Supply Chain Management :

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Market Environment

- **Global and Regional Supply Chains face common challenges in managing payables and receivables effectively**
  - Pressure to reduce expenses, increase efficiency, and improve working capital
  - Credit constraints, generating working capital efficiently, managing liquidity
  - Capitalizing on automation opportunities
- **Accounts Payable, Procurement and Accounts Receivable cannot lose focus on day-to-day management**
  - Supplier Relationships
  - Operating Efficiencies
  - Control
  - Compliance
- **C-level focus remains on enhancing earnings and creating financial flexibility**

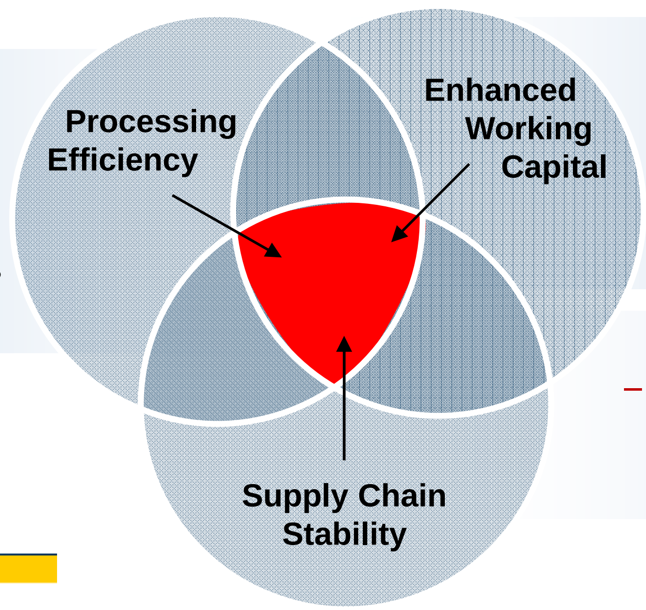
Supply Chain Management Trends

Supplier payments and accounts receivable are subject to a wide range of pressures with goals that can sometimes seem conflicting.

- **The role of the Treasurer is expanding**
  - Increased focus on supply chain management and procurement
- **SSCs are becoming far more than just payments factories**
  - Corporates are looking for ways to further leverage their mature SSCs
- **E-invoicing is a nascent but fast growing practice**
  - Market still fragmented but growth and consolidation is expected

Corporates must balance a range of contrasting priorities for payments and receivables, necessitating a range of innovative solutions

- Efficiency and standardisation
- Centralisation
- Consolidate infrastructure
- Rationalise banking relationships



- Increase DPO
- Reduce DSO
- Early pay discounts
- Visibility and predictability

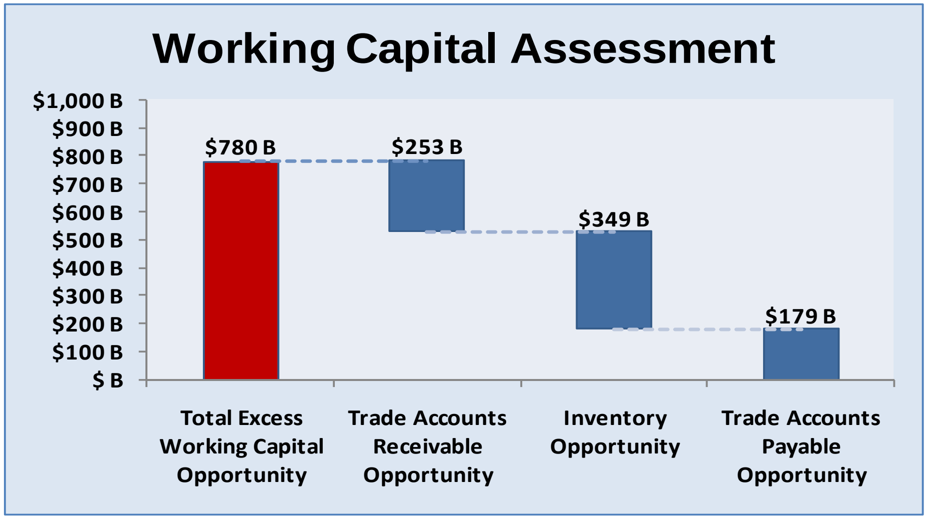
- Ensure an uninterrupted supply flow
- Strengthen supplier relationships

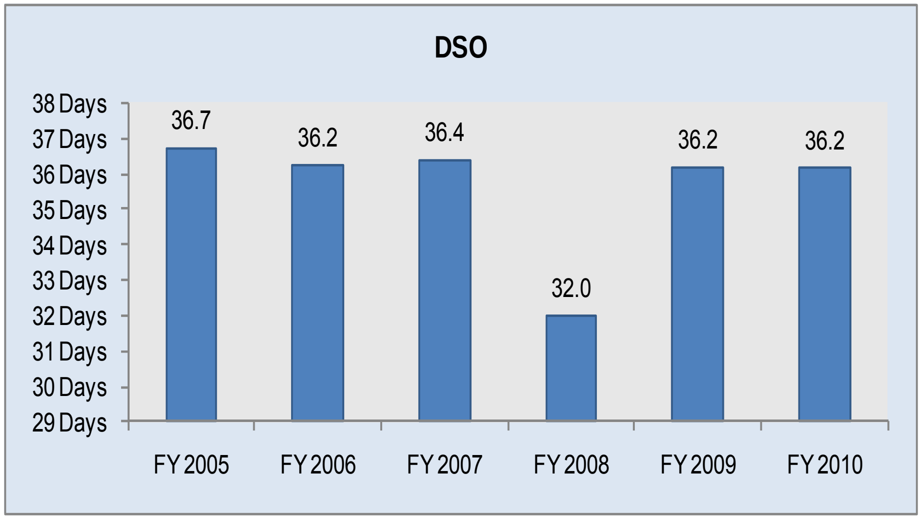
Working Capital Assessment– Trends per Industry and per Country

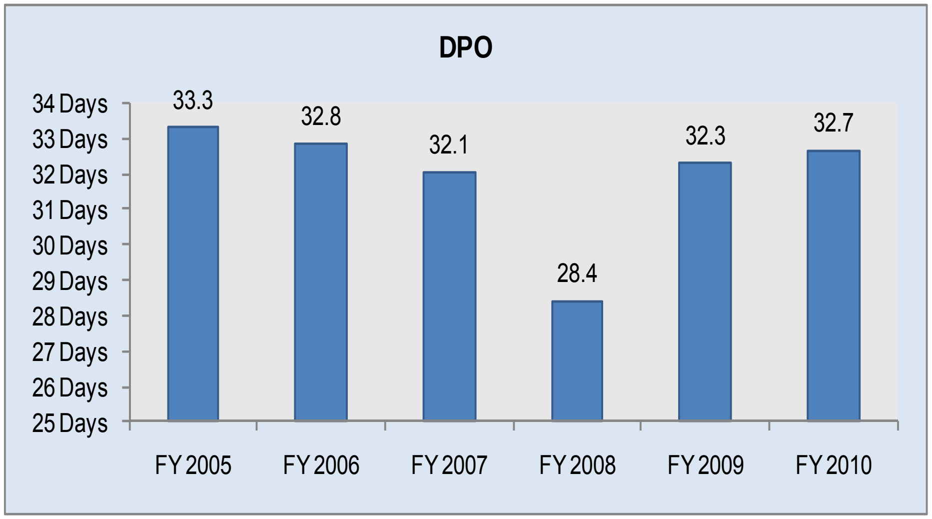
The 13th annual REL survey of working Capital performance for the 1000 largest U.S. headquarter public companies.

FY 2010	
Trade Accounts Receivable Opportunity	$253 B
Inventory Opportunity	$349 B
Trade Accounts Payable Opportunity	$179 B
Total Excess Working Capital Opportunity	$780 B
% Revenue	8.6%
% of Gross Working Capital	31.0%
Cash Flow Improvement Opportunity	$236 B

Cash Flow Improvement Opportunity is the total cash flow available to companies after paying off interest expense, short-term debt, and current portion of long-term debt.





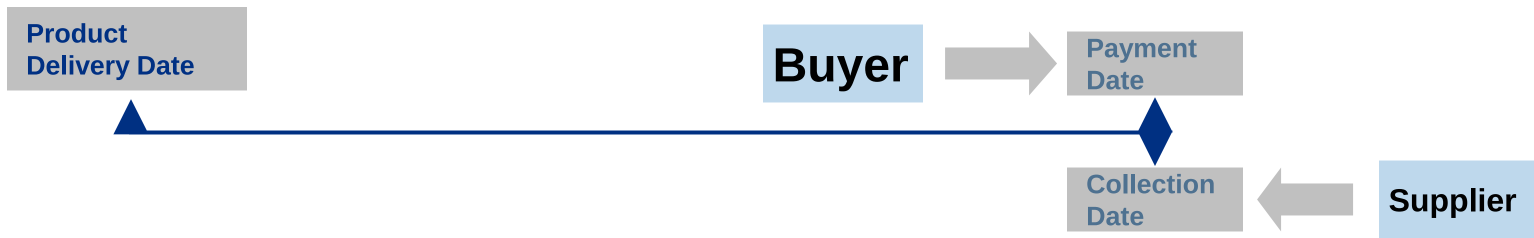


Source: REL Working Capital Reports 2011

Supply Chain Finance Reduces Supply Chain Tension

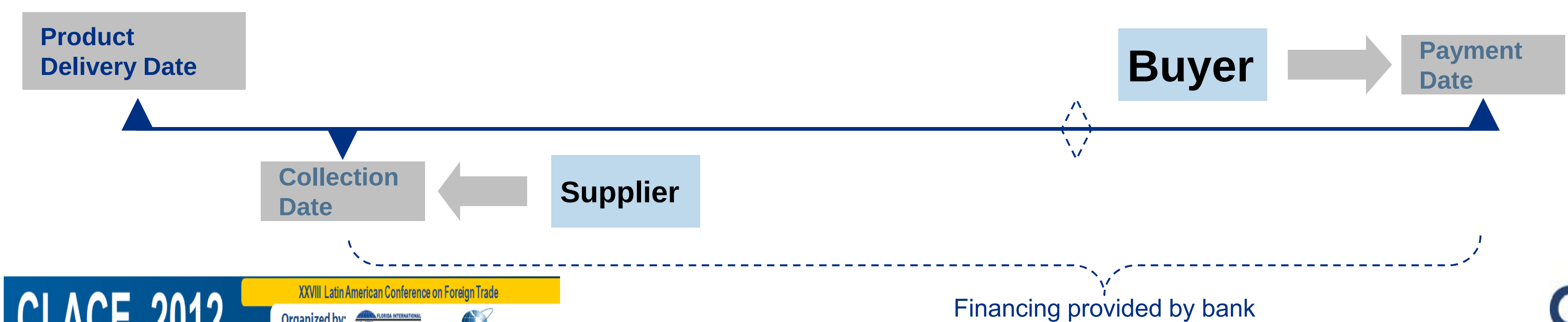
Challenges in the supply chain

- In a traditional commercial terms negotiation, Buyers and Suppliers have conflicting objectives
- Buyers want to pay as late as possible, while Suppliers want to collect their money as soon as possible



Supply Chain Finance

- Supply Chain Finance eases this tension by de-linking the payment date from the collection date
- Suppliers get their money early (reducing their Days Sales Outstanding)
- The bank provides the financing for the period from the collection date to the payment date
- The cost of financing is borne by the supplier and is typically lower than the Buyer's or Supplier's cost of funds
- Buyers can obtain a share of the unlocked value, typically via extending payment terms, reducing COGS or obtaining improved returns on Working Capital

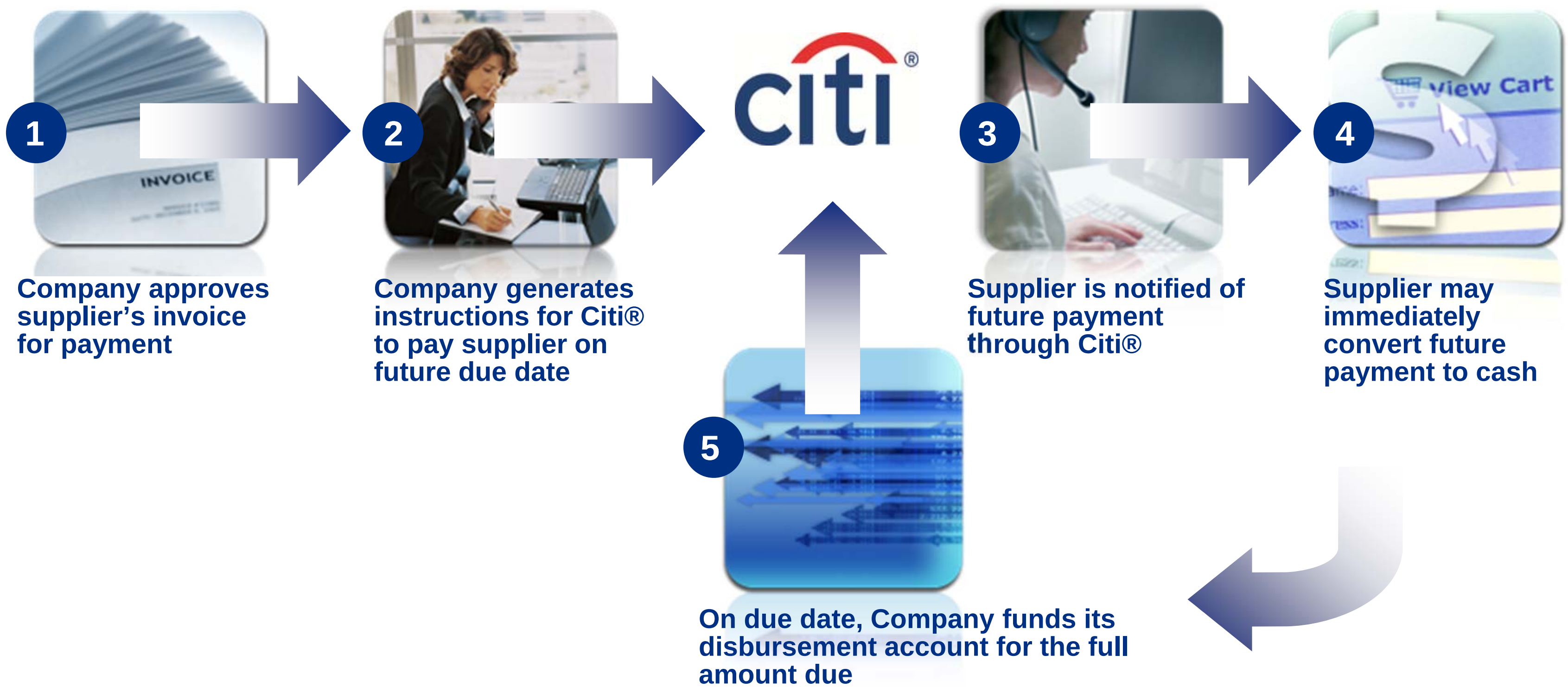


Key Drivers for Supply Chain Management Programs

- **Operational – Reduce costs and drive effectiveness in Procurement and Treasury**
  – Migrate to Electronic Payments (i.e. Check to ACH, Card Settlement, & Supplier Finance)
  – Automate accounts payable and reduce cost of current manual/paper process
  – Shorten invoice cycle time to open up working capital opportunities
- **Working Capital and Cash Management – Drive incremental revenue to bottom line**
  – Gain early visibility into cash and payables requirements
  – Manage Days Payable Outstanding (DPO), Days Sales Outstanding (DSO), payment terms, and early payment discount opportunities
  – Maximize Purchasing Card Rebates
- **Connectivity – Seamlessly interact with ERP and other technology platforms**
  – Minimize impact on legacy technologies
  – Invest in platforms that you can build on and will scale with your business
- **Supplier Experience – Add value to suppliers' experience through portals, B2B networks, and enhanced connectivity**
  – Ease impact on suppliers financial health and prevent pricing increases
  – Provide suppliers with a value added tools in their interactions with buying organization

Citi Supply Chain Finance Solution

Supplier Financing programs are fast becoming another of the important tools considered best practice – Citi estimates that over 50% of S&P companies now use some form of Supplier Finance .



Supply Chain Finance Creates Benefits for Buyer and Supplier

Buyer Benefits

- Improve relationships with suppliers
  - Reduce suppliers' borrowing costs
  - Improve supply chain stability
  - Introduce visibility into the payment process
- Generate value in the supply chain through DPO terms extension or COGS reduction
  - Enhances supplier's ability to accept extended terms
  - Buyer can extract economic value from the interest rate arbitrage
- Transition suppliers to electronic payments
  - Utilize a powerful electronic payment tool and leverage all of Citi's capabilities
  - Provide suppliers with remittance visibility over the Web
- Reduce transaction costs
  - Reduce payment issuance fees
  - Reduce administrative costs in accounts payable and have fewer supplier inquiries

Supplier Benefits

- Attractive liquidity management tool through the early payment option
  - Conversion of accounts receivable to cash through attractively priced, non-recourse sale
  - Frees up borrowing capacity with lenders
- Positive working capital benefits
  - Increased cash flow, reduced Accounts Receivable and Days Sales Outstanding
  - Reduced capital costs (e.g. Accounts Receivable carrying costs)
- Full payment transparency
  - Details on approved payments and their timing
  - Full detail remittance information
  - Certainty of payment
- Ability to receive information and payment in a format that best suits their needs
  - Over the internet in statement or report format

Open Account Trade Defined

Traditional Open Account:
A payment type initiated by the buyer whereby the exporter ships merchandise to the importer and bills the company directly with no additional guarantee of payment. The importer pays according to agreed upon terms between the two parties.

Open Account Trade:
A payment type that allows buyers/importers to outsource the review of trade documents to FIs or other 3rd party vendors (agents). The seller/exporter ships merchandise to the importer and submits required documents such as invoice, packing list, etc. to the banks or agents for review based upon pre-defined criteria. After payment approval from the importer, the bank debits the buyer and pays the exporter. There is no payment guarantee which is an integral part of ILCs.

Open Account Trade – Buyer Benefits

Open Account Trade is an innovative settlement option for buyers and sellers conducting cross-border payments. Buyers will realize the following benefits under the Open Account Trade alternative:

COST

- ✓ Reduces the costs associated with international trade
- ✓ Issuing bank's fees are a fraction of the bank issued LC, as they do not carry the cost of credit
- ✓ Relieve direct credit expense under committed facilities
- ✓ May negotiate lower COGS from supplier due to buyer reducing seller banking fees

PROCESS

- ✓ Less paper intensive than traditional letter of credit
- ✓ More streamlined documentation requirements
- ✓ Company may redeploy human resources for other projects/tasks with reduced time spent on document review/payment process
- ✓ Potential to accelerate the settlement process for the supplier
- ✓ Allows term extension with potential attractive supplier finance rates

In January 2007, Citi released a Climate Change Position Statement, the first US financial institution to do so. As a sustainability leader in the financial sector, Citi has taken concrete steps to address this important issue of climate change by: (a) targeting $50 billion over 10 years to address global climate change: includes significant increases in investment and financing of alternative energy, clean technology, and other carbon-emission reduction activities; (b) committing to reduce GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (c) purchasing more than 52,000 MWh of green (carbon neutral) power for our operations in 2006; (d) creating Sustainable Development Investments (SDI) that makes private equity investments in renewable energy and clean technologies; (e) providing lending and investing services to clients for renewable energy development and projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy & mitigation