

Equities

20 April 2011 | 8 pages

EnCana Corp (ECA)

Alert: 'Quick Read' – EPS/CFPS Miss On Weaker Production

Company Update

Hold/Medium Risk	2M
Price (19 Apr 11)	US\$32.66
Target price	US\$32.00
Expected share price return	-2.0%
Expected dividend yield	2.4%
Expected total return	0.4%
Market Cap	US\$24,017M

Price Performance (RIC: ECA.N, BB: ECA US)



Robert S Morris

+1-212-816-3139
robert.s.morris@citi.com

Aneet K Chachra, CFA

+1-212-816-2719
aneet.chachra@citi.com

- Q1 Bottom Line Miss** – EnCana reported Q1 2011 operating EPS of \$0.02 below our \$0.08 estimate and First Call consensus of \$0.13. Operating cash flow of \$1.29 topped our \$1.18 projection and \$1.24 consensus, aided by a \$67 million cash tax recovery (\$0.09/shr) and \$94 million (\$0.13/shr) classified as “Other”. EPS variance stemmed primarily from weaker-than-anticipated production and higher LOE/DD&A expense, while ECA’s average natural gas price realization (including hedges) of \$5.00/MMBtu matched our \$5.01/MMBtu estimate.
- As Production Flattens** – Declined 0.5% sequentially to 3.34 Bcfe/d, or ~2% below our and consensus projection of ~3.4 Bcfe/d. Canadian output rose modestly (up ~1%) with the uptick entirely from a 26% sequentially rise in liquids volumes. However U.S. output dropped ~2% sequentially driven by sizeable declines in its Texas, Piceance and Jonah plays, but partially offset by a 5% qtr/qtr increase in the Haynesville shale. ECA left guidance unchanged, reiterating its full-year production view of 3.475-3.525 Bcfe/d. Note this figure does not incorporate the impact of the pending CNPC Montney deal which will reduce output by ~250 MMcf/d (~8%) following deal closing around mid-year (for more details, refer to our Feb 9th note: [EnCana Inks Mega ~\\$5.4B Canadian JV](#)).
- Alberta Liquids Play Formally Disclosed** – Although EnCana had previously acknowledged amassing acreage in the emerging liquids-rich Alberta Duvernay Shale, it had declined to provide specifics citing on-going leasing activity. Today, however, the company disclosed holding 190k net acres in the play. It also reiterated its liquids opportunities in the Alberta Deep Basin (380k net acres), B.C. Montney (495k net acres), MI Collingwood (425k net acres) and in the Rockies Piceance Basin (240k net acres), but did not provide any specific well results from these areas in its release.
- Haynesville Moving To Pad Drilling** – With the bulk of its Haynesville (~420k net acres) acreage now held-by-production, EnCana is shifting its focus towards pad drilling, resulting in a 25% drilling cost reduction. It expects to further cut supply costs this year by using dedicated completion equipment to replace multiple mobile units.
- Capital Expenditure** – Q1 spending of \$1.29 billion ran modestly ahead of its full-year \$4.4-\$4.8 billion target, but Canadian drilling is typically more active in winter months. We note acquisitions in Canada totaled \$265 million last quarter, likely attributable to the above-mentioned Duvernay leases, while divestitures were \$397 million, including the previously announced sale of its Fort Lupton (CO) gas processing plant for \$299 million. ECA also noted that it continues to seek additional JV partners to develop its B.C. Horn River and Montney lands, analogous to prior deals with Kogas and CNPC.
- Hedges Boosted** – ECA increased its hedge positions significantly during Q1, raising its 2011 hedging by ~300 MMcf/d (~9%), its 2012 hedging by ~650 MMcf/d (~17%) and establishing ~400 MMcf/d of 2013 hedges. It has now protected approximately one-half of its volumes in each of 2011 and 2012, as well as 7% of anticipated 2013 output.
- Earnings Call** – 12pm EST today. Dial-in: 888-231-8191.

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.

Figure 1. EnCana Q1 2011 Variance Analysis (in US\$, production after-royalties)

	Q1 2010 Actual	Q4 2010 Actual	Q1 2011 Actual	Q1 2011 Citi Est.	Q1'11 Act. vs. Q1'11 Citi Est. % Diff.	Q1'11 Act. vs. Q1'10 Act. % Diff.	Q1'11 Act. vs. Q4'10 Act. % Diff.
Canada NGLs (Bbls/d)	13,556	11,327	14,238	13,500	5.5%	5%	26%
Canada Natural Gas (Mcf/d)	1,177,000	1,395,000	1,395,000	1,425,000	-2.1%	19%	0%
Total Canadian Equivalent Production (BOE/d)	209,724	243,828	246,739	251,001	-1.7%	18%	1%
U.S. NGLs (Bbls/d)	10,108	9,206	9,023	9,500	-5%	-11%	-2%
U.S. Natural Gas (Mcf/d)	1,946,000	1,835,000	1,801,000	1,850,000	-3%	-7%	-2%
Total U.S. Equivalent Production (BOE/d)	334,441	315,039	309,190	317,833	-3%	-8%	-2%
Total NGL production (Bbls)	23,664	20,533	23,261	23,000	1%	-2%	13%
Total natural gas production (Mcf)	3,123,000	3,230,000	3,196,000	3,275,000	-2.4%	2%	-1%
Total equivalent production (BOE/d)	544,165	558,867	555,929	568,834	-2.3%	2.2%	-0.5%
Breakdown: Liquids	4%	3.7%	4.2%	4.0%			
Gas	96%	96.3%	95.8%	96.0%			
Liquids Price (\$/Bbl)	\$63.07	\$68.91	\$80.70	\$75.03	8%	28%	17%
Hedged Natural Gas (\$/Mcf)	\$6.14	\$5.03	\$5.00	\$5.01	0%	-19%	-1%
INCOME STATEMENT (\$,000)							
Total Operating Revenues (net)	1,928,000	1,654,000	1,639,000	1,631,798	0%	-15%	-1%
Upstream							
Lease Operating Expense	248,000	280,000	302,000	276,232	9%	22%	8%
Production Taxes	69,000	47,000	53,000	51,000	4%	-23%	13%
Transportation and Selling Expense	211,000	217,000	227,000	223,000	2%	8%	5%
D.D. & A. - Upstream	781,000	797,000	792,000	783,461	1%	1%	-1%
Upstream Operating Expenses	1,309,000	1,341,000	1,374,000	1,333,693	3%	5%	2%
Upstream Operating Income	619,000	313,000	265,000	298,105	-11%	-57%	-15%
Marketing/Midstream							
Marketing/Midstream Margin	8,000	7,000	1,000	6,000	-83%	-88%	-86%
Operating Income - Total							
Interest Expense	530,000	208,000	114,000	194,605	-41%	-78%	-45%
Total Other Expense (Income)	130,000	121,000	119,000	120,000	-1%	-8%	-2%
Corporate Expenses	(145,000)	(181,000)	(235,000)	0	NM	62%	30%
Accretion of Asset Retirement Obligation	(1,370,000)	430,000	152,000	0	NM	-111%	-65%
General & Administrative	82,000	98,000	136,000	95,000	43%		
Income Taxes (Benefit)	438,000	(120,000)	0	18,651	-100%	-100%	-100%
% Effective Tax Rate	23%	25%	0%	25%	-100%	-100%	-100%
Reported Net Income (Loss)							
Reported NI (Loss) Per Share	1,477,000	(42,000)	78,000	55,954	39%	-95%	-286%
Recurring, Diluted NI (Loss) Per Share	1.97	(0.06)	0.11	0.08	39%	-95%	-286%
	0.56	0.09	0.02	0.08	-73%	-96%	-78%
Discretionary Cash Flow							
Cash Flow Per Share	1,176,000	919,000	955,000	871,432	10%	-19%	4%
Cash Flow Per Diluted Share	1.57	1.25	1.30	1.18	10%	-17%	4%
	1.57	1.25	1.29	1.18	9%	-18%	4%
Wtd. Average Shares Outstanding	748,700	736,300	736,300	736,300	0%	-2%	0%
Wtd Average Diluted Shares Outstanding	748,800	736,300	737,600	736,300	0%	-1%	0%
COMPONENT ANALYSIS (\$/net BOE Prod.)							
O&G Operating Revenues - net of royalties	39.37	32.17	32.76	31.87	3%	-17%	2%
Lease Operating Expense	5.06	5.45	6.04	5.40	12%	19%	11%
Production Taxes	1.41	0.91	1.06	1.00	6%	-25%	16%
Transportation and selling expense	4.31	4.22	4.54	4.36	4%	5%	7%
D.D. & A.	15.95	15.50	15.83	15.30	3%	-1%	2%
Accretion of Asset Retirement Obligation	0.25	0.21	0.26	0.22	16%	6%	21%
General & Administrative	1.67	1.91	2.72	1.86	46%	62%	43%
Interest Expense	2.65	2.35	2.38	2.34	1%	-10%	1%
Discretionary Cash Flow/BOE	24.01	17.87	19.09	17.02	12%	-21%	7%
Non-recurring items	1,059,000	(110,000)	63,000	0	NM	-94%	-157%
Deferred Income Taxes	438,000	(95,000)	63,000	20,516	207%	-86%	-166%
Deferred Income Tax %	100%	79%	110%	110%	0%	10%	39%
Discretionary Cash Flow (\$ in Thousands)							
Net Income	1,477,000	(42,000)	78,000	55,954	39%	-95%	-286%
D.D. & A. (upstream and other)	781,000	800,000	814,000	783,461	4%	4%	2%
Accretion of Asset Retirement Obligation	12,000	11,000	13,000	11,500	13%	8%	18%
Deferred Taxes	438,000	(95,000)	67,000	20,516	227%	-85%	-171%
Unrealized Derivatives, FX	(1,532,000)	207,000	18,000	0	NM	NM	NM
Other	0	38,000	(35,000)	0	NM	NM	NM
Discretionary Cash Flow	1,176,000	919,000	955,000	871,432	10%	-19%	4%

Source: Company Reports, Citi Investment Research and Analysis

EnCana Corp

Valuation

Our \$32 price target is based on ECA's stock achieving an EV multiple of 5.2x our 2011 debt-adjusted cash flow estimates based on 'normalized' WTI spot oil and composite spot gas prices of \$90.00/Bbl and \$5.25/MMBtu, respectively, and ~127% of NAV.

Risks

We rate EnCana Medium Risk

Our risk rating on ECA is Medium based on a combination of quantitative and qualitative risk assessments compared to other stocks covered by Citi Investment Research.

Volatile Commodity Prices - EnCana is sensitive to changes in the price of natural gas. A portion of their exposure is hedged, however some of their expected natural gas production is unhedged and subject to market price volatility.

Lack Of Diversification - All of the EnCana assets are now related to natural gas production in North America, and so they lack commodity or geographic diversification and will be adversely affected if natural gas prices are low.

If the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target. Conversely, if the impact on the company from any of these factors proves to be greater than we anticipate, the stock could underperform 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.

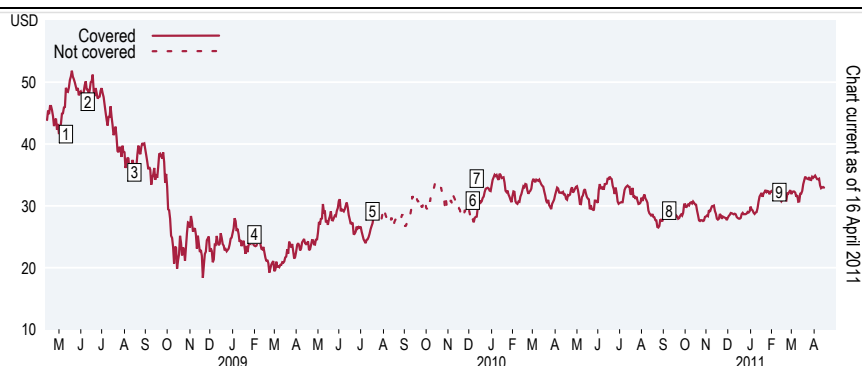
IMPORTANT DISCLOSURES

EnCana Corp (ECA)

Ratings and Target Price History Fundamental Research

Analyst: Robert S Morris

Covered since December 7 2009



	Date	Rating	Target Price	Closing Price
1	12-May-08	2H	*50.84	49.09
2	11-Jun-08	2H	*51.91	48.88
3	15-Aug-08	2H	*40.14	35.45

* Indicates change

	Date	Rating	Target Price	Closing Price
4	2-Feb-09	2H	*25.15	23.55
5	17-Jul-09	Coverage terminated		
6	7-Dec-09	*2M	*16.05	27.83

	Date	Rating	Target Price	Closing Price
7	11-Dec-09	2M	*30.00	28.26
8	9-Sep-10	2M	*28.00	28.94
9	11-Feb-11	2M	*32.00	31.45

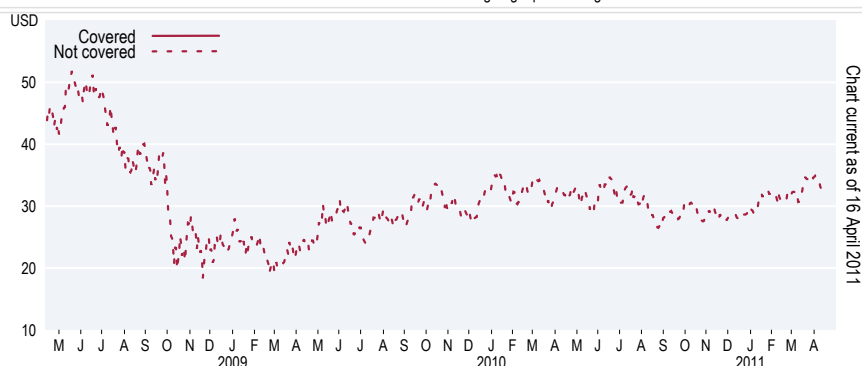
Rating/target price changes above reflect Eastern Standard Time

EnCana Corp (ECA)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Robert S Morris

Covered since December 7 2009



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from EnCana Corp in the past 12 months.

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: EnCana Corp.

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: EnCana Corp.

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.

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. 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 www.citigroupgeo.com. 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 2011

Citi Investment Research & Analysis Global Fundamental Coverage

% of companies in each rating category that are investment banking clients

12 Month Rating			Relative Rating		
Buy	Hold	Sell	Buy	Hold	Sell
52%	37%	11%	9%	82%	9%
43%	41%	41%	51%	41%	45%

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

CIRA's stock recommendations include a risk rating and an investment rating.

Risk ratings, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

Investment ratings are a function of CIRA's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

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). Stocks placed "Under Review" will be monitored daily by management. 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 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 analyst's coverage universe 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 his coverage universe, 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.

For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings are: 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).

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 Inc

Robert S Morris; Aneet K Chachra, CFA

OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 19 April 2011 04:00 PM on the issuer's primary market.

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to EnCana Corp. (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.citigroupgeo.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. Incorporated (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.

The required disclosures provided by Morgan Stanley and Citigroup Global Markets, Inc. on Morgan Stanley and CIRA research relate in part to the separate businesses of Citigroup Global Markets, Inc. and Morgan Stanley that now form Morgan Stanley Smith Barney LLC, rather than to Morgan Stanley Smith Barney LLC in its entirety. For Morgan Stanley and Citigroup Global Markets, Inc. specific disclosures, you may refer to www.morganstanley.com/researchdisclosures and https://www.citigroupgeo.com/geopublic/Disclosures/index_a.html.

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. If the Product is made available in Hong Kong by, or on behalf of, Citigroup Global Markets Asia Ltd., it is attributable to Citigroup Global Markets Asia Ltd., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Product is made available in Hong Kong by The Citigroup Private Bank to its clients, it is attributable to Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. The Citigroup Private Bank and Citibank N.A. is regulated by the Hong Kong Monetary Authority. 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. Foro Buonaparte 16, 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 Nikko Cordial Securities Inc. it is being so distributed under license. In the event that an error is found in a CGMJ research report, a revised version will be posted on the Firm's Global Equities Online (GEO) website. If you have questions regarding GEO, 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, which is regulated by Malaysia Securities Commission. Menara Citibank, 165 Jalan Ampang, Kuala Lumpur, 50450. 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 Comisión Nacional Bancaria y de Valores. Reforma 398, Col. Juárez, 06600 Mexico, D.F. In New Zealand the Product is made available through Citigroup Global Markets New Zealand Ltd. (Company Number 604457), a Participant of the New Zealand Exchange Limited and regulated by the New Zealand Securities Commission. Level 19, Mobile on the Park, 157 Lambton Quay, Wellington. 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 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., a Capital Markets Services Licence holder, and regulated by Monetary Authority of Singapore. 1 Temasek Avenue, #39-02 Millenia Tower, Singapore 039192. 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. 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. 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 Gassef, 4th Floor, Madrid, 28006, Spain. The Product is made available in Taiwan through Citigroup Global Markets Taiwan Securities Company Ltd., which is regulated by Securities & Futures Bureau. No portion of the report may be reproduced or quoted in Taiwan by the press or any other person. 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan. If the Product is related to non-Taiwan listed securities, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities. 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 www.citigroupgeo.com.

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. CIRA concurrently disseminates its research via proprietary and non-proprietary electronic distribution platforms. Periodically, individual analysts may also opt to circulate research 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.

© 2011 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
