Supply and Distribution Chain Solutions

Alternatives to Unlock Liquidity and Support your Financing and Working Capital Needs in Today’s Environment
Relevance in Today’s Market

<table>
<thead>
<tr>
<th>Causes &amp; Effects of Credit Crisis</th>
<th>Market Reaction</th>
<th>Addressing the Need</th>
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</table>
| The “lack of confidence” in the financial market undermined short-term lending. | **Corporates**  
Renewed Focus on Working Capital - Corporates looking for ways improve Cash Conversion Cycle | **Freeing up Working Capital** – Supplier Finance allows both suppliers and buyers to efficiently manage their working capital cycle and reduce costs |
| **Corporate bond spreads** in Europe have more than quadrupled over the last year. Credit Default Swaps at all time highs | **Sourcing Strategy** - Low cost country sourcing- China, India, Central & Eastern Europe still relevant, but financing more critical | **Extracting Liquidity From Sales** - Increasing focus on receivables based solutions as a means to generate financing |
| Significant re-pricing of credit across all customers from SME/MME sector through to major multi-nationals. | **Trading Partners** – Corporates looking for innovative solutions to inject liquidity and working capital into the supply and distribution chain | **Improves Relationships** – Solutions allow corporates to leverage their comparatively stronger credit rating to make liquidity available in a credit constrained environment |
| **Pricing in Central and Eastern Europe** is also rising as the effects of the credit meltdown start to filter into the economies of the less stable emerging markets. | **Governments**  
Various country-level and multi-lateral initiatives to support Banks, SME’s and specific Industries in an effort to reactivate domestic and cross-border trade. | **Full Transparency** - Through our web-based electronic platforms, all parties can view the status of their transactions and predict cash flow on a real-time basis |
| **Capital Markets have shut down** with negligible to no securitization and commercial papers activities |  |  |
Citi Solutions across the Working Capital Chain

Transaction Processing and Settlement
- Supplier
- Procurement
- Delivery
- Production
- Sales
- Transport
- Distribution
- Vending
- End-User

Financing
- Inventory Finance
- Commodity Finance
- Open Account
- Supplier Finance
- Commodity Finance
- Electronic Delivery

Settlement
- Documentary Collections
- Import LCs
- Standby LCs
- Receivables Finance
- Import Finance
- Export Finance/Discounting Bills
- Commodity Finance
- Electronic Delivery

Risk Mitigation and Credit Enhancement
- Distributor Finance
- Risk Mitigation
- Confirmations

PROCUREMENT

SALES
Procurement Cycle: Supplier Finance

Working Capital Solution for Supply Chain
Citi Supplier Finance *(also known as ‘Reverse Factoring’ or ‘Confirming’)*

**Working Capital as a Zero-Sum Game**

*In a commercial terms negotiation, Buyers and Suppliers have conflicting objectives*

- **Extension of terms hurts Suppliers**
  - Reduces liquidity and margins *without* any incremental benefits
  - Acceleration of receivables is costly and limited by Supplier’s credit
- **Initiatives to renegotiate commercial terms often damage relationships**
- **Friction in the relationship ultimately increases costs to both parties**

**Working Capital as a “win-win”**

*De-linking the payment date from the collection date through a Supplier receivables purchase to create a win-win for both parties*

- **Enables Buyers to improve their commercial terms with Suppliers**
- **Enables Suppliers to accelerate collection of their receivables**
  - Immediate non-recourse liquidity, eliminating credit and collection risk
  - Low-cost balance-sheet-friendly form of financing
Win-Win Partnership

Support of Suppliers leads to Savings for Buyer’s Commercial Department and results in positive impact on Buyer’s Working Capital

Targeted Spend: $1 bn
Payment Terms: 60 - 180 days
Supplier’s existing cost of Working Capital Finance: x %
Citi offer of Supplier Finance Solution: Currency LIBOR + spread = y %

Working Capital Loan at x%
Supplier Finance at y%
60 - 120 days after delivery (Maturity Date)

<table>
<thead>
<tr>
<th>Reduction In Cost Of Funding</th>
<th>Payment Terms</th>
<th>60 Days</th>
<th>90 Days</th>
<th>120 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every 50 bps p.a</td>
<td></td>
<td>$0.8 MM</td>
<td>$1.3 MM</td>
<td>$1.7 MM</td>
</tr>
<tr>
<td>Every 100 bps p.a</td>
<td></td>
<td>$1.7 MM</td>
<td>$2.5 MM</td>
<td>$3.3 MM</td>
</tr>
<tr>
<td>Every 200 bps p.a</td>
<td></td>
<td>$3.3 MM</td>
<td>$5.0 MM</td>
<td>$6.7 MM</td>
</tr>
</tbody>
</table>

Savings generated in the Supply Chain can be used by the Buyer to achieve:

Cash Discounts | Extended Payment Terms | Rebates
# Supplier Finance: Value Proposition

<table>
<thead>
<tr>
<th>Why should Buyers be interested</th>
<th>What is the benefit for Suppliers</th>
</tr>
</thead>
</table>
| – Helps make revision of sales terms more acceptable  
Improving commercial terms without increasing cost to the supply chain | – Attractive liquidity tool through early payment option  
Conversion of accounts receivable to cash through attractively priced, non-recourse sale  
Frees up credit lines to capture additional business with lenders |
| – More control over your accounts payable  
Improved cash flow by reducing working capital and related funding costs | – Positive working capital benefits  
Increased cash flow, reduced Receivables |
| – Improve relationships with Suppliers  
Introduce visibility into the payment process  
Support key suppliers through provision of sales-linked finance | – Full payment transparency  
Details on approved payments and their timing  
Possible flexibility to request discounting at any time during the life of the transaction |

<table>
<thead>
<tr>
<th>Where are we seeing more demand</th>
<th>Who are the Key Stakeholders</th>
</tr>
</thead>
</table>
| – Industry Sectors  
Retail, Autos, Industrials, Consumer & Healthcare, Telecom | – Treasurer |
| – Countries (in EMEA)  
Turkey, Russia, Poland, Kenya, Nigeria, Egypt, Germany, Italty, Spain | – CFO |
| | – Purchasing / Procurement Manager |
| | – Payables Manager |
| | – IT |
Product Structure & Client Experience

Major European Clothing Retailer

Client Need
- A solution covering multiple countries across Eastern Europe and Northern Africa
- Providing suppliers with a competitive source of financing whilst extracting costs from the supply chain
- Client needed an internet-based solution for ease of access for suppliers to request discounting

Citi Solution
- A Supplier Finance Solution covering Hungary, Romania and Tunisia
- Integrated STP solution linking with client’s ERP (SAP) system, providing visibility and flexible financing options for their suppliers

Benefits
- Over 200 suppliers actively discounting through the program.
- Our client has increased their payables by 15% and achieved working capital savings in excess of €10MM.

Client Testimonial
“Many of our vendors are now approaching us proactively to join the SF program and take advantage of the competitive financing”

Steps
1. Supplier ships goods and invoices buyer.
2. Buyer accepts and approves invoices and electronically instructs Citi to pay supplier on future due date
3. Supplier is notified via Internet (email and website) of payment and can choose to discount invoice without recourse
4. Citi makes payment to supplier (Auto Financing/ Optional Financing)
5. Citi debits buyer’s disbursement account for full amount of payment on invoice due date.
Supply Chain Innovation: Citi Procure to Pay

Citi® Procure to Pay is a global, integrated and modular solution for:

<table>
<thead>
<tr>
<th>Invoice Automation</th>
<th>Electronic Payment Solutions</th>
<th>Working Capital Solutions</th>
<th>Spend Analytics</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Electronic Purchase Order and Invoice Processing</td>
<td>- Settlement via Purchasing Card or ACH</td>
<td>- Supplier Finance</td>
<td>- Discount Optimization Analysis</td>
</tr>
<tr>
<td>- P.O. and Invoice Status Reports</td>
<td>- Integration with MasterCard Paylink Gateway, which provides:</td>
<td>- Discount Management</td>
<td>- Supplier Spend Analysis</td>
</tr>
<tr>
<td>- Approval Routing and Workflow</td>
<td>- Buyer Initiated P-Card Processing</td>
<td>- Dynamic Discount Management</td>
<td>- P-Card Optimization Analysis</td>
</tr>
<tr>
<td>- Paper to Electronic Invoice Conversion</td>
<td>- Rich Remittance Data</td>
<td>- Standard Terms</td>
<td>- Maverick Spend Analysis</td>
</tr>
<tr>
<td>- Contract Compliance</td>
<td>- Registry for managing P-Card and supplier bank account data</td>
<td>- Purchasing Card</td>
<td>- Supplier Consolidation Analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Supplier analysis and payment decisioning</td>
<td>- Consolidated view of corporate spend</td>
</tr>
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Comprehensive supplier enablement and supplier value added services across all modules
Sales Cycle: Receivables Finance

Unlock the liquidity potential of your receivables
Squeeze out liquidity from your receivables

Credit crunch need not to “Crunch” your company

In the current market environment, where securitisation markets have tightened and unsecured bank lines are mostly unavailable, unlocking liquidity has become a significant demand from our clients.

Citi’s global footprint and its presence in more than 100 countries allows the delivery of customised Accounts Receivable Finance solutions to our clients across the Globe.

Cash Conversion Cycle = DIO+DSO-DPO

Where:

DIO = days inventory outstanding ; DSO = days sales outstanding ; DPO = days payable outstanding
# Accounts Receivable Finance: Value Proposition

<table>
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<th>Seller Benefits</th>
<th>Buyer Benefits</th>
</tr>
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<tbody>
<tr>
<td><strong>Sales Growth</strong></td>
<td><strong>Enhancement of Liquidity and Working Capital</strong></td>
</tr>
<tr>
<td>- Enhance product distribution and grow revenue stream</td>
<td>- Increases DPO</td>
</tr>
<tr>
<td>- Build greater client partnerships with sales channels</td>
<td><strong>Low cost of capital</strong></td>
</tr>
<tr>
<td>- Inject liquidity into distribution channels</td>
<td>- Reduced cost of working capital funding</td>
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<tr>
<td>- Scaleable, quickly deployable program across various countries;</td>
<td><strong>Facilitates downstream sales</strong></td>
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<tr>
<td></td>
<td>- Supports sales to the end user (retailers or consumers)</td>
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<tr>
<td><strong>Balance Sheet Management</strong></td>
<td><strong>Improved information flow</strong></td>
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<tr>
<td>- Improve working capital and reduce DSO</td>
<td>- On-line management and transparency including dilutions, payment activities and history</td>
</tr>
<tr>
<td>- Manage and improve Cash Flow precisely and efficiently</td>
<td>- Operational efficiency in the management of Accounts Payable</td>
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<td>- Reduces their overall administration and operating costs;</td>
</tr>
<tr>
<td><strong>Risk Mitigation and bank limit utilisation</strong></td>
<td><strong>Reduced Administration</strong></td>
</tr>
<tr>
<td>- Limits overall commercial credit risk</td>
<td>- Paperless office via electronic communication channel</td>
</tr>
<tr>
<td>- Leverage existing bank lines (buyer risk, insurance)</td>
<td><strong>Outsourcing of receivables management</strong></td>
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<td>- Operational efficiency in the management of Accounts Receivable</td>
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Accounts Receivable Finance Solutions

- Concentrated Large Ticket AR Solutions
- Single name Receivables Purchase
- Negotiable Instruments Purchase
- Distribution Finance
- Insured Portfolio Receivables Purchase
- Portfolio Solutions
Structured Promissory Note Discounting

- **Seller:**
  - Need:
    - Commercial risk mitigation and derecognize A/Rs from the balance sheet

- **Buyer:**
  - Need:
    - Efficient WC management with DPO extension
    - Gain additional liquidity from other than securitization or unsecured bank lines
    - Allow the Buyer to utilise the provided commercial credit limit with the Supplier for further transactions

- **Transaction Amount:** $48MM, up to one year tenor

- **Citi solution to address the customer need:**
  - A/R purchase
  - A/R documentation: negotiable inst., P/N

- **Deal timeframe:** 4 Weeks
Unlock Liquidity for Large Ticket Receivables

Client need
- Major telecom manufacturer selling to global and country telecom operators.
- Unlock liquidity and risk mitigation for each telecom operator
- Off Balance Sheet Financing

Citi Solution:
- $150 million Non Recourse Account Receivable Purchase
- Tenors up to 360 days
- Irrevocable Payment Undertaking from Buyer
- Available on a non-committed basis to three selling entities in Asia and Africa, with scope for accession of additional entities

Steps
1. Supplier ships goods and invoices buyer.
2. Supplier offers receivables to Citi, Citi confirms purchase of receivables
3. Supplier notifies buyer of assignment of receivables
4. Buyer acknowledges assignment of receivables
5. Citi advances discounted funds to Supplier
6. Buyer pays Citi face value of invoices on maturity date

Benefits:
- Consistent global solution to client covering all regions
- Cost efficient financing based
- Cash acceleration to enhance working capital position
Grow Sales via Distribution Finance

Client need
- Major multinational tech company needed to inject liquidity into distributor base
- Aim: to support distributors to increase level of purchases
- Programmatic approach required covering wide distributor network.

Citi Solution
- $500 million Distribution Finance Solution
- First loss deficiency guarantee support from seller

Benefits
- Additional liquidity in the sales channel to allow stock accumulation – increased sales
- Seller support enables buyers to enjoy an arbitrage margin, in addition to increased product margin (if earlier payment discount offered)

Steps
1. Manufacturer ships goods and invoices distributor. Distributor accepts invoices
2. Invoices assigned to Citi by Manufacturer
3. Assignment of invoices acknowledged by distributor
4. Citi discounts invoices and advances funds to Manufacturer
5. Distributor pays Citi at maturity; optional extension of payment terms
Leveraging Insurance to Unlock Liquidity

Credit Insured Accounts Receivable Solution

Client Need
- Major manufacturer selling to distributors through multiple local European subsidiaries.
- Discount portfolio of domestic and export receivables with variable payment tenors.
- Client had an existing credit insurance policy.

Citi Solution
- $100 million Credit Insured Accounts Receivable Purchase Solution.
- Based on insured buyer risk (No credit lines required on buyer or seller).
- Available on a non-committed basis for two selling entities in Eastern Europe
- Structure has scope for accession of additional selling entities

Steps
1. Supplier ships goods and Invoices Buyer
2. Accounts Receivable assigned to Citi by Supplier
3. Citi pays discounted funds to Supplier
4. Buyer Pays Citi on due date per original payment terms
5. In the event payment not received, a claim is lodged with the Insurer and Insurer pays Citi for insured amount
6. In the event payment not received, Supplier pays Citi for the uninsured amount and any payment dilutions

Benefits
- Cost efficient financing based on the insured risk of portfolio of buyers
- Cash acceleration to enhance working capital position
- Scope for Off Balance Sheet treatment under IFRS and US GAAP
Weathering the financial storm

- Supply Chain stability becoming imperative
- Balancing working capital optimization and the health of your main trading partners is critical
- Innovative Supply Chain Finance Solutions can help address these needs by improving operating efficiency and generating liquidity
- Experienced and reliable financing partners with a global presence are well positioned to deliver these solutions consistently across geographies

Thank You!!

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EMEA Supply Chain Finance Platform - CitiConnect

Capabilities:

- Web-based user interface
- Multi-currency payment capability
- Visibility of accepted invoices to all transaction parties
- Flexibility for Sellers to opt for “Financing” or “Collection” services
- Facilitates online invoice upload, approval and reconciliation process for both Sellers and Buyers
- Ability to handle multiple formats (File Formats – ISO XML, SAP-IDOC) directly from ERP (H2H)
- Report Designer & Scheduler
- CitiConnect is available in English, Spanish, Italian, Polish, Turkish, German and French being rolled out.
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