and dry cleaning. This overall picture of rand cheapness goes counter to the prevailing wisdom that South Africa's excessively strong currency has negatively impacted the competitiveness of the country's export sectors. South African exports may be less competitive than they used to be, but it is difficult to see the rand as being particularly overvalued on a PPP basis.
- The **UAE dirham** comes across as middle of the pack; in Dubai, food and beverages are expensive, while many other items – especially real estate – look cheap. No major surprises here.

Figure 10. Normalised prices of "Beyond the Burger" basket, grouped by category



Source: Citi Investment Research and Analysis

**Other PPP measures tend to give a similar picture of price convergence**

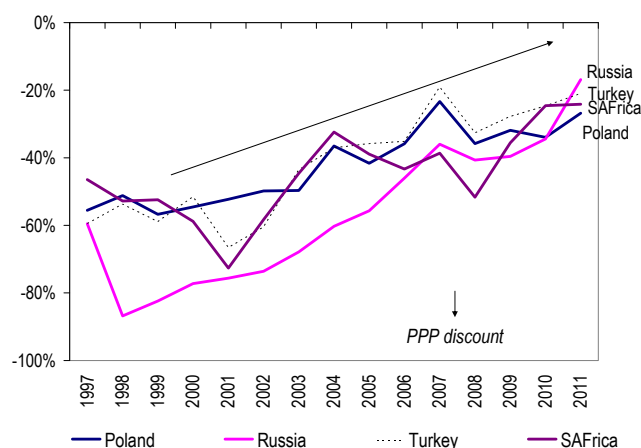
### 3) Other measures of PPP

Don't take our word for it: there are other, much more precise, measures of PPP. The problem is that tracking a full basket of prices across many countries is hard work; these surveys suffer from infrequency and risk quickly being out of date. The primary international source is the World Bank's International Comparison Programme (ICP), which prices a very broad basket of goods and services – over 1000 items – across most countries in the world. The latest prices were gathered only in 2005 (next edition is currently being compiled), which feels some time ago, although they have been estimated up to the present year using changes in CPI. For industrialized economies, an OECD-Eurostat PPP programme provides more frequently updated data – annual for Europe and tri-annual for the rest of the OECD.

Figure 11, which shows the World Bank's estimate of each country's discount to the USD on a PPP basis, confirms our impression that these countries are getting more expensive. The four key CEEMEA countries have moved from an average 67% discount in 2001 to a 22% discount today, the smallest discount on record. And as Figure 12 shows, every EM country but one (Taiwan) has gotten more expensive on a PPP basis over the past decade, although some still remain quite cheap, primarily in Asia (India, Thailand) and parts of the Middle East (Egypt). Also noteworthy are the very high valuation of Brazil and the dramatic appreciation, in PPP terms, of Russia's rouble and South Africa's rand over the past decade.

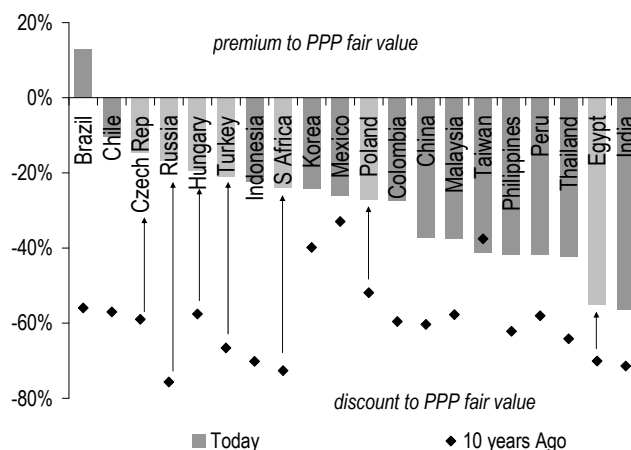
Although by these measures CEEMEA currencies are not necessarily as expensive on a PPP basis as in our own price survey, the overall impression of price convergence is the same. Moreover the ranking of countries is similar to the one in our own survey: Russia and Turkey look more stretched (Czech Republic and Hungary also), South Africa and especially Poland look much cheaper. Particularly striking is the cheapness of Egypt on a PPP basis, an interesting framework for thinking about upside in that market, with all its political uncertainties.

**Figure 11. Discount of CEEMEA currencies to USD on PPP basis**



Source: IMF

**Figure 12. Current premium/discount to PPP fair value**



Source: IMF

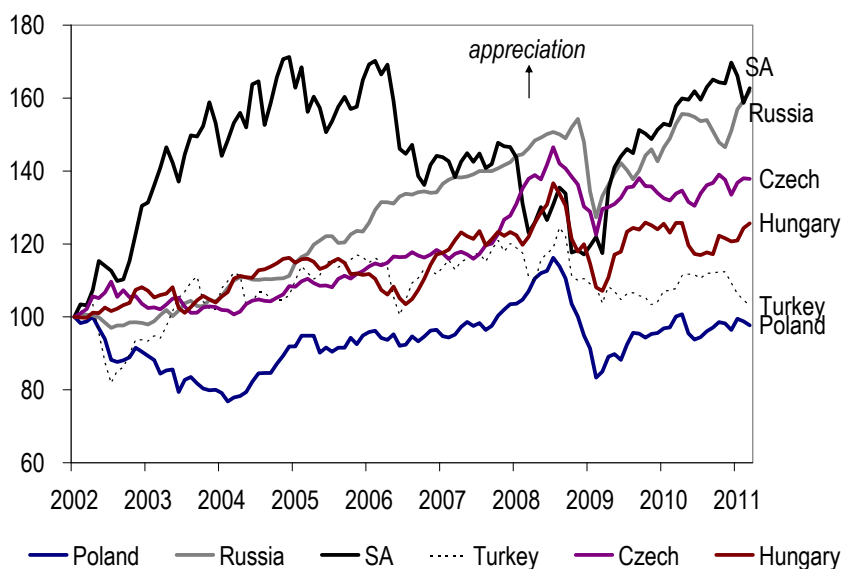
#### 4) The REER as a window onto currency valuation

Another window onto to currency valuation is the real effective exchange rate (REER). This measure tracks how a country's exchange rate has moved relative to its trading partners when adjusted for inflation differentials. Although the REER does not tell us anything about absolute purchasing power, it should tell us something about the change in *relative* PPP: as a country's REER appreciates relative to others, PPP relative to others should also rise.

##### Most REERs are close to all-time highs

Figure 13 charts REER movements in CEEMEA, rebased to 2002. As with PPP, most currencies are at or close to the highest levels in PPP terms. However, while the REER has the benefit of higher frequency (being available on a monthly basis), it can give a distorted picture given its sensitivity to the starting level. The reason the South African rand looks "expensive" in Figure 13 is that it was very weak in 2002 following a 2001 devaluation. If we rebase the REER to 2005 (or 1995 for that matter) the rand looks cheaper. Another point to note is that Turkey looks rather more attractive on the measure than we would expect, given both our own survey and other pieces of evidence such as Turkey's ballooning current account deficit.

Figure 13. Real effective exchange rates in CEEMEA, rebased to 2002



Source: Haver

## Exchange rate outlook

So to summarize, CEEMEA currencies look expensive — or at the very least much *more* expensive than they used to be. This looks to be particularly the case with Russia, and probably with Turkey. It seems to be less the case with Poland and South Africa.

Having said this, do we see any reason for CEEMEA currencies to weaken over the medium term? Not particularly. While purchasing-parity valuations may no longer be as supportive as they were, there are plenty of reasons to be sanguine about the FX outlook over the medium term. The primary reason for this is the expected direction of policy interest rates, which is shown in Figure 14. Although our economists do not expect a dramatic tightening across CEEMEA, nevertheless the average 108bps of rate increases over the next year is more than the expected tightening in either the Eurozone (barely) or the US, meaning that the CEEMEA/DM policy rate gap should widen further. Capital flows such as FDI are also helping as they recover from the crisis years, although levels remain far below 2006-8 levels (Figure 16).

Figure 14. Policy rates: CEEMEA and the US/Eurozone (CIRA forecasts)

	Spot	2Q11e	4Q11e	2Q12e	ch. (bps)
Czech	0.75	0.75	1.25	1.75	100
Hungary	6.00	6.00	6.00	6.50	50
Poland	4.25	4.50	4.75	5.00	75
Russia	8.25	8.25	8.25	8.25	-
South Africa	5.50	5.50	6.50	7.00	150
Turkey	6.25	6.25	7.75	9.00	275
<b>average</b>	<b>5.17</b>	<b>5.21</b>	<b>5.75</b>	<b>6.25</b>	<b>108</b>
US	0.25	0.25	0.25	0.75	50
Eurozone	1.25	1.25	1.75	2.25	100
<b>average</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>	<b>1.50</b>	<b>75</b>

Source: Citi Investment Research and Analysis

Figure 15. CIRA FX forecasts

	Spot	mid-2012	mid-2013	mid-2012 vs spot	mid-2013 vs spot
USD-ZAR	6.78	7.21	8.26	-6.0%	-17.9%
USD-RUB	27.86	28.39	30.31	-1.9%	-8.1%
USD-TRY	1.59	1.62	1.66	-1.7%	-4.3%
EUR-HUF	265.97	273.52	278.07	-2.8%	-4.4%
EUR-CZK	24.30	23.56	23.19	3.1%	4.8%
EUR-PLN	3.96	3.82	3.60	3.6%	10.1%
EUR-USD	1.46	1.49	1.38	-2.0%	5.7%

Source: Citi Investment Research and Analysis

### FX outlook from economists and strategists

So much for the big picture. Figure 15 summarizes CIRA's currency forecasts for coming months<sup>5</sup>. The overall view is a mixed one, with modest appreciation in CE3 (especially the zloty) and downside for the rouble, lira and rand.

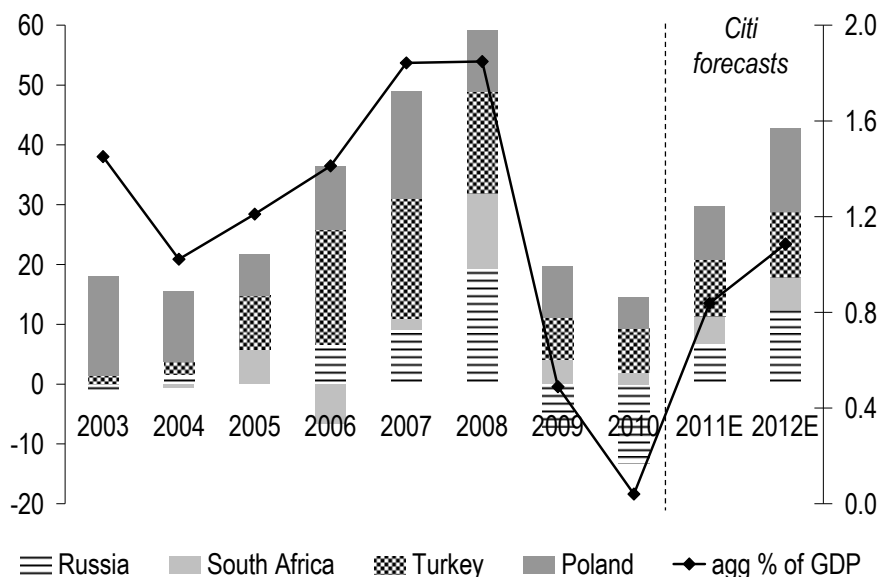
- In the near term, our FX strategists expect **CE3 currencies** to trade sideways as the euro will likely remain under pressure vs the USD. The **zloty** is expected to outperform in the regional context on a 6-12 month horizon, with support coming from privatisation flows and improved risk appetite. However, a high fiscal deficit and increased political risk ahead of elections adds some uncertainty to the forecasts. While the Czech **koruna** will likely trade lower in the short term, renewed strength is expected given a trade surplus, a robust fiscal stance and the CNB keeping pace with ECB rate hikes. The Hungarian **forint** is expected to be the weakest among CE3 currencies, as most fiscal tightening seems to be discounted by the market already. It is also likely to be negatively affected by the decreasing interest rate differential vs the Eurozone.
- Along with the Brazilian real, the Turkish **lira** within CEEMEA stands to benefit from the appeal of high carry, as long as rates in the major G10 economies remain low. However beyond this, the lira is vulnerable to the widening current account gap, as well as the deteriorating quality of external financing. On balance, our FX team suggest the currency will "muddle through" for the rest of the year.

<sup>5</sup> For more detail see Citi Global Foreign Exchange: Forecasts May 2011, 23 May 2011

- The region's commodity currencies — ZAR and RUB — are unlikely to come under significant appreciation pressure, our strategists argue, barring a scenario where commodity prices rise strongly. Gradual weakening of the **rouble** basket is expected on a narrowing current account surplus, seasonal capital outflows and political uncertainty. The downside should however be limited by central bank intervention, given approaching elections. Finally, sharp oil price moves would also affect the rouble. Among the biggest underperformers YTD, the rand is expected to reverse some of its losses in the near term. Positive drivers include FDI, portfolio flows and exporter dollars. In the longer term, our strategists believe that the rand needs to weaken to reflect inflation and productivity differentials, although high carry may offset this to a large extent.

Overall, the key conclusions from any PPP analysts are longer-term. As CEEMEA currencies appreciate and become less competitive, the risk of higher volatility currency movements in the future — associated with a combination of higher global interest rates, lower commodity prices and/or increased risk aversion — is likely to rise. This should be enough to keep life interesting in emerging market FX-land for some time to come.

Figure 16. FDI in CEEMEA, in USD billion and as a % of GDP



Source: Citi Investment Research and Analysis

## CIRA Economic Forecasts

Figure 17. CEEMEA Economic Forecasts

GDP/Inflation	Real GDP (YOY % Chg.)			Inflation (YOY % Chg.)		
	2010F	2011F	2012F	2010F	2011F	2012F
South Africa	2.8	3.8	3.8	4.1	4.8	5.7
Russia	4.0	4.3	4.1	6.9	8.8	7.3
Turkey	8.9	5.6	3.8	8.6	5.7	6.4
Hungary	1.2	3.0	3.4	4.7	4.3	3.4
Czech Republic	2.3	2.0	2.8	1.5	2.1	2.8
Poland	3.8	4.2	4.0	2.7	4.2	2.8
Egypt	5.1	1.4	3.6	11.1	12.7	12.7
Global	4.1	3.5	3.9	2.7	3.9	3.3
US	2.9	2.7	3.1	1.6	2.9	1.7
Euro area	1.6	2.1	1.6	1.6	2.7	2.2
Germany	3.5	3.5	2.5	1.1	2.6	2.1
Japan	4.0	-0.6	3.2	-0.7	0.5	0.5
China	10.3	9.2	9.0	3.3	5.0	4.0
India	8.6	8.1	8.4	8.6	8.0	6.5
Brazil	7.5	4.0	4.5	5.0	6.6	5.5

Balances	Current Account (% of GDP)			Fiscal Balance (% of GDP)		
	2010F	2011F	2012F	2010F	2011F	2012F
South Africa	-2.7	-2.9	-5.9	-5.2	-5.0	-4.7
Russia	4.8	4.7	1.6	-4.0	-2.2	-2.1
Turkey	-6.6	-8.5	-8.3	-3.6	-3.2	-3.2
Hungary	2.1	1.3	-0.6	-4.2	2.5	-3.0
Czech Republic	-3.7	-4.9	-4.3	-4.7	-4.5	-3.4
Poland	-3.4	-5.6	-6.3	-7.9	-5.7	-4.0
Egypt	-2.1	-5.4	-3.0	-8.1	-11.3	-8.6
Global	0.3	0.1	0.0	-5.7	-5.2	-3.9
US	-3.2	-3.3	-3.1	-8.9	-9.2	-7.0
Euro area	-0.4	-0.4	-0.4	-6.0	-4.3	-3.2
Germany	5.7	5.5	5.9	-3.3	-1.8	-0.7
Japan	3.6	2.3	2.5	-9.8	-10.3	-8.8
China	5.3	4.2	3.5	-1.6	-2.0	-2.0
India	-2.0	-2.7	-2.2	-8.1	-7.9	-7.1
Brazil	-2.3	-2.2	-2.7	-2.5	-2.6	-2.5

Source: Citi Investment Research and Analysis

## Survey of Recent CIRA Publications

### Macro/Strategy

Geoffrey Dennis  
30 May

#### **GEMS Strategy: A New Measure of the Discount Rate in EM**

We introduce a new measure of the discount rate for the MSCI GEMS index - the MSCI-Weighted Debt Yield - for a more accurate comparison between debt and EM equities. On this measure, EM equities look even more attractive vs EM debt than on the conventional metric. We conduct this exercise as the conventional measure of the average debt yield (EMBI+) is weighted in a manner that is inappropriate for comparison with EM equities. Applying the same methodology to DM equities, we find that the EM discount rate is still 150bp above the DM average. We remain bullish on EM equities, noting that markets typically surge after 'spring' corrections, such as experienced this year.

### Sectors/Stocks

Johann Pretorius  
3 June

#### **Assore: Cash Machine – initiating with a Buy**

We initiate coverage of diversified miner Assore, which is our new top pick in the SA diversified miners space given an ETR of >40%. The company owns stakes in manganese, iron ore and chrome assets; with significant expansion potential of its vast reserves and resources. We forecast sector leading volume growth over the coming years, yet see the stock as attractively valued. Thanks to strong cash generation, rapid volume growth, slowing project capex and a strong balance sheet, the dividend yield is on the increase. The main constraint is liquidity, given a low free float in the context of the sector. Khumani Iron Ore's near-term expansion is a positive that should support Assore's cash flow.

Andrzej Powierza  
3 June

#### **Polish Banks: Not All Risk Priced in: Staying Neutral, Pekao our Top Pick**

After a lacklustre 1Q reporting season, we expect improving earnings momentum in 2Q on rising rates and seasonality. Competition in the sector is on the increase, and we expect lower fee income and higher marketing spend in the near term as a result of this. Rising customer numbers are now key to increasing revenues - we believe that unfavourable demographic and labour market trends mean the overall market revenue pool will grow slower than before. There is also political and overhang risk in the sector. We make small revision to our earnings forecasts, and recommend waiting for a better entry point into the space.

Simon Nellis  
2 June

#### **NOMOS: A Winning Combination, Initiating with a Buy**

We initiate coverage of Nomos, Russia's eighth largest bank by assets and ninth largest by branches and outlets. While the bank has historically primarily focused on corporate activity, it is in the process of expanding into retail and SME lending (jump-started by the acquisition of Bank Khanty-Mansiysk). The bank has a track record of delivering above-market growth while maintaining solid profitability. We expect the bank to continue to deliver strong earnings growth. Despite higher expected ROE, the bank trades at a discount to its main domestic peers.

Mehmet Colakoglu  
2 June

#### **Bizim: Best in Class with a Strong Growth Outlook**

We initiate coverage of Turkey's leading cash and carry in the fragmented FMGC wholesale sector. Bizim reaches 47% of the country's population and looks well-positioned to benefit from consolidation in the space. Bizim is one of the most efficient and high return companies in our retail coverage, with limited capex and working capital needs and strict opex discipline. There is potential for improvement in margins, while LFL growth is among the highest in our food retail coverage universe. The stock trades on a premium to peers, with the exception of BIM, but we regard it as justified.



## CEEMEA Country Sheets

Figure 18. Russia

Market/Sector	Company	RIC	CIRA Rate	Price 6-Jun-11	Targ Price	ETR	M Cap US\$m	PE 11E 12E	EPS Growth 11E 12E	EV / EBITDA 11E 12E	P/B 11E 11E	ROE 11E 11E	DY 11E	Perf (LC) -3m -12m
<b>Russia</b>														
Banks	Nomos	NMOSq.L	1M	\$ 17.45	21.78	25%	3,031	8.7 6.5	38% 34%		1.5 19%	0.0%		
Banks	Sberbank	SBER.RTS	1M	\$ 3.45	4.91	43%	77,022	7.8 7.1	61% 10%		1.7 26%	2.3%		-3% 53%
Banks	Vozrozhdenie	VZRZ.RTS	1M	\$ 36.05	49.60	38%	856	15.3 8.8	145% 73%		1.3 9%	0.0%		-12% 17%
Banks	VTB	VTBRq.L	1M	\$ 6.05	7.67	28%	31,617	9.6 7.7	74% 25%		1.4 16%	1.0%		-11% 31%
Beverages	CEDC	CEDC.O	1H	\$ 11.73	17.00	45%	853	11.2 8.9	91% 25%	8.8 7.8	0.5 6%	0.0%		-7% -49%
Beverages	Synergy	SYNG.RTS	1H	\$ 37.00	55.00	49%	807	9.2 7.9	26% 17%	6.4 5.2	1.3 15%	0.0%		-12% 17%
Chemicals	Uralkali	URKAq.L	1H	\$ 43.18	52.00	25%	18,346	12.0 11.4	96% 5%	7.0 6.6	6.6 56%	5.0%		1% 134%
Consumer	Rosinter	ROST.RTS	2H	\$ 15.00	18.00	20%	245	21.7 11.4	-5% 90%	8.1 5.6	4.3 22%	0.0%		-36% -6%
Foods	Cherkizovo	CHEq.L	2M	\$ 19.50	21.00	8%	1,259	9.6 7.4	-10% 30%	9.3 7.1	1.5 18%	0.0%		-3% 8%
Metals	Evraz	HK1q.L	3M	\$ 32.20	38.00	21%	14,099	15.8 11.0	274% 43%	6.5 5.5	1.7 10%	2.5%		-14% 24%
Metals	Mechel	MTL.N	1H	\$ 25.64	40.00	56%	13,115	6.9 4.8	138% 42%	6.2 5.4	2.1 37%	2.9%		-12% 33%
Metals	MMK	MAGNq.L	2M	\$ 11.90	17.00	44%	10,074	10.2 10.4	61% -1%	5.3 5.0	1.0 10%	1.5%		-14% 22%
Metals	Norisk Nickel	GMKN.RTS	1H	\$ 254.00	320.00	29%	48,419	6.8 6.5	37% 5%	4.3 3.7	1.9 32%	3.7%		2% 71%
Metals	Novolipetsk	NLMK.RTS	1M	\$ 3.58	5.30	51%	21,456	13.1 10.0	41% 30%	6.7 5.3	2.0 16%	2.7%		-14% 3%
Metals	Petropavlovsk	POG.L	2M	£ 7.48	9.11	22%	2,298	7.3 7.6	544% -3%	5.4 5.6	1.3 20%	0.7%		-31% -39%
Metals	Polymetal	PMTLq.L	2M	\$ 19.50	22.00	13%	6,980	14.4 14.2	118% 1%	9.1 8.4	4.7 39%	0.0%		-2% 66%
Metals	Raspatskaya	RASP.RTS	1H	\$ 5.97	9.00	51%	4,661	8.5 5.8	124% 47%	5.6 3.6	2.3 31%	2.4%		-22% 34%
Metals	Rusal	0486.HK	2H	\$ 10.88	15.00	38%	21,247	5.5 4.9	34% 13%	5.1 3.7	1.3 27%	0.0%		-17% 55%
Metals	Severstal	CHMF.RTS	1M	\$ 17.86	24.00	38%	17,998	8.6 7.0	53% 23%	5.4 4.4	1.9 25%	3.0%		-6% 62%
Oil & Gas	Alliance Oil	AOILsdb.ST	1H	SKr 109.40	151.00	38%	3,031	5.6 5.7	180% -3%	4.1 4.0	1.3 28%	0.0%		-10% 12%
Oil & Gas	CAT oil	O2C.DE	1M	€ 7.44	10.00	36%	530	16.4 11.7	14% 40%	5.6 4.5	1.5 9%	1.5%		0% 4%
Oil & Gas	Eurasia Drilling	EDCLq.L	1M	\$ 31.42	40.00	29%	4,250	16.7 14.7	31% 14%	7.2 6.6	3.2 21%	1.2%		-8% 74%
Oil & Gas	Gazprom	GAZP.RTS	1M	\$ 7.33	10.30	42%	173,408	4.6 4.3	28% 7%	3.0 2.6	0.7 16%	2.1%		-3% 46%
Oil & Gas	Gazpromneft	SIBN.RTS	1M	\$ 4.50	6.30	43%	21,336	3.7 5.2	67% -29%	2.3 2.5	0.9 27%	5.3%		-17% 23%
Oil & Gas	Integra Group	INTEq.L	1M	\$ 3.25	5.50	69%	548	18.1 9.9	174% 83%	4.4 3.8	1.3 8%	0.0%		-11% 35%
Oil & Gas	LUKOil	LKOH.RTS	1L	\$ 64.10	81.00	30%	54,521	4.3 5.0	28% -13%	3.0 3.2	0.7 18%	4.1%		-11% 29%
Oil & Gas	Novatek	NVTKq.L	2M	\$ 146.20	130.00	-10%	44,345	22.1 19.1	50% 16%	17.1 14.6	6.6 35%	1.6%		12% 104%
Oil & Gas	Rosneft	ROSN.RTS	2L	\$ 8.80	9.30	7%	93,264	5.9 7.8	38% -24%	4.7 5.5	1.2 23%	1.8%		-7% 24%
Oil & Gas	Tatneft	TATN.RTS	3H	\$ 5.48	4.69	-12%	12,366	5.4 5.5	49% -2%	4.8 4.8	0.9 17%	3.7%		-13% 34%
Oil & Gas	Tatneft prefs	TATN_p.RTS	3H	\$ 2.89	2.72	-1%	12,366	2.8 2.9	49% -2%	4.8 4.8	0.4 17%	7.0%		-18% 31%
Oil & Gas	TNK-BP	TNBP.RTS	2M	\$ 3.08	3.27	14%	47,335	4.9 5.4	54% -9%	3.6 3.7	1.8 42%	7.9%		0% 58%
Oil & Gas	TNK-BP Prefs	TNBP_p.RTS	2M	\$ 2.71	2.84	14%	47,335	4.4 4.8	54% -9%	3.6 3.7	1.6 42%	9.0%		-1% 60%
Oil & Gas	Surgutneftegaz	SNBS.RTS	2H	\$ 0.96	1.21	28%	38,166	9.7 8.7	-4% 11%	1.8 1.7	0.7 8%	1.8%		-18% 3%
Oil & Gas	Surgutneftegaz prefs	SNBS_p.RTS	1H	\$ 0.50	0.67	42%	38,166	5.0 4.6	-4% 11%	1.8 1.7	0.4 8%	3.4%		-14% 35%
Oil & Gas	TMK	TRMKq.L	3H	\$ 18.82	17.00	-10%	4,075	37.4 13.7	0% 173%	10.3 7.9	1.7 5%	0.6%		-3% 25%
Pharmaceuticals	Pharmstandard	PHSTq.L	1M	\$ 26.00	26.00	0%	3,930	15.5 13.3	15% 17%	10.2 8.2	3.6 27%	0.0%		-7% 15%
Retail	Dixy Group	DIXY.RTS	1M	\$ 14.00	21.00	50%	1,204	43.6 26.2	109% 66%	8.5 6.9	5.2 13%	0.0%		-3% 62%
Retail	Magnit	MGNT.RTS	1M	\$ 143.00	158.00	11%	12,723	30.9 21.7	23% 42%	15.3 11.4	6.1 22%	0.3%		6% 62%
Retail	M.Video	MVID.RTS	1M	\$ 9.45	10.75	15%	1,699	15.9 12.0	34% 33%	6.8 5.0	3.8 26%	1.3%		-1% 105%
Retail	O'Key	OKEYq.L	1M	\$ 11.69	15.00	28%	3,181	24.6 16.7	22% 48%	11.8 8.7	5.5 25%	0.0%		5%
Retail	Seventh Continent	SCON.RTS	2S	\$ 8.00	10.00	25%	600	13.7 11.3	0% 22%	5.8 5.2	0.9 7%	0.0%		-16% -15%
Retail	X5 Retail	PJPq.L	1M	\$ 39.61	54.00	36%	10,757	33.1 20.7	16% 60%	12.3 9.4	4.5 15%	0.0%		-3% 17%

Source: DataCentral. DataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports, and feeds from Reuters, Datastream, Firstcall, IBES and Toyo Keizai

Figure 19. Russia (cont.)

Market/Sector	Company	RIC	CIRA Rate		Price 6-Jun-11	Targ Price	ETR	M Cap US\$m	PE 11E 12E	EPS Growth 11E 12E	EV / EBITDA 11E 12E	P/B 11E 11E	ROE 11E 11E	DY 11E	Perf (LC) -3m -12m	
Russia (continued)																
Shipping	Transneft	TRNF_p.MM	1H	Rbl	41,556	60,000	45%	9,278	2.0 2.5	20% -22%	2.5 2.7	0.3 17%	0.9%		3%	57%
Telecoms	MTS	MBT.N	1M	\$	19.69	28.00	48%	18,871	7.7 6.2	38% 25%	3.7 3.1	3.3 48%	7.8%		-3%	5%
Telecoms	VimpelCom	VIP.N	1M	\$	13.81	27.00	100%	22,485	5.1 4.3	19% 18%	4.5 3.9	1.6 35%	10.7%		-3%	-9%
Transport	Globaltrans	GLTRq.L	1M	\$	17.60	24.25	40%	2,783	11.7 9.4	35% 24%	6.7 5.6	3.0 28%	2.1%		0%	40%
Utilities	Moscow United Disco	MSRS.MM	1H	Rbl	1.30	2.44	89%	2,274	2.7 6.7	42% -60%	1.9 3.1	0.5 20%	1.9%		-9%	-11%
Utilities	FSK	FEES.MM	1M	Rbl	0.35	0.47	36%	15,484	11.0 7.6	33% 44%	5.3 4.7	0.5 4%	0.9%		-14%	13%
Utilities	Holding MRSK	MRKH.MM	1H	Rbl	3.72	6.97	88%	5,917	5.3 4.6	86% 14%	3.7 3.6	0.6 12%	0.9%		-21%	-8%
Utilities	Holding MRSK prefs	MRKH_p.MM	1H	Rbl	2.48	4.53	83%	5,917	3.5 3.1	86% 14%	3.7 3.6	0.4 12%	1.4%		-16%	-9%
Utilities	Inter RAO	IUES.MM	2H	Rbl	0.03	0.05	49%	3,492	17.4 17.3	111% 1%	9.9 9.9	1.3 8%	0.7%		-21%	-28%
Utilities	Lenenergo	LSNG.MM	1H	Rbl	19.00	41.80	121%	759	2.1 8.6	222% -75%	1.7 3.5	0.4 18%	2.0%		-28%	-23%
Utilities	Lenenergo prefs	LSNG_p.MM	1H	Rbl	38.19	42.87	20%	759	4.2 17.2	222% -75%	1.7 3.5	0.8 18%	1.0%		-17%	43%
Utilities	Mosenergo	MSNG.MM	1M	Rbl	2.61	4.00	54%	3,724	9.4 7.8	27% 20%	3.7 3.1	0.5 6%	1.4%		-12%	-20%
Utilities	MRSK Centre	MRKC.MM	1H	Rbl	1.02	1.93	89%	1,547	4.4 4.3	346% 3%	2.8 2.4	1.1 27%	1.1%		-22%	-7%
Utilities	MRSK Centre and Volga	MRKP.MM	1H	Rbl	0.23	0.51	119%	951	4.1 3.2	242% 27%	2.8 2.5	0.7 20%	7.4%		-25%	7%
Utilities	MRSK North Caucasus	MRKK.MM	1H	Rbl	116.17	256.67	121%	123	13.2 6.2	134% 114%	4.2 3.4	0.3 2%	1.9%		-23%	-25%
Utilities	MRSK North-West	MRKZ.MM	1H	Rbl	0.13	0.36	174%	452	4.9 3.6	804% 38%	2.8 2.4	0.5 11%	6.1%		-29%	-42%
Utilities	MRSK Siberia	MRKS.MM	1H	Rbl	0.20	0.59	193%	645	2.7 3.6	701% -24%	2.0 2.7	0.6 23%	1.8%		-27%	-42%
Utilities	MRSK Urals	MRKU.MM	1H	Rbl	0.22	0.45	107%	691	3.8 4.6	211% -17%	2.3 2.4	0.5 13%	8.0%		-22%	-19%
Utilities	MRSK Volga	MRKV.MM	1H	Rbl	0.13	0.24	91%	816	9.6 5.6	14% 71%	3.9 3.1	0.9 10%	3.1%		-25%	7%
Utilities	OGK-1	OGK1.MM	1H	Rbl	0.92	1.50	64%	2,152	6.3 5.7	73% 11%	3.6 3.3	0.8 13%	0.5%		-17%	-19%
Utilities	OGK-2	OGK2.MM	2H	Rbl	1.41	2.06	46%	1,660	6.0 5.7	n/m 4%	4.5 4.3	0.9 17%	0.8%		-7%	-12%
Utilities	OGK-3	OGK3.MM	3H	Rbl	1.41	1.22	-13%	2,404	66.3 n/m	-21% -292%	11.6 - 50.2	0.6 1%	0.0%		2%	-13%
Utilities	OGK-4	OGK4.MM	1M	Rbl	2.39	3.26	36%	5,409	11.0 5.5	37% 99%	7.5 4.0	1.4 14%	1.4%		-7%	-7%
Utilities	OGK-5	OGK5.MM	1H	Rbl	2.36	3.42	46%	2,993	6.0 5.6	243% 8%	4.7 4.2	1.1 19%	1.9%		-7%	1%
Utilities	OGK-6	OGK6.MM	1H	Rbl	1.16	2.27	95%	1,348	25.6 31.8	23% -20%	9.8 10.8	0.6 3%	0.2%		-13%	2%
Utilities	Rushydro	HYDR.MM	1M	Rbl	1.32	2.16	64%	13,786	7.4 6.7	20% 11%	4.0 3.6	0.7 10%	0.7%		-10%	-16%
Utilities	TGK-1	TGKA.MM	1H	Rbl	0.02	0.03	62%	2,229	7.2 6.7	169% 8%	5.9 5.7	0.7 11%	0.0%		-10%	-7%
Utilities	TGK-4	TGKD.MM	2H	Rbl	0.01	0.01	21%	755	59.6 n/m	-62% -370%	7.5 9.7	0.7 1%	0.3%		-18%	-20%
Utilities	TGK-5	TGKE.MM	1H	Rbl	0.01	0.02	70%	571	10.7 5.7	75% 88%	4.3 2.8	0.7 6%	0.5%		-24%	-5%
Utilities	Tomsk Disco	TORS.MM	1H	Rbl	0.46	1.16	153%	73	3.9 2.9	121% 32%	1.9 1.1	0.5 15%	1.4%		-24%	-5%
Utilities	Tomsk Disco prefs	TORS_p.MM	1H	Rbl	0.47	1.02	121%	73	3.9 3.0	121% 32%	1.9 1.1	0.5 15%	1.3%		1%	18%
Utilities	VTGK	VTGK.MM	1H	Rbl	1.82	2.09	15%	1,961	12.1 9.0	82% 35%	6.8 5.4	1.0 9%	0.8%		-8%	28%

Source: DataCentral. DataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports, and feeds from Reuters, Datastream, Firstcall, IBES and Toyo Keizai

Figure 20. South Africa

Market/Sector	Company	RIC	CIRA Rate	Price 6-Jun-11	Targ Price	ETR	M Cap US\$m	PE 11E	PE 12E	EPS Growth 11E	EPS Growth 12E	EV / EBITDA 11E	EV / EBITDA 12E	P/B 11E	ROE 11E	DY 11E	Perf (LC) -3m	Perf (LC) -12m
<b>South Africa</b>																		
Automotive	Barloworld	BAWJ.J	1M	R 67.98	50.00	-24%	2,313	19.3	14.2	74%	36%	4.6	4.0	1.1	6%	1.9%	-5%	60%
Automotive	Imperial	IPLJ.J	1M	R 117.42	112.00	-2%	4,013	11.1	9.4	19%	18%	5.2	4.5	1.7	19%	3.2%	5%	30%
Banks	ABIL	ABLJ.J	1M	R 34.50	42.00	28%	4,091	11.1	9.3	24%	20%			2.0	19%	6.3%	-5%	14%
Banks	Firststrand	FSRJ.J	1M	R 19.85	22.30	19%	16,501	10.1	8.6	18%	18%			2.0	22%	5.7%	4%	24%
Banks	Nedbank	NEDJ.J	2M	R 141.91	149.30	9%	10,615	10.8	8.6	22%	26%			1.3	13%	4.1%	6%	11%
Banks	Standard Bank	SBKJ.J	1L	R 98.56	112.00	18%	23,060	11.8	9.4	17%	26%			1.6	14%	4.1%	-1%	-4%
Banks	ABSA	ASAJ.J	1M	R 134.50	154.10	19%	14,243	10.2	8.3	18%	22%			1.5	16%	4.1%	7%	10%
Cement	PPC	PPCJ.J	3M	R 25.99	23.50	-5%	2,246	15.4	15.1	-18%	2%	8.5	8.3	16.0	95%	4.9%	0%	-15%
Conglomerates	Bidvest	BVTJ.J	2M	R 150.00	146.00	0%	7,240	11.4	9.9	17%	14%	6.0	5.1	2.4	22%	4.0%	-3%	21%
Conglomerates	Remgro	REMJ.J	2L	R 112.29	117.20	7%	8,546	11.4	9.8	23%	17%	6.1	3.9	1.2	11%	2.9%	2%	23%
Construction	Aveng	AEGJ.J	1M	R 35.49	52.00	51%	2,063	7.8	7.2	3%	8%	2.0	1.9	1.0	14%	4.1%	-3%	3%
Construction	Group Five	GRFJ.J	3M	R 30.30	35.00	18%	542	9.1	8.6	-27%	7%	2.1	2.2	1.0	12%	2.7%	12%	-13%
Construction	Murray Roberts	MURJ.J	2M	R 27.90	44.00	62%	1,365	7.3	6.2	11%	17%	3.2	2.8	1.2	15%	4.3%	11%	-28%
Construction	WBH Ovcon Ltd	WBOJ.J	2M	R 109.24	153.00	43%	1,063	6.7	7.2	-8%	-6%	2.7	2.9	1.5	24%	3.0%	-4%	3%
Finance	JSE	JSEJ.J	1M	R 68.17	83.00	25%	856	15.4	11.7	3%	32%	8.5	6.3	3.1	21%	3.3%	-13%	5%
Finance	Brait	BATJ.J	1H	R 16.60	24.00	53%	291	3.6	4.2	124%	-14%			1.0	31%	9.8%	-2%	-20%
Finance	Peregrine Hldgs	PGRJ.J	1H	R 11.20	15.80	44%	381	7.7	6.3	13%	23%	3.4	2.5	1.2	17%	3.3%	6%	-5%
Foods	Illovo Sugar	ILVJ.J	3M	R 25.95	26.00	3%	1,759	20.3	16.3	3%	25%	8.8	7.6	2.0	10%	2.5%	-5%	-7%
Foods	Tongalet Hulett	TONJ.J	1M	R 92.35	135.60	51%	1,430	9.4	8.9	10%	6%	5.7	5.3	1.6	19%	3.5%	-7%	-11%
Travel	City Lodge Hotel	CLHJ.J	2M	R 73.00	78.00	10%	462	16.1	13.2	-5%	22%	9.6	8.2	7.0	41%	3.9%	6%	-1%
Leisure	Gold Reef Resort	GDFJ.J	2M	R 16.05	19.30	25%	2,794	9.0	7.6	17%	19%	19.5	17.7	1.7	18%	5.3%	-7%	-4%
Leisure	Sun Int	SUIJ.J	1M	R 86.50	113.00	34%	1,417	13.7	11.0	18%	25%	5.7	5.0	4.5	42%	3.2%	-6%	3%
Media	Naspers	NPNJn.J	1M	R 402.00	500.00	25%	24,104	18.2	16.7	18%	9%	15.4	12.8	3.5	18%	1.1%	-1%	39%
Metals	African Rainbow Minerals	ARIJ.J	1M	R 194.51	260.00	38%	6,110	9.7	7.7	57%	27%	4.6	3.6	1.8	20%	3.7%	-11%	20%
Metals	AngloGold	ANGJ.J	2M	R 299.00	340.00	16%	16,819	17.4	16.2	154%	7%	7.6	7.1	3.3	22%	1.1%	-9%	-9%
Metals	Anglo American	AGLJ.J	1M	R 334.00	460.00	40%	65,129	9.1	7.4	37%	23%	4.9	4.0	1.5	19%	1.9%	-11%	21%
Metals	Anglo Platinum	AMSJ.J	3M	R 639.95	650.00	4%	24,852	21.1	14.0	57%	51%	10.3	7.6	3.3	15%	2.4%	-7%	-12%
Metals	Assore	ASRJ.J	1M	R 224.50	300.00	39%	4,621	7.7	6.4	48%	19%	5.3	4.3	2.3	34%	4.7%	7%	75%
Metals	Exxaro Resources	EXXJ.J	2M	R 157.60	190.00	25%	8,330	7.6	6.9	45%	10%	9.6	8.2	2.4	38%	4.8%	0%	47%
Metals	Goldfields	GFIJ.J	3M	R 102.00	95.00	-4%	10,840	12.8	15.3	50%	-16%	5.2	6.1	1.7	12%	2.7%	-16%	-3%
Metals	Harmony	HARJ.J	3M	R 92.48	85.00	-8%	5,864	34.6	32.3	128%	7%	12.0	9.4	1.2	3%	0.0%	11%	21%

Source: DataCentral. DataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports, and feeds from Reuters, Datastream, Firstcall, IBES and Toyo Keizai

Figure 21. South Africa (cont.)

			CIRA		Price			Targ	M Cap	PE		EPS Growth		EV / EBITDA		P/B	ROE	DY	Perf (LC)	
Market/Sector	Company	RIC	Rate		6-Jun-11	Price	ETR	US\$m	11E	12E	11E	12E	11E	12E	11E	11E	11E		-3m	-12m
South Africa (continued)																				
Metals	Impala Platinum	IMPJ.J	1M	R	183.86	240.00	34%	17,125	14.3	11.6	33%	24%	7.6	6.3	2.3	16%	3.0%	-9%	3%	
Metals	Kumba	KIOJ.J	3M	R	452.00	430.00	5%	21,463	8.1	7.9	25%	3%	4.4	4.2	7.9	110%	10.0%	-6%	53%	
Metals	Northam Platinum	NHMJ.J	1M	R	44.10	56.00	27%	2,486	26.2	13.6	15%	93%	16.5	8.5	1.3	5%	0.9%	-4%	3%	
Oil & Gas	Sasol	SOLJ.J	1M	R	346.71	440.00	31%	32,841	8.5	7.1	35%	20%	5.2	4.4	1.7	23%	3.8%	-10%	29%	
Packaging	Astrapak	APKJ.J	2M	R	9.05	12.80	41%	180	7.0	6.4	16%	n/a	3.5	3.3	1.1	16%	4.9%	10%	-7%	
Packaging	Nampak	NPKJ.J	2M	R	22.77	24.00	10%	2,330	12.6	11.1	21%	n/a	7.7	6.8	2.2	19%	5.0%	4%	26%	
Paper	Mondi	MNDJ.J	1M	R	65.57	90.00	42%	5,099	10.2	8.4	39%	n/a	5.2	4.5	1.1	12%	4.2%	4%	45%	
Paper	Sappi	SAPJ.J	2M	R	36.10	38.00	5%	2,859	28.4	12.8	87%	n/a	4.9	4.1	1.4	5%	0.7%	0%	22%	
Retail	Massmart	MSMJ.J	3L	R	141.41	139.00	1%	4,256	22.5	18.6	14%	21%	9.9	8.1	6.7	34%	2.9%	0%	20%	
Retail	Pick N Pay	PIKJ.J	1M	R	41.61	49.00	22%	2,947	21.2	15.5	15%	n/a	8.4	6.6	13.6	53%	4.0%	-12%	1%	
Retail	Shoprite	SHPJ.J	1L	R	97.10	109.00	15%	7,781	16.6	13.9	20%	n/a	10.0	8.6	6.1	40%	3.0%	-2%	24%	
Retail	Spar	SPPJ.J	1L	R	89.15	106.00	23%	2,257	15.7	12.8	9%	23%	10.1	8.5	6.4	44%	4.5%	-6%	16%	
Retail	JD Group	JDGJ.J	1M	R	43.65	60.00	42%	1,097	10.2	7.7	31%	31%	6.3	5.2	1.3	13%	5.0%	-12%	4%	
Retail	Lewis Group	LEWJ.J	1M	R	79.44	91.00	20%	1,149	9.1	7.8	18%	18%	6.6	5.7	1.9	21%	5.2%	13%	39%	
Retail	Mr Price	MPCJ.J	1M	R	64.50	79.00	28%	4,366	14.2	12.1	27%	18%	15.3	12.9	6.0	48%	5.0%	6%	48%	
Retail	Truworths	TRUJ.J	1M	R	70.55	81.00	18%	4,780	14.5	12.3	20%	n/a	12.2	10.2	4.8	38%	4.0%	5%	34%	
Retail	Woolworths	WHLJ.J	1L	R	29.80	33.00	15%	3,742	14.5	12.5	21%	16%	3.1	2.7	5.1	40%	4.8%	11%	26%	
Support services	Mvelaserve	MVSJ.J	1M	R	11.77	14.60	29%	246	7.8	6.8	6%	15%	3.8	3.1	1.7	24%	5.1%	-6%		
Telecoms	MTN Group	MTNJ.J	1H	R	141.10	150.00	8%	39,207	12.8	11.8	17%	8%	4.9	4.3	2.3	19%	1.9%	12%	41%	
Telecoms	Telkom	TKGJ.J	1M	R	36.20	50.00	49%	2,780	6.3	6.6	17%	-4%	2.8	2.7	0.5	8%	10.7%	4%	1%	
Telecoms	Vodacom	VODJ.J	1M	R	84.36	75.00	-8%	18,507	12.0	11.0	11%	9%	5.5	5.0	5.7	50%	6.3%	12%	41%	

Source: DataCentral. DataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports, and feeds from Reuters, Datastream, Firstcall, IBES and Toyo Keizai

Figure 22. Poland

Market/Sector	Company	RIC	CIRA Rate	Price 6-Jun-11	Targ Price	ETR	M Cap US\$m	PE 11E	PE 12E	EPS Growth 11E	EPS Growth 12E	EV / EBITDA 11E	EV / EBITDA 12E	P/B 11E	ROE 11E	DY 11E	Perf (LC) -3m	Perf (LC) -12m
<b>Poland</b>																		
Automotive	Inter Cars	IRCR.WA	2M	ZL 90.55	85.40	-6%	472	15	13.5	n/m	9%	9.4	8.6	2.0	14%	0.0%	14%	38%
Banks	BRE	BREP.WA	2M	ZL 339.50	351.00	9%	5,259	14.5	13.6	38%	7%	1.8	13%	5.5%	4%	43%		
Banks	Bank Pekao	BAPE.WA	1L	ZL 166.40	186.00	17%	16,068	16.3	14.0	6%	16%	2.1	13%	5.4%	-2%	6%		
Banks	ING Bank Slaski	SLAS.WA	3M	ZL 856.00	899.00	7%	4,099	13.6	12.1	9%	12%	1.8	14%	2.6%	0%	17%		
Banks	BZ WBK	BZWB.WA	2M	ZL 227.90	248.00	12%	6,130	14.4	12.7	19%	13%	2.3	17%	3.5%	1%	14%		
Banks	Bank Millennium	BIGW.WA	3M	ZL 5.46	5.67	6%	2,438	14.5	12.5	26%	16%	1.6	11%	2.3%	-5%	25%		
Banks	PKO BP	PKOB.WA	2L	ZL 43.32	47.70	13%	19,930	13.7	11.3	23%	21%	2.3	18%	2.9%	0%	16%		
Banks	Kredyt Bank	BKRE.WA	3M	ZL 17.94	16.10	-10%	1,794	14.2	15.7	85%	-10%	1.6	12%	0.0%	8%	15%		
Building materials	Cersanit	CRSA.WA	3M	ZL 10.92	11.00	1%	870	15.9	12.3	25%	30%	9.1	7.3	1.6	11%	0.0%	-12%	11%
Chemicals	Azoty Tarnow	ATTP.WA	2M	ZL 36.75	43.00	17%	529	13.8	12.5	68%	11%	5.1	4.2	0.8	6%	0.0%	-7%	151%
Chemicals	CIECH	CECH.WA	1M	ZL 25.30	34.40	36%	475	12.4	9.4	807%	32%	6.5	5.3	0.9	9%	0.0%	-3%	14%
Chemicals	ZCh Police	PICE.WA	1H	ZL 13.41	14.70	10%	370	11.6	9.3	242%	25%	6.4	6.0	1.6	15%	0.0%	23%	150%
Chemicals	ZA Pulawy	PULW.WA	3M	ZL 123.40	95.40	-23%	868	18.4	14.0	55%	31%	9.7	8.1	1.3	7%	0.0%	8%	102%
Construction	Budimex	BMEX.WA	1L	ZL 91.80	128.50	49%	863	9.3	9.1	n/m	3%	1.2	1.8	3.2	36%	8.6%	-6%	1%
Construction	Mostostal Warsaw	MOWA.WA	3H	ZL 33.49	48.30	48%	247	12.8	11.6	n/m	10%	2.0	1.7	1.2	10%	3.7%	-30%	-53%
Construction	PBG	PBG.G.WA	3H	ZL 139.40	168.10	23%	733	9.5	10.2	n/m	-7%	8.0	6.5	1.1	12%	2.3%	-30%	-34%
Construction	Trakcja Polska	TRKC.WA	1M	ZL 3.05	4.70	57%	261	11.7	7.6	n/m	54%	9.4	6.4	1.1	10%	1.9%	-13%	-27%
Construction	Polimex Most	MOSD.WA	3H	ZL 3.03	4.00	33%	581	12.3	11.3	n/m	9%	4.7	4.2	1.0	8%	1.4%	-18%	-31%
Construction	Rafako	RAFA.WA	3H	ZL 10.90	11.85	9%	279	16.3	14.7	n/m	11%	7.9	6.4	1.7	11%	0.0%	-7%	-17%
Electronics	Elektrobudowa	LBUD.WA	1L	ZL 153.50	202.00	33%	268	13.5	12.4	n/m	10%	7.5	6.5	2.0	16%	1.9%	-2%	-10%
Finance	WSE	GPW.WA	2M	ZL 52.60	44.90	-12%	813	20.3	19.1	n/m	6%	14.7	13.3	3.8	20%	3.9%	12%	
Insurance	PZU	PZU.WA	1L	ZL 391.50	449.00	21%	12,443	16.2	13.1	9%	24%	2.6	19%	6.6%	12%	15%		
IT Services	Sygnity	COMW.WA	3S	ZL 27.09	13.40	-51%	119	n/m	23.4	101%	3850%	10.5	7.1	1.4	0%	0.0%	49%	86%
Media	Agora	AGOD.WA	1M	ZL 20.45	32.50	61%	409	8.2	6.1	44%	34%	3.7	2.7	0.8	10%	2.4%	-23%	-17%
Media	Polsat	CPSM.WA	3M	ZL 17.09	14.40	-12%	2,191	17.4	15.6	17%	12%	14.7	13.1	9.3	59%	3.7%	9%	15%
Media	TVN	TVNN.WA	2H	ZL 17.20	19.00	12%	2,174	24.8	15.3	73%	61%	10.0	7.8	3.9	17%	1.2%	0%	1%
Metals	KGHM	KGHM.WA	3H	ZL 189.10	168.40	-6%	13,920	5.8	7.1	42%	-18%	3.3	3.6	2.0	39%	4.8%	4%	109%
Metals	Kety	KETY.WA	1M	ZL 128.00	137.40	11%	435	12.5	10.9	5%	15%	6.5	5.7	1.3	11%	3.2%	2%	19%
Oil & Gas	PGNiG	PGNI.WA	1M	ZL 4.28	4.27	0%	9,294	12.6	11.9	6%	6%	6.0	5.5	1.0	8%	0.0%	10%	26%
Oil & Gas	PKN	PKNA.WA	3M	ZL 52.10	37.10	-29%	8,202	15.3	11.1	19%	38%	6.9	5.9	1.0	7%	2.0%	3%	39%
Paper	Mondi Packaging	CELA.WA	3M	ZL 86.60	59.00	-32%	1,594	14.9	13.7	82%	9%	9.8	9.0	2.8	20%	1.9%	4%	30%
Pharmaceuticals	PGF	MDIC.WA	2M	ZL 50.80	50.60	0%	230	9.1	7.6	15%	21%	9.8	8.6	1.2	14%	0.0%	-5%	34%
Property	GTC	GTCE.WA	2M	ZL 18.77	20.70	10%	1,516	18.3	48.4	36%	-62%	15.5	22.4	1.0	5%	0.0%	-12%	-21%
Property	Echo Investment	EPRS.WA	1M	ZL 5.29	6.87	30%	818	5.8	10.8	159%	-46%	7.3	12.4	1.0	19%	0.0%	7%	27%
Retail	Emperia	EDRO.WA	3M	ZL 108.90	89.50	-16%	606	6.3	20.9	204%	-70%	23.5	12.5	1.5	26%	2.1%	-4%	25%
Retail	Eurocash	ERCS.WA	1M	ZL 28.66	37.10	31%	1,442	23.5	14.7	21%	60%	12.3	8.2	4.4	25%	1.6%	-4%	45%
Retail	LPP	LPPP.WA	3M	ZL 2,320	1,834	-18%	1,886	21.5	18.2	28%	18%	15.2	13.7	5.0	24%	2.9%	10%	33%
Retail	NFI Empik Media	NFIWo.WA	2M	ZL 17.47	22.00	26%	669	15.8	11.0	27%	44%	6.7	5.0	2.6	16%	0.0%	-12%	1%
Retail	NG2	CCCC.WA	3M	ZL 59.95	60.70	4%	1,026	17.7	14.7	3%	20%	15.2	12.7	4.5	28%	2.6%	0%	9%
Software	Asseco Poland	ACPP.WA	2M	ZL 52.15	63.91	25%	1,489	10.2	9.0	8%	13%	6.8	5.9	0.9	9%	3.6%	0%	-7%
Software	ComArch	COMH.WA	3H	ZL 89.00	76.50	-14%	344	12.8	10.6	24%	20%	8.2	7.2	1.1	9%	0.0%	-5%	2%
Telecoms	TPSA	TPSA.WA	1M	ZL 18.21	21.50	26%	8,952	13.8	12.0	289%	16%	4.7	4.6	1.6	12%	8.2%	8%	16%
Utilities	ENEA	ENAE.WA	2L	ZL 19.47	22.70	21%	3,163	12.5	11.2	3%	11%	4.7	4.8	0.8	7%	3.9%	-12%	10%
Utilities	Kogeneracja	KGEN.WA	1M	ZL 95.00	104.00	12%	521	8.8	10.7	14%	-18%	5.1	5.5	1.2	14%	2.1%	0%	-13%
Utilities	PGE	PGEP.WA	2L	ZL 24.80	22.80	-5%	17,067	10.8	10.8	28%	0%	6.2	6.1	1.1	11%	3.2%	9%	18%
Utilities	Polish Energy	PEPP.WA	3M	ZL 28.32	29.00	2%	222	8.4	6.4	22%	31%	8.2	7.5	1.6	21%	0.0%	3%	-21%
Utilities	Tauron	TPE.WA	1M	ZL 6.60	7.46	16%	4,257	10.3	10.9	29%	-5%	4.0	4.4	0.8	8%	2.9%	7%	
Travel	Orbis	ORBS.WA	3M	ZL 37.90	34.60	-9%	643	36.3	21.7	297%	67%	8.1	6.6	0.9	3%	0.2%	4%	4%

Source: DataCentral. DataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports, and feeds from Reuters, Datastream, Firstcall, IBES and Toyo Keizai

Figure 23. Czech Republic, Hungary, Turkey

			CIRA		Price	Targ		M Cap	PE		EPS Growth		EV / EBITDA		P/B	ROE	DY	Perf (LC)	
Market/Sector	Company	RIC	Rate	6-Jun-11		Price	ETR	US\$m	11E	12E	11E	12E	11E	12E	11E	11E	11E	-3m	-12m
Czech Republic																			
Banks	Komerčni Banka	BKOMsp.PR	2L	Kc	4,100	4,540	17%	9,347	11.9	11.3	-2%	5%			2.1	18%	6.6%	-3%	17%
Telecoms	Telefonica O2	SPTTsp.PR	1L	Kc	417.1	520.0	34%	8,058	13.2	11.6	-17%	14%	5.8	5.6	1.9	14%	9.6%	3%	4%
Utilities	CEZ	CEZPsp.PR	1M	Kc	893	1,040	22%	28,816	11.2	12.3	-15%	-9%	7.1	7.6	2.0	18%	5.6%	10%	1%
Hungary																			
Banks	OTP Bank	OTPB.BU	1M	Ft	5,990	5,996	3%	9,259	9.7	7.7	27%	26%			1.1	12%	5.0%	8%	24%
Telecoms	Magyar Telekom	MTEL.BU	2M	Ft	545	580	16%	3,114	13.6	10.9	10%	24%	4.5	4.3	1.1	8%	10.1%	-6%	-20%
Turkey																			
Airlines	Turkish Airlines	THYAO.IS	1H	TL	4.27	6.50	52%	2,690	11.0	6.2	48%	76%	7.0	6.0	1.0	10%	0.0%	-2%	13%
Automotive	Ford Otosan	FROTO.IS	2M	TL	14.20	15.70	19%	3,139	8.5	8.5	16%	0%	5.8	5.9	2.6	32%	7.0%	4%	46%
Automotive	Tofas	TOASO.IS	1M	TL	7.24	10.15	47%	2,281	8.3	7.2	13%	15%	4.9	4.1	1.9	24%	7.8%	-13%	34%
Banks	Bank Asya	ASYAB.IS	2H	TL	2.60	3.45	33%	1,474	9.3	7.2	9%	28%			1.0	13%	0.0%	0%	-24%
Banks	Garanti	GARAN.IS	2M	TL	7.24	8.60	20%	19,157	9.0	8.1	-1%	11%			1.6	18%	1.9%	5%	11%
Banks	Halkbank	HALKB.IS	2M	TL	12.20	15.00	25%	9,608	7.6	7.3	-6%	4%			1.7	23%	2.6%	10%	15%
Banks	Isbank	ISCTR.IS	2M	TL	5.00	5.70	16%	14,175	8.5	8.1	-12%	5%			1.2	14%	3.1%	5%	3%
Banks	Vakifbank	VAKBN.IS	2M	TL	3.69	4.10	12%	5,812	7.2	6.8	-4%	6%			1.0	13%	0.4%	1%	11%
Banks	Yapi Kredi	YKBNK.IS	1M	TL	4.15	5.90	42%	11,365	8.5	7.3	-4%	16%			1.5	17%	0.0%	-3%	1%
Building materials	Trakya Cam	TRKCM.IS	1M	TL	3.47	4.31	26%	1,319	9.7	9.5	1%	2%	5.4	5.1	1.3	14%	2.1%	14%	60%
Beverages	Anadolu Efes	AEFES.IS	2M	TL	22.35	25.90	18%	6,336	17.0	15.2	18%	12%	9.8	9.0	3.4	21%	2.1%	1%	27%
Beverages	Coca Cola Icecek	CCOLA.IS	2M	TL	22.10	21.60	-1%	3,542	21.4	17.8	33%	20%	12.1	10.3	3.4	17%	1.1%	19%	61%
Chemicals	Petkim	PETKM.IS	1M	TL	2.59	2.46	-2%	1,632	12.1	9.2	64%	32%	8.0	5.8	1.4	12%	7.4%	14%	22%
Conglomerates	Enka	ENKAI.IS	1M	TL	5.12	5.98	18%	8,064	13.4	11.2	10%	20%	8.2	6.8	1.8	14%	0.7%	9%	10%
Conglomerates	Koc Holding	KCHOL.IS	1M	TL	7.32	9.30	30%	11,138	8.3	7.2	23%	16%	0.9	0.4	1.2	16%	3.4%	15%	38%
Construction	Tekfen	TKFEN.IS	1M	TL	5.82	7.90	36%	1,357	10.2	8.9	18%	14%	4.9	4.1	1.2	12%	0.7%	10%	24%
Electronics	Arcelik	ARCLK.IS	1M	TL	8.30	9.50	20%	3,533	9.8	8.5	11%	15%	6.2	5.5	1.5	16%	4.5%	22%	32%
Metals	Eregli	EREGL.IS	2M	TL	4.05	4.60	19%	5,486	8.9	7.7	29%	15%	7.1	6.3	1.2	15%	5.2%	13%	31%
Oil & Gas	Tupras	TUPRS.IS	2M	TL	43.50	44.50	8%	6,863	11.6	11.5	9%	1%	6.5	7.3	2.6	23%	7.3%	11%	41%
Retail	BIM	BIMAS.IS	3M	TL	51.75	46.00	-9%	4,949	29.8	25.1	7%	19%	19.2	15.9	12.7	47%	1.9%	1%	22%
Retail	Bizim	BIZIM.IS	1L	TL	28.30	38.00	36%	713	30.7	22.7	30%	35%	16.4	12.4	9.9	38%	1.2%	11%	
Telecoms	Turkcell	TCELL.IS	2M	TL	8.96	12.00	41%	12,419	7.7	7.2	9%	7%	3.9	3.5	1.8	24%	11.7%	1%	2%
Telecoms	Turk Telekom	TTKOM.IS	1M	TL	7.78	5.90	-18%	17,155	12.4	11.8	12%	5%	6.3	6.1	4.1	34%	7.3%	14%	58%
Transport	TAV	TAVHL.IS	1M	TL	8.60	9.60	12%	1,968	17.9	13.8	75%	30%	10.2	8.7	2.7	17%	1.4%	34%	56%

Source: DataCentral. DataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports, and feeds from Reuters, Datastream, Firstcall, IBES and Toyo Keizai

Figure 24. MENA

Market/Sector	Company	RIC	CIRA Rate		Price 6-Jun-11	Targ Price	ETR	M Cap US\$m	PE		EPS Growth		EV / EBITDA		P/B	ROE	DY	Perf (LC)	
									11E	12E	11E	12E	11E	12E	11E	11E	11E	-3m	-12m
UAE																			
Airlines	Air Arabia	AIRA.DU	1H	Dh	0.71	1.05	49%	900	21.3	13.1	-49%	63%	4.9	4.4	0.6	3%	1.2%	-9%	-18%
Banks	ADCB	ADCB.AD	2S	Dh	3.09	2.21	-28%	4,707	17.7	9.3	252%	91%			1.1	7%	1.8%	40%	96%
Banks	First Gulf Bank	FGB.AD	2M	Dh	17.05	15.33	-7%	6,963	10.5	8.2	5%	28%			1.2	13%	2.8%	19%	33%
Banks	NBAD	NBAD.AD	1M	Dh	11.30	12.50	13%	8,830	9.2	7.8	6%	18%			1.4	17%	3.9%	21%	36%
Logistics	Aramex	ARMX.DU	1M	Dh	1.81	2.47	36%	721	10.3	8.9	23%	17%	6.3	5.1	1.3	13%	0.0%	13%	26%
Oil & Gas	Dragon Oil	DGO.L	2M	£	5.49	6.30	16%	4,632	7.4	7.6	62%	-2%	3.2	3.0	1.8	27%	2.7%	-7%	38%
Ports	DP World	DPW.DI	1M	\$	13.10	14.60	13%	10,873	27.1	22.8	7%	19%	11.4	9.9	1.3	5%	1.3%	22%	49%
Property	Aldar	ALDR.AD	1H	Dh	1.36	4.60	242%	1,067	8.3	5.9	161%	42%	27.2	25.1	0.2	4%	3.7%	8%	-56%
Property	Emaar Properties	EMAR.DU	1H	Dh	3.19	6.20	96%	5,290	18.9	12.5	-62%	51%	8.8	6.9	0.6	3%	1.6%	31%	2%
Property	Sorouh	SOR.AD	1M	Dh	1.35	2.90	115%	965	5.0	2.5	12%	101%	7.4	3.6	0.5	10%	0.0%	30%	-35%
Oman																			
Banks	Bank Muscat	BMAOq.L	2M	\$	7.10	8.43	23%	2,748	9.7	8.2	11%	19%			1.2	14%	5.3%	0%	1%
Qatar																			
Shipping	Nakilat	QGTS.QA	2M	QR	17.30	28.27	66%	2,661	10.5	9.1	24%	15%	8.8	8.4	2.1	21%	2.9%	3%	-9%
Telecoms	QTEL	QTEL.QA	1M	QR	150.70	166.67	17%	7,285	7.1	6.0	14%	17%	4.1	3.6	1.4	20%	8.2%	27%	21%
Kuwait																			
Conglomerates	KIPCO	KPRO.KW	1M	KD	0.38	0.67	79%	1,763	7.9	6.5	-2%	22%	52.6	29.7	0.7	10%	3.9%	1%	21%
Telecoms	Wataniya	NMTC.KW	1H	KD	1.92	2.90	56%	3,528	9.4	9.1	13%	4%	4.0	3.4	1.7	19%	3.6%	20%	14%
Bahrain																			
Metals	ALBA	ALBHBq.L	1M	\$	11.00	14.00	29%	3,443	8.6	9.2	-9%	-7%	7.0	6.7	1.5	18%	5.8%	-4%	
Egypt																			
Construction	Orascom Construction	OCIC.CA	2M	£	266.00	270.00	7%	9,355	12.8	10.9	22%	18%	8.8	7.6	2.9	23%	5.6%	17%	18%
Metals	Centamin	CEY.L	1H	£	1.23	1.66	35%	2,194	9.3	7.3	332%	28%	7.2	5.1	2.5	32%	0.0%	-7%	-22%
Metals	EI Ezz Aldekhela	IRAX.CA	2H	£	652.14	690.00	11%	1,467	12.2	7.8	-1%	57%	7.7	5.8	2.6	22%	5.7%	-1%	-20%
Metals	Ezz Steel	ESRS.CA	1H	£	10.20	13.50	32%	933	22.0	6.3	-11%	251%	6.2	4.0	1.1	5%	0.0%	-36%	-45%
Property	Palm Hills	PHDC.CA	1H	£	2.24	7.80	248%	395	4.5	2.4	11%	88%	4.7	2.9	0.5	11%	0.0%	-54%	-59%
Property	Talaat Mostafa	TMGH.CA	1H	£	4.58	9.90	121%	1,552	3.1	3.6	75%	-14%	2.5	3.4	0.3	11%	4.3%	-30%	-42%
Saudi Arabia																			
Banks	Al Rajhi Bank	1120.SE	2L	SRIs	74.25	81.50	14%	29,699	15.8	12.3	9%	28%			3.4	22%	4.4%	2%	0%
Chemicals	SAFCO	2020.SE	2M	SRIs	179.75	180.0	8%	11,983	12.9	14.5	19%	-11%	11.4	12.6	5.9	47%	7.7%	5%	45%
Foods	Almarai	2280.SE	1L	SRIs	93.50	115.0	25%	5,735	15.2	13.1	10%	16%	10.8	9.7	3.1	21%	2.4%	3%	0%
Foods	Savola	2050.SE	1M	SRIs	27.20	45.0	69%	3,627	13.5	12.3	7%	9%	9.8	8.8	1.7	13%	3.7%	8%	-16%
Real Estate	Dar Al-Arkan	4300.SE	1M	SRIs	8.65	15.4	78%	2,491	5.8	5.0	10%	16%	-	2.3	-	0.6	11%	0.0%	14%
Retail	Othaim	4001.SE	1M	SRIs	99.50	125.0	29%	597	12.7	10.3	9%	23%	10.2	8.3	4.1	35%	3.5%	17%	38%
Telecoms	Saudi Telecom	7010.SE	1M	SRIs	37.00	60.0	74%	19,733	n/m	n/m								1%	7%
Utilities	Saudi Electric	5110.SE	1M	SRIs	14.25	15.3	12%	15,833	n/m	n/m								9%	19%

Source: DataCentral. DataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports, and feeds from Reuters, Datastream, Firstcall, IBES and Toyo Keizai



Figure 25. Frontier Markets

			CIRA		Price	Targ		M Cap	PE		EPS Growth		EV / EBITDA		P/B	ROE	DY	Perf (LC)		
Market/Sector	Company	RIC	Rate		6-Jun-11	Price	ETR	US\$m	11E	12E	11E	12E	11E	12E	11E	11E	11E	-3m	-12m	
Nigeria																				
Banks	First Bank	FIRSTBA.LG	1M	?	13.48	19.00	46%	2,833	9.8	5.8	35%	69%			1.2	13%	4.6%	-7%	-2%	
Banks	Guaranty	GUARANT.LG	2L	?	16.20	17.00	10%	3,041	9.0	7.5	33%	21%			1.9	23%	5.0%	6%	20%	
Banks	Skye Bank	SKYEBAN.LG	1M	?	8.38	15.00	85%	714	6.3	4.7	64%	34%			0.9	15%	6.3%	-8%	3%	
Banks	UBA	UBA.LG	1M	?	6.25	9.00	48%	1,302	11.6	7.2	2506%	62%			1.1	10%	3.4%	-18%	-28%	
Banks	Zenith Bank	ZENITHB.LG	1L	?	15.00	20.00	39%	3,033	9.2	7.7	37%	19%			1.2	14%	5.4%	0%	13%	
Jordan																				
Airlines	Royal Jordanian	RJAL.AM	2H	JD	1.44	1.80	25%	171	n/m	20.7	-337%	128%	-	22.4	3.5	1.3	-20%	0.0%	-6%	-11%
Chemicals	Arab Potash	APOT.AM	3H	JD	42.40	41.0	-2%	4,983	16.0	13.4	35%	19%	10.7	8.8	3.6	24%	1.7%	2%	28%	
Metals	Jordan Phosphates	JOPH.AM	3H	JD	14.00	8.0	-42%	1,481	13.3	14.9	6%	-11%	9.1	10.4	1.7	14%	1.1%	8%	0%	
Pharmaceuticals	Hikma	HIK.L	1M	£	8.67	8.50	-1%	2,763	22.8	17.1	16%	33%	14.4	11.6	3.3	14%	1.0%	18%	26%	
Lebanon																				
Property	Solidere	SOLAq.L	1H	\$	18.06	31.00	78%	2,978	10.2	7.1	17%	44%	9.1	6.2	1.4	14%	6.6%	-4%	-21%	
Slovenia																				
Banks	Nova Kreditna	NKBM.LJ	1M	€	7.80	14.20	82%	445	8.3	4.9	61%	70%			0.5	6%	0.0%	-24%	-30%	
Ukraine																				
Foods	Avangard	AVGRq.L	1M	\$	18.00	22.50	25%	2,029	6.2	6.1	-9%	1%	9.1	8.7	1.2	22%	0.0%	-8%	38%	
Metals	Ferrexpo	FXPO.L	1H	£	4.59	5.75	25%	4,419	n/m	n/m								13%	89%	
Foods	MHP	MHPCq.L	1M	\$	18.15	22.50	24%	1,948	9.4	9.1	9%	3%	7.2	7.3	2.3	28%	0.0%	-5%	43%	
Kazakhstan																				
Banks	Halyk Bank	HSBKq.L	1M	\$	8.95	13.20	47%	2,918	10.9	7.3	48%	49%			1.4	14%	1.1%	-14%	10%	
Banks	KKB	KGBByq.L	3H	\$	5.89	6.30	7%	2,291	13.4	6.3	28%	112%			0.8	7%	0.0%	-22%	-9%	
Metals	ENRC	ENRC.L	1H	£	8.23	10.00	25%	17,333	7.0	6.9	13%	1%	4.0	4.0	1.5	23%	2.8%	-14%	-14%	
Metals	Kazakhmys	KAZ.L	1M	£	12.83	16.00	30%	11,231	6.0	6.0	26%	0%	5.4	5.9	1.2	21%	5.0%	-11%	19%	
Oil & Gas	Kazmunaigas	KMGq.L	1M	\$	21.07	29.50	44%	8,899	4.6	5.4	25%	-16%	1.6	1.1	0.9	22%	6.8%	-13%	-4%	

Source: DataCentral. DataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports, and feeds from Reuters, Datastream, Firstcall, IBES and Toyo Keizai

Figure 26. Multi-nationals with significant CEEMEA exposure (Minks)

Market/Sector	Company	RIC	CIRA Rate	Price 6-Jun-11	Targ Price	ETR	M Cap US\$m	PE 11E	PE 12E	EPS Growth 11E	EPS Growth 12E	CEEMEA exposure	
Multi-nationals with significant CEEMEA exposure (Minks)													
Banks	Erste Bank	ERST.VI	2M	€	34.51	38.00	12%	19,019	14.9	11.7	-2%	27%	Retail, corporate and investment banking; >60% of sales in CEE
Banks	KBC	KBC.BR	1H	€	26.98	40.00	51%	14,075	4.9	4.3	175%	14%	Provider of banking/insurance services: 30% of sales in CEE
Banks	Raiffeisen Intl	RBIV.VI	2H	€	36.17	41.00	16%	10,307	8.3	6.5	11%	28%	Banking operations in Eastern Europe
Banks	Standard Chartered	STAN.L	1M	£	15.88	22.00	42%	61,724	13.5	12.5	21%	8%	Banking group; 20% of sales in Africa and MENA
Banks	Swedbank	SWEDa.ST	2M	SKr	109.60	125.00	18%	20,513	17.1	9.6	151%	77%	Retail banking and financial services; >20% of sales in Baltics
Banks	UniCredit Group	CRDI.MI	2H	€	1.54	1.90	26%	43,274	13.9	9.3	-6%	50%	Commercial banking services; >20% of sales in Eastern Europe
Beverages	Coca-Cola Hellenic	HLBr.AT	1M	€	18.00	22.00	25%	9,615	14.5	13.6	8%	7%	Non-alcoholic beverage bottling: Eastern Europe and Africa
Cement	Lafarge	LAFP.PA	2H	€	45.78	50.00	12%	19,113	15.6	13.0	-3%	20%	Building material supplier; 30% of sales in MENA, owns Orascom Cement
Construction	Chicago Bridge & Iron	CBI.N	1S	\$	35.39	53.50	52%	3,535	17.4	14.3	14%	22%	Downstream oil and gas technology and catalysts in MENA
Construction	FCC	FCC.MC	2M	€	20.55	21.00	9%	3,812	9.0	8.7	-6%	3%	Construction/building material manufacturing; 40% of sales in CEEMEA
Construction	Foster Wheeler	FWLT.O	2S	\$	32.04	39.00	22%	3,970	18.8	20.1	-38%	-6%	Refinery and petrochemical projects onshore in MENA
Construction	GS Engineering & Constr	006360.KS	1M	W	118,000	146,000	25%	5,572	14.7	11.9	7%	24%	Civil engineering and architectural works; 25% of revenues in MENA
Construction	Samsung Engineering	028050.KS	1M	W	242,500	280,000	17%	8,981	27.3	18.4	37%	48%	Engineering/construction services; 75% of backlog in MENA
Construction	Skanska	SKAb.ST	2H	SKr	112.10	125.00	16%	7,755	11.9	13.8	9%	-14%	Construction/project development; 30% of sales in Eastern Europe
Consumer	British American Tobacco	BATS.L	2L	£	27.44	28.00	7%	89,181	15.6	14.3	15%	9%	Cigarette/tobacco product holding group, >30% of sales in SA
Consumer	Imperial Tobacco Group	IMT.L	2L	£	21.80	23.00	10%	36,311	12.0	11.0	10%	9%	Tobacco manufacturing, marketing etc; 20% of sales in CEEMEA
Consumer finance	International Personal Fir	IPF.L	1M	£	3.76	4.10	12%	1,580	14.4	12.6	79%	14%	Consumer finance operations across Eastern Europe
Industrials	Metka	MTKr.AT	1H	€	8.10	11.00	42%	613	7.4	5.9	62%	24%	~90% of backlog from Romania, Turkey and Syria
Industrials	Nexans	NEXS.PA	1M	€	65.68	80.00	24%	2,738	25.6	15.5	212%	65%	Cable manufacturer; >20% of sales in CEEMEA
Industrials	Wienerberger	WBSV.VI	2H	€	13.20	14.50	10%	2,261	n/m	n/m	-332%	102%	Construction material production; >30% of sales in Eastern Europe
Metals	African Barrick Gold	ABGL.L	1M	£	4.53	6.21	37%	3,039	13.9	11.4	273%	22%	Operates gold mines in Tanzania
Metals	First Quantum	FQM.L	1M	£	78.00	100.00	28%	10,773	14.1	10.1	-15%	40%	Copper exploration/production in Africa
Metals	Fluor Corp	FLR.N	1H	\$	63.25	87.00	38%	11,023	31.9	18.5	-47%	73%	Refinery and petrochemical projects onshore in MENA
Metals	Lonmin	LMIL	2M	£	15.83	17.00	7%	5,242	30.7	16.5	432%	86%	PGM production in South Africa
Oil & Gas	Afren	AFRE.L	1H	£	1.63	2.09	29%	2,618	40.5	8.3	92%	388%	West Africa oil production, shallow water offshore
Oil & Gas	McDermott Intl	MDR.N	1S	\$	19.60	33.50	71%	4,597	19.5	15.0	17%	30%	Environmental control group MENA operations
Oil & Gas	Repsol	REP.MC	1M	€	22.53	27.00	25%	40,090	13.5	10.9	67%	24%	Crude oil/natural gas E&P; 20% of sales in North Africa
Oil & Gas	Tullow Oil	TLW.L	2H	£	13.16	15.82	21%	19,157	n/m	28.1	71%	736%	Oil/natural gas E&E; >60% of sales in CEEMEA; production in Africa
Retail	Jeronimo Martins	JMT.LS	1M	€	13.22	13.70	5%	12,121	29.0	22.2	39%	31%	Discount retailer; 50% of sales in Poland (owns 100% of Biedronka)
Retail	Metro	MEOG.DE	2H	€	45.78	50.00	12%	21,742	13.4	12.1	63%	11%	Retailer with 20% of sales in Eastern Europe
Support Services	Aggreko	AGGK.L	1M	£	19.09	17.33	-9%	8,572	24.2	23.2	25%	4%	Portable power generation technologies, 40% of sales in CEEMEA
Telecoms	Ericsson	ERICb.ST	2H	SKr	91.70	88.00	-1%	48,331	14.9	14.2	27%	4%	26% of telecom equipment sales in CEEMEA
Telecoms	OTE	OTEr.AT	2H	€	6.71	8.00	20%	4,794	20.6	12.3	-65%	67%	Telecom operator with 30% of sales in SE Europe
Telecoms	Tele2 AB	TEL2b.ST	2M	SKr	123.30	150.00	27%	9,009	7.9	11.7	52%	-32%	Fixed and mobile operator; 35% of sales in Baltics/Russia
Telecoms	Telekom Austria	TELA.VI	2M	€	8.75	10.50	29%	5,652	19.9	n/m	106%	-81%	Fixed and mobile operator; 35% of sales in Eastern Europe
Telecoms	TeliaSonera	TLNS.ST	3M	SKr	47.20	44.50	0%	33,015	10.0	10.6	13%	-6%	Fixed and mobile operator; 20% of sales in CEEMEA
Telecoms	Vodafone Group	VOD.L	1L	£	1.64	1.95	24%	137,473	9.9	10.0	4%	-1%	Mobile telecom operator; 20% of sales in CEEMEA

Source: DataCentral. DataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports, and feeds from Reuters, Datastream, Firstcall, IBES and Toyo Keizai

## **Notes**

## **Notes**

## 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

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Citigroup Global Markets Korea Securities Limited (CGMK) performs the role of liquidity provider on the warrants of which the underlying asset is GS E&C. As at 07 Jun 11, CGMK holds 3,399,900 Citi ELW 1172 Call warrants & 23 shares of GS E&C.

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Citigroup Global Markets Korea Securities Limited (CGMK) performs the role of liquidity provider on the warrants of which the underlying asset is Samsung Engineering. As at 07 Jun 11, CGMK holds 3,399,700 Citi ELW 1188, 3,598,950 Citi ELW 1189, 3,374,700 Citi ELW 1329 Call warrants & 512 shares of Samsung Engineering.

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DMBH acts as a dealer and regularly trades in the securities of Asseco Poland. DMBH is a market maker in the publicly traded equity securities of Asseco Poland. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients. An employee of Citigroup Global Markets or its affiliates is a Member of the Supervisory Board of AGORA SA.

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DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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DMBH acts as a dealer and regularly trades in the securities of Bank Pekao SA. DMBH is a market maker in the publicly traded equity securities of Bank Pekao SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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DMBH acts as a dealer and regularly trades in the securities of BRE Bank SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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DMBH has received compensation from Bank Zachodni WBK for providing market maker services in the past 12 months. DMBH is a market maker in the publicly traded equity securities of Bank Zachodni WBK. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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the DMBH coverage 0% of which are IB clients.

DMBH acts as a dealer and regularly trades in the securities of CEZ.

DMBH has received compensation from COMARCH SA for providing market maker services in the past 12 months. DMBH is a market maker in the publicly traded equity securities of COMARCH SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

DMBH rating distribution versus Investment Banking Service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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DMBH rating distribution versus Investment Banking Service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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DMBH has received compensation from Echo Invest SA for providing market maker services in the past 12 months. DMBH is a market maker in the publicly traded equity securities of Echo Invest SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

DMBH has received compensation from GPW for providing market maker services in the past 12 months. DMBH is a market maker in the publicly traded equity securities of GPW. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

DMBH acts as a dealer and regularly trades in the securities of Globe Trade Centre S.A.. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients. Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

DMBH is a market maker in the publicly traded equity securities of Inter Cars SA. DMBH rating distribution versus investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients. Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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DMBH rating distribution versus Investment Banking Service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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2011 is as follows. Buy (1) representing 51% of which are IB clients. Sell (3) representing 45% of

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coverage 0% of which are IB clients. Michal Fidi

the DMBH coverage 0% of which are IB clients.



DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31 March 2011 is as follows: Buy (1) representing 31% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 24% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 45% of the DMBH coverage 0% of which are IB clients.

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Johann Steyn, Analyst, holds a long position in the securities of Anglo American PLC.

Rhys D Summerton, Analyst, holds a long position in the securities of Sasol Ltd, Standard Bank Group, FirstRand Limited.

Sergei Osipov, CFA, Associate, holds a long position in the securities of Gazprom, RusHydro, Lukoil, OGK-2 OAO, OGK-4 OAO, OGK-5 OAO, Surgutneftegaz, TKG-5 OAO.

Dilya Ibragimova, Associate, holds a long position in the securities of Sasol Ltd, Gazprom, Kazakhmys Plc.

Rhys D Summerton, Analyst, holds a short position in the securities of African Bank Investments Limited.

A member of the household of Henrik Christiansson, Analyst, holds a long position in the securities of TeliaSonera AB.

A member of the household of Andrzej Powierza, Analyst, holds a long position in the securities of PKO BP.

A member of the household of Ildar Khaziev, Associate, is an officer of Lukoil.

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OTP Bank Plc, Petkim, Polska Grupa Energetyczna, Polish Oil & Gas, ZCh Police, PKO BP, ZA Pulawy, PZU, Repsol, Rosneft, Sberbank RF, Gazpromneft, ING Bank Slaski SA, Telefonica O2 Czech Republic, Tatneft, Telekom Austria, TGK-1 OAO, Tauron Polska Energia, Telekomunikacja Polska SA, Transneft, Türk Telekomünikasyon AS, Vakıfbank, VimpelCom, Bank VTB.

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Data current as of 31 Mar 2011	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Investment Research & Analysis Global Fundamental Coverage	52%	37%	11%	9%	82%	9%
% of companies in each rating category that are investment banking clients	43%	41%	41%	51%	41%	45%

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To satisfy regulatory requirements, we correspond Under Review 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.

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