Reliance Industries (RELI.BO)

Buy: In-Line 1Q; Projects Inch Closer, but Low Visibility on Timing

- **1Q in-line** — RIL's 1Q net income of Rs41.1bn was up 13% yoy but largely in-line with estimates. Key highlights of the quarter were: (1) sequentially flat GRM of US$15.7/bbl, as differential to Singapore GRM contracted surprisingly, (2) slightly better than expected petchem quarter, and (3) higher crude-led upstream contribution despite lower gas volumes. This was offset by rise in other expenses due to (i) forex losses and (ii) higher conversion & selling costs.
- **GRMs disappoint a tad** —GRM at US$15.7/bbl was below expectations (despite inventory gain of US$1.7); the differential contracted from US$8.5 to US$7.5, against the trend in other diesel-heavy PSU refineries. Absolute EBIT, however, rose 7% qoq, aided by INR depreciation. While petchem margins were flat, EBIT was +8% qoq despite 3% volume decline, as PVC & PX spreads widened.
- **D6 to start soon, resolution of gas allocation critical** — Mgmt. expressed confidence in its ability to sell gas as per gas utilization and pricing policy. On the 80IB tax issue, the issue will likely be resolved in courts once it files its first tax returns. The two refineries would require 10-12mmscmd to start with. The east-west pipeline is ready and currently being tested. RIL also announced a discovery in D6 in a new channel play, which could gain in significance. Meanwhile, MA development plan has been approved for capex of US$2.5bn.
- **RPL commissioning in stages** — Mgmt. indicated that the refinery will be commissioned in stages, i.e., CDU-wise and would involve a period of trial production. However, there was little visibility on the target markets especially gasoline given the increasing challenges in the market.

Buy/Low Risk	**1L**
Price (24 Jul 08)	Rs2,306.55
Target price	Rs2,850.00
Expected share price return	23.6%
Expected dividend yield	0.7%
Expected total return	**24.2%**
Market Cap	Rs3,352,913M US$79,708M

Price Performance (RIC: RELI.BO, BB: RIL IN)

Statistical Abstract

Year to 31 Mar	Net Profit (RsM)	Diluted EPS (Rs)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2006A	90,693	65.10	19.8	35.4	11.2	26.4	0.4
2007A	119,434	82.18	26.2	28.1	5.2	25.8	0.5
2008E	148,046	101.87	24.0	22.6	4.4	21.1	0.7
2009E	198,827	136.82	34.3	16.9	3.6	23.5	0.9
2010E	231,120	159.04	16.2	14.5	3.0	22.5	1.0

Source: Powered by dataCentral

Rahul Singh[1]
+91-22-6631-9863
rahul.r.singh@citi.com

Saurabh Handa[1]
+91-22-6631-9858
saurabh.handa@citi.com

Garima Mishra[1]
garima.mishra@citi.com

See Appendix A-1 for Analyst Certification and important disclosures.

[1]Citigroup Global Markets India Private Limited

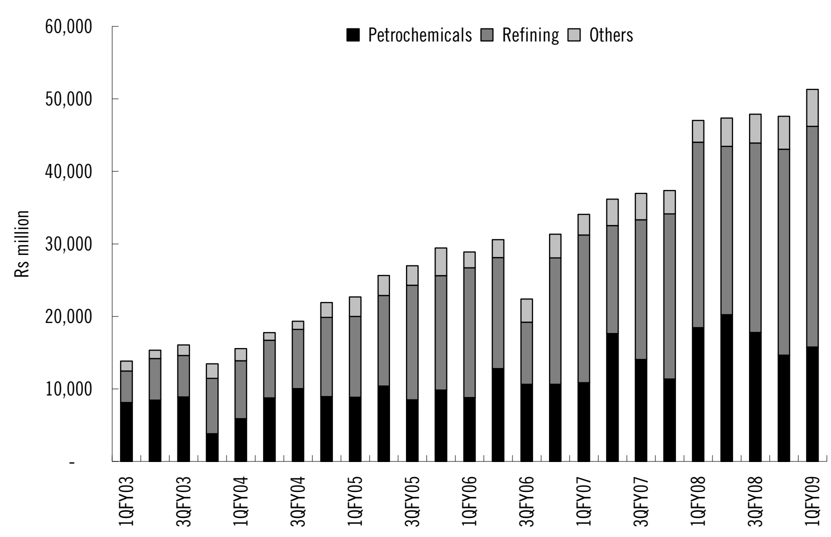
RIL 1QFY09 Results – Key Highlights

Figure 1. RIL 1QFY09 Results (Rupees in Millions)

Year to 31-Mar	1QFY08	4QFY08	1QFY09	% yoy	Comments
Net sales	**295,240**	**372,860**	**415,790**	**40.8%**	Driven primarily by higher absolute prices
Expenditure					
Inc/dec in stock	8,780	12,320	(26,070)	-396.9%	
Raw materials - external purchases	200,100	268,660	341,170	70.5%	
Staff cost	4,960	5,760	6,510	31.3%	
Other expenditure	24,670	25,940	32,970	33.6%	Driven by Rs2.8bn forex losses on WC loans, higher selling & distribution costs, and higher conversion costs
Total	(238,510)	(312,680)	(354,580)	48.7%	
EBITDA	**56,730**	**60,180**	**61,210**	**7.9%**	Sequentially flat petchem as well as refining margins
EBITDA margins	*19.2*	*16.1*	*14.7*	*-449bps*	
Interest	(2,950)	(2,720)	(2,940)	-0.3%	
Depreciation	(11,250)	(13,800)	(11,510)	2.3%	qoq lower due to WDV and as 80% of US$1.7bn capex in 1QFY09 was on E&P and captured entirely in CWIP
Non-op income	1,970	2,890	2,260	14.7%	
PBT	44,500	46,550	49,020	10.2%	
Tax	(5,170)	(5,440)	(5,670)		
PAT after current tax	39,330	41,110	43,350	10.2%	
Provision for deferred tax	(3,030)	(1,990)	(2,250)		
Tax rate (%)	*18.4*	*16.0*	*16.2*	*-227bps*	
Net profit (reported)	**36,300**	**39,120**	**41,100**	**13.2%**	

Source: Company Reports and Citi Investment Research

Figure 2. RIL – Quarterly EBIT Break-up (Rupees in Millions)



Source: Company Reports and Citi Investment Research. Note: Figures from 1QFY08 onwards are post-merger with IPCL.

Figure 3. RIL 1QFY09 Segmental Profitability (Rupees in Millions)

Year to 31-Mar	1QFY08	4QFY08	1QFY09	%YoY	%QoQ	Comments
Revenues						
Petrochemicals	132,130	141,190	148,710	13%	5%	Higher absolute prices; qoq decline in production
% of total	*36.6%*	*32.1%*	*30.7%*			
Refining	223,280	286,860	325,870	46%	14%	Higher absolute prices
% of total	*61.8%*	*65.2%*	*67.4%*			
Oil and Gas	5,180	8,280	7,870	52%	-5%	
% of total	*1.4%*	*1.9%*	*1.6%*			
Others	720	3,420	1,240	72%	-64%	
% of total	*0.2%*	*0.8%*	*0.3%*			
Intra - segment sales/transfers	48,410	52,780	53,190			
Excise Duties recovered	17,660	14,110	14,710			
Net sales	**295,240**	**372,860**	**415,790**	**41%**	**12%**	
PBIT						
Petrochemicals	18,450	14,660	15,790	-14%	8%	Higher absolute qoq EBIT despite production decline due to widening of PVC and PX spreads and weaker rupee
% of total	*39.2%*	*30.8%*	*30.8%*			
Margin	*14.0%*	*10.4%*	*10.6%*	*-24%*	*2%*	
Refining	25,570	28,390	30,400	19%	7%	While GRMs were flat qoq, absolute margins were positively impacted by weaker rupee
% of total	*54.4%*	*59.6%*	*59.2%*			
Margin	*11.5%*	*9.9%*	*9.3%*	*-19%*	*-6%*	
Oil & Gas	2,900	4,470	5,030	73%	13%	Higher crude prices more than compensated for decline in gas production owing to a shutdown at Panna-Mukta
% of total	*6.2%*	*9.4%*	*9.8%*			
Margin	*56.0%*	*54.0%*	*63.9%*	*14%*	*18%*	
Others	110	90	90	-18%	0%	
% of total	*0.2%*	*0.2%*	*0.2%*			
Margin	*15.3%*	*2.6%*	*7.3%*	*-52%*	*176%*	
Total PBIT	**47,030**	**47,610**	**51,310**	**9%**	**8%**	

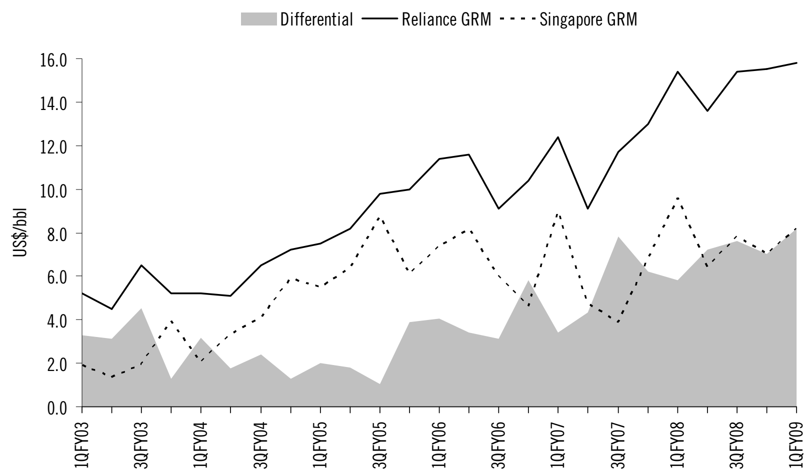
Source: Company Reports and Citi Investment Research

Figure 4. Refining – Key Parameters

Refining	Units	Q1FY07	Q2FY07	Q3FY07	Q4FY07	Q1FY08	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Comments
Singapore complex spreads	US$/bbl	9.0	4.8	3.9	6.8	9.5	6.4	7.8	7.0	8.2	Actuals from Reuters
RIL reported GRMs	US$/bbl	12.4	9.1	11.7	13.0	15.4	13.6	15.4	15.5	15.7	
Effective marketing discount	US$/bbl	-1.8	-0.5	-0.5	-0.2	-0.6	-0.2	0	0	0	Retail volumes minimal
RIL clean GRMs	US$/bbl	14.2	9.6	12.2	13.2	16.0	13.8	15.4	15.5	15.7	
Differential vis-à-vis clean GRMs	US$/bbl	5.2	4.9	8.3	6.4	6.5	7.4	7.6	8.5	7.5	Remained strong, though down qoq despite inventory gain of US$1.7/bbl
Crude throughput	MMT	7.5	8.2	7.9	8.1	8.0	8.1	7.6	8.1	8.1	

Source: Reuters, Company Reports and Citi Investment Research

Figure 5. Differential Between Reported GRMs and Singapore GRMs



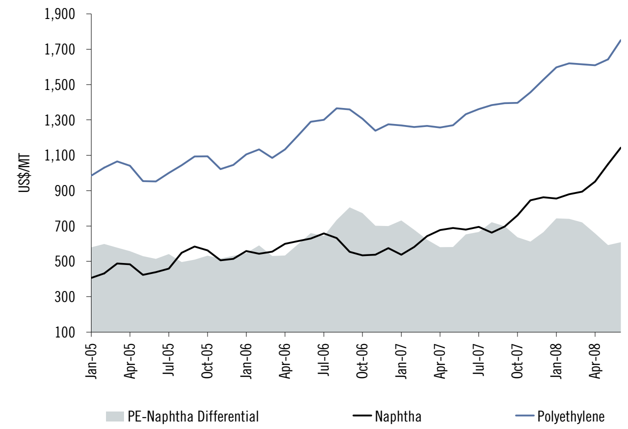
Source: Reuters, Company Reports, Citi Investment Research

Figure 6. RIL Operational Parameters – Petrochemicals and E&P Business

Production		**Q1FY07**	**Q2FY07**	**Q3FY07**	**Q4FY07***	**Q1FY08***	**Q2FY08***	**Q3FY08***	**Q4FY08***	**Q1FY09***	**%YoY**	**%QoQ**
Panna-Mukta												
- Crude	Tonnes	381,997	422,516	485,275	476,686	462,136	479,864	474,500	493,500	321,600	-30.4%	-34.8%
- Gas	mmscm	347	360	476	479	482	532	486	530	353	-26.8%	-33.4%
Tapti	mmscm											
- Gas	mscm	522	420	629	657	576	672	1,052	1,065	1,133	96.7%	6.4%
Polyester (PFY, PSF, PET)	Tonnes	361,000	364,000	389,000	368,000	389,000	387,000	392,000	404,000	410,000	5.4%	1.5%
Fiber intermediates (PX, PTA, MEG)	Tonnes	886,000	1,057,000	1,007,000	1,184,000	1,152,000	1,214,000	1,114,000	1,234,000	1,184,000	2.8%	-4.1%
Polymers (PE, PP, PVC)	Tonnes	469,000	563,000	567,000	801,000	833,000	829,000	852,000	860,000	831,000	-0.2%	-3.4%
Ethylene	Tonnes	162,000	227,000	227,000	224,900	449,020	481,980	488,000	472,000	458,000	2.0%	-3.0%
Propylene	Tonnes	77,000	110,000	110,000	109,400	181,000	187,000	192,000	188,000	181,000	0.0%	-3.7%
Industry demand												
Polyester (PFY, PSF, PET)	'000 Tonnes	512	454	509	565	543	616	581	646	614	13.0%	-5.0%
Polymers (PE, PP, PVC)	'000 Tonnes	977	1030	1081	1280	1114	1214	1254	1441	1147	3.0%	-20.4%

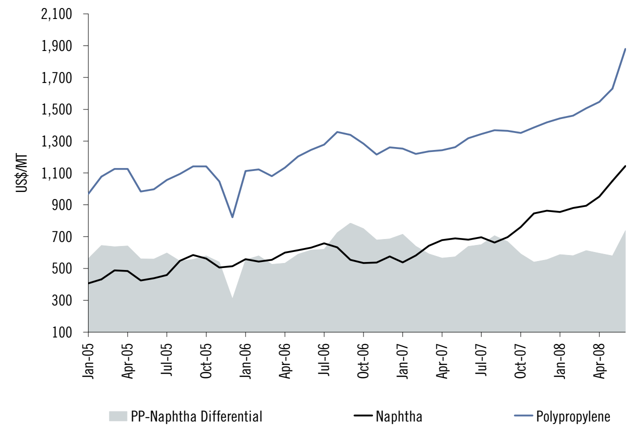
Source: Company Reports and Citi Investment Research. *Using post-IPCL merger figures for petrochemicals.

Figure 7. PE-Naphtha Differential



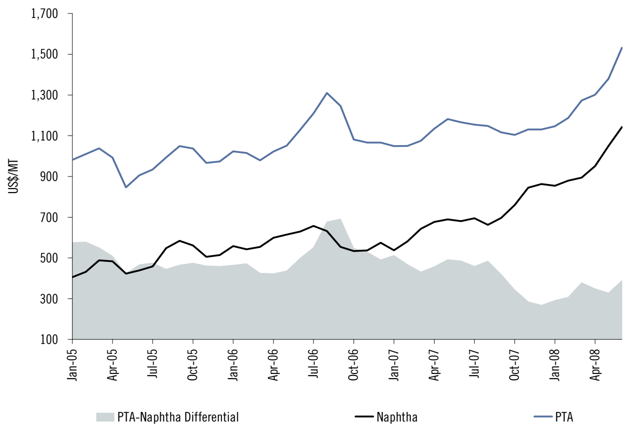
Source: Reuters

Figure 8. PP-Naphtha Differential



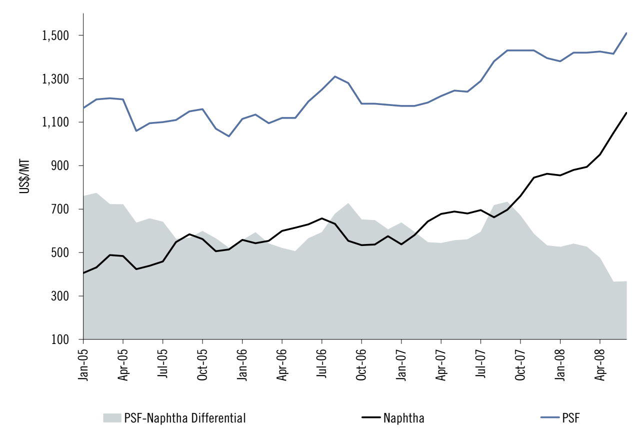
Source: Reuters

Figure 9. PTA-Naphtha Differential



Source: Reuters

Figure 10. PSF-Naphtha Differential



Source: Reuters

Reliance Industries

Company description

Reliance Industries is a conglomerate with interest in upstream oil & gas (E&P), refining, and petrochemicals. It is building a super-size refinery project through its 75% subsidiary (RPL) and is now undertaking development of a large gas find in KG basin. RIL is foraying into organized retailing and has plans to undertake SEZ projects over the medium to long term.

Investment strategy

We rate RIL Buy/Low Risk with a target price of Rs2,850. We expect regional refining margins to remain robust due to project delays in the Middle East, with RIL enjoying an enhanced premium for its superior complexity. E&P business has delivered positive surprise and looks set to become more meaningful in the next 3-4 years as KG D6 field commences production and new discoveries are brought on stream. Upgrade of reserves in KG basin adds to the value, although the NAV of the gas find depends on development capex and the demand profile from anchor customers. Given the track record of exploratory success and the evolving portfolio (much beyond KG D6), RIL's E&P business needs to be valued as a going concern rather than a combination of assets. We have therefore valued E&P business (Rs994/share) on more traditional EV/FCF multiple rather than the consensus NAV approach. Robust demand and delay in capacity additions is likely to push the downturn in petrochemicals cycle into FY10; this should be offset by diversity of products to some extent. Factors such as diversity of revenues, integration across product chains, and volume growth should help RIL tide over downturns in product cycles.

Valuation

Our target price of Rs2,850 is based on a sum-of-the-parts value: 1) we value RIL's core petrochem and downstream oil business on an EV/EBITDA of 6.5x mid-FY10E, in line with regional chemicals and refining peers. The decrease in EV/EBITDA multiple from 7.5x earlier is to capture the impact of a possible global slowdown; 2) We value total E&P assets including oil & gas prospects and other blocks at Rs994/share based on 12x steady state (FY11E) FCF. This is lower than EV/FCF multiple of 15x used earlier as we attempt to be more conservative on valuations; 3) We value investment in RPL at 6.5x EV/EBITDA (in line with RIL); 4) We value organized retail business at Rs131/share, based on EV/sales of 1x; and 5) We value treasury stock at target price.

Risks

We rate RIL Low Risk, as opposed to the Medium Risk suggested by our quantitative risk-rating system, which tracks 260-day historical share-price volatility. Diversified earnings and significant value contribution from the emerging E&P business and investment in listed subsidiaries have led to qualitative changes in the value constituents of the stock. Risks that could impede the stock from reaching our target price are: RIL's margins are exposed to the global petrochemical and refining cycles; the group could be asked to offer larger discounts on products sold to oil public sector units; delays in the key KG-D6 gas development and RPL refinery project; delays in the drilling programme for the new blocks (D9, D3, MN-D4); and the organized retail business would call for significant investment in non-core areas.

Appendix A-1

Analyst Certification

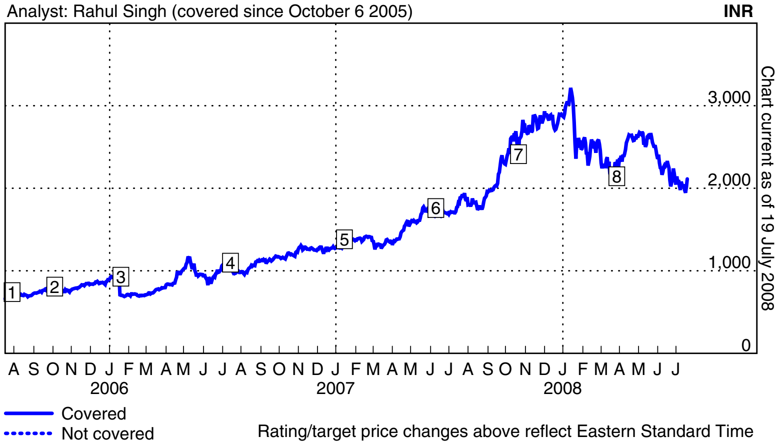
Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the research analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s) also certify that no part of their 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 research report.

IMPORTANT DISCLOSURES

Reliance Industries (RELI.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Rahul Singh (covered since October 6 2005)



#	Date	Rating	Target Price	Closing Price
1:	28 Jul 05	1L	*598.65	NA
2:	5 Oct 05	1L	*697.31	801.95
3:	19 Jan 06	1L	*794.00	704.20
4:	14 Jul 06	*2L	*1,150.00	1,065.15
5:	15 Jan 07	2L	*1,450.00	1,364.65
6:	11 Jun 07	*1L	*2,005.00	1,668.20
7:	21 Oct 07	1L	*2,860.00	2,412.75
8:	27 Mar 08	1L	*2,850.00	2,275.00

*Indicates change.

A director of Reliance Industries serves as a director on Citi's International Advisory Board.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Reliance Industries. This position reflects information available as of the prior business day.

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

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

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as investment banking client(s): Reliance Industries.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: Reliance Industries.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, non-securities-related: Reliance Industries.

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 revenues from, among other business units, the Private Client Division, Institutional Sales and Trading, and Investment Banking.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Investment Research product ("the Product"), please contact Citi Investment Research, 388 Greenwich Street, 29th 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. Private Client Division clients should refer to www.smithbarney.com/research. 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 Ratings Distribution

Data current as of 30 June 2008	**Buy**	**Hold**	**Sell**
Citi Investment Research Global Fundamental Coverage (3096)	50%	36%	14%
% of companies in each rating category that are investment banking clients	53%	52%	42%

Guide to Fundamental Research Investment Ratings:

Citi Investment Research'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 Citi Investment Research's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings are: Buy (1) (expected total return of 15% or

more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).
Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

Guide to Corporate Bond Research Credit Opinions and Investment Ratings: Citi Investment Research's corporate bond research issuer publications include a fundamental credit opinion of Improving, Stable or Deteriorating and a complementary risk rating of Low (L), Medium (M), High (H) or Speculative (S) regarding the credit risk of the company featured in the report. The fundamental credit opinion reflects the CIR analyst's opinion of the direction of credit fundamentals of the issuer without respect to securities market vagaries. The fundamental credit opinion is not geared to, but should be viewed in the context of, debt ratings issued by major public debt ratings companies such as Moody's Investors Service, Standard and Poor's, and Fitch Ratings. CBR risk ratings are approximately equivalent to the following matrix: Low Risk -- Triple A to Low Double A; Low to Medium Risk -- High Single A through High Triple B; Medium to High Risk -- Mid Triple B through High Double B; High to Speculative Risk -- Mid Double B and Below. The risk rating element illustrates the analyst's opinion of the relative likelihood of loss of principal when a fixed income security issued by a company is held to maturity, based upon both fundamental and market risk factors. Certain reports published by Citi Investment Research will also include investment ratings on specific issues of companies under coverage which have been assigned fundamental credit opinions and risk ratings. Investment ratings are a function of Citi Investment Research's expectations for total return, relative return (relative to the performance of relevant Citi bond indices), and risk rating. These investment ratings are: Buy/Overweight -- the bond is expected to outperform the relevant Citigroup bond market sector index (Broad Investment Grade, High Yield Market or Emerging Market); Hold/Neutral Weight -- the bond is expected to perform in line with the relevant Citigroup bond market sector index; or Sell/Underweight -- the bond is expected to underperform the relevant Citigroup bond market sector index. Performance data for Citi bond indices are updated monthly, are available upon request and can also be viewed at http://sd.ny.ssmb.com/ using the "Indexes" tab.

OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 24 July 2008 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 Reliance Industries. (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 subject company(ies) 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 does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Investment Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Smith Barney clients can ask their Financial Advisor 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.

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 to wholesale clients through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992) and to retail clients through Citi Smith Barney Pty Ltd. (ABN 19 009 145 555 and AFSL No. 240813), Participants 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 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. The Product is made available in France by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product may not be distributed to private clients in Germany. The Product is distributed in Germany by Citigroup Global Markets Deutschland AG & Co. KGaA, which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). Frankfurt am Main, Reuterweg 16, 60323 Frankfurt am Main. 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 Italy by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Foro Buonaparte 16, Milan, 20121, Italy. If the Product was prepared by Citi Investment Research and distributed in Japan by Nikko Citigroup Limited ("NCL"), it is being so distributed under license. If the Product was prepared by NCL and distributed by Nikko Cordial Securities Inc. or Citigroup Global Markets Inc. it is being so distributed under license. NCL 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. In the event that an error is found in an NCL research report, a revised version will be posted on Citi Investment Research'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 Financial Supervisory Commission and the Financial Supervisory Service. Hungkuk Life Insurance Building, 226 Shinmunno 1-GA, Jongno-Gu, Seoul, 110-061. 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, which is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In New Zealand the Product is made available 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 Poland by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Papierów Wartosciowych i Gield. Bank Handlowy w Warszawie 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. 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 Inc. (Taipei Branch), 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. No. 8 Manhattan Building, Hsin Yi Road, Section 5, Taipei 100, Taiwan. 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. The Product is made available in U.A.E. by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. DIFC, Bldg 2, Level 7, PO Box 506560, Dubai, UAE. 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 regulated by NASD, NYSE and 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. Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Investment Research'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.