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Working Capital: Impact on Shareholder Value

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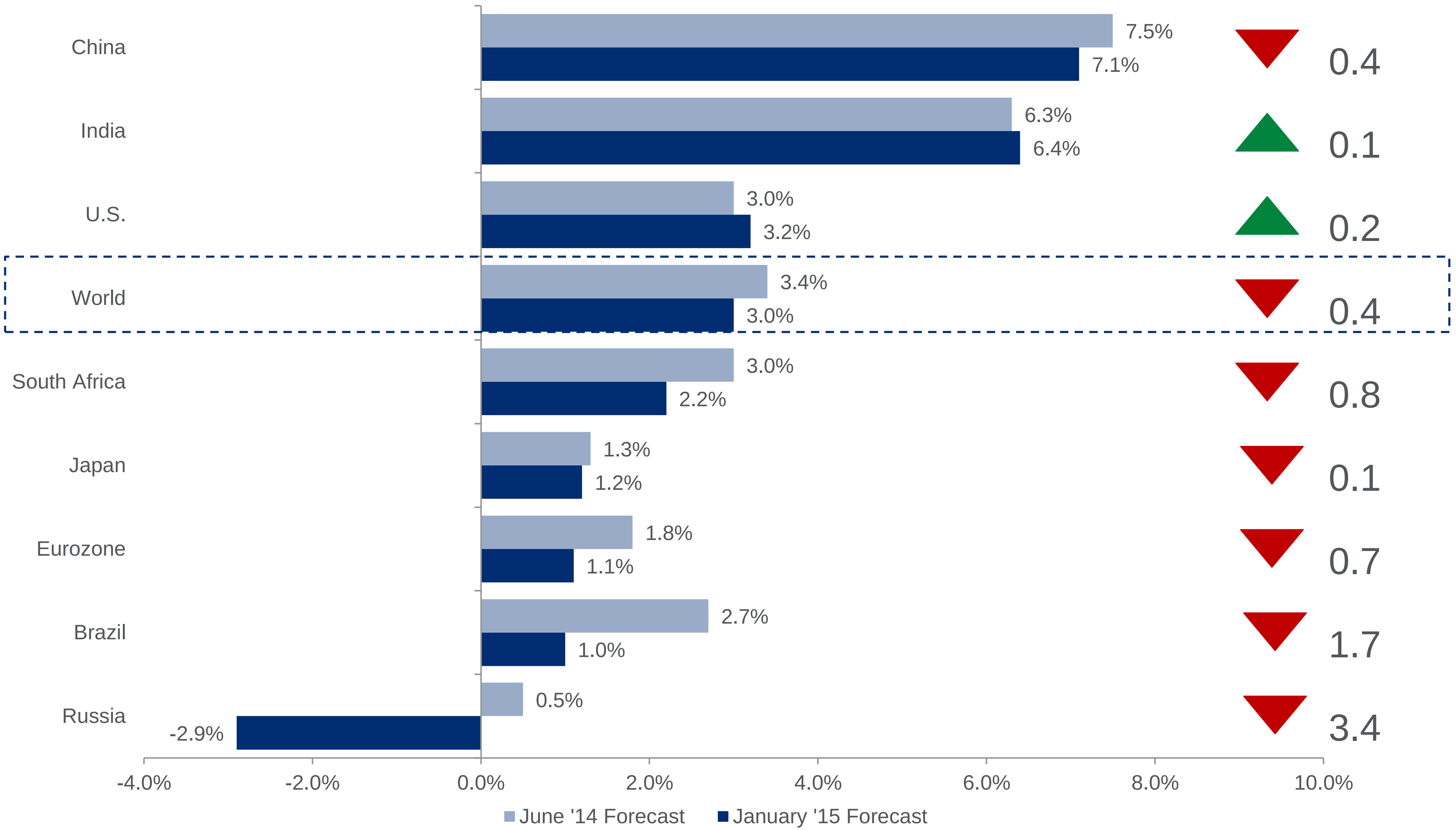
2015 Economic Forecasts Are Being Lowered by the WB

World Bank takes a dimmer view because of the Eurozone, Russia and emerging market slowdown despite slightly stronger growth in the US and India



Source: World Bank Economic Forecast for 2015; Wall Street Journal January 14, 2015

Global Macroeconomic, Financial & Geo-Political Environment

1. Decline in Oil Prices (~1/2) due to unexpected demand weakness; OPEC supply steady as non-OPEC producers raised production

2. Geopolitical factors in Iran, Russia, Ukraine, Venezuela, and some Middle East countries

3. USD continues to appreciate (~23% against Euro in the last year) and strengthening may still continue, hurting US Exports. Rate rise expected; uncertain timing

4. US recovery stronger than expected while other major economies fell short of expectations

5. Weak incumbents or new governments in Brazil, Colombia, South Africa, Nigeria & Turkey

6. China's growth continues to slow as credit tightens sending ripples to commodity exporting countries across Latam, Asia and Africa

7. Interest rates and risk spreads have risen in many emerging market economies

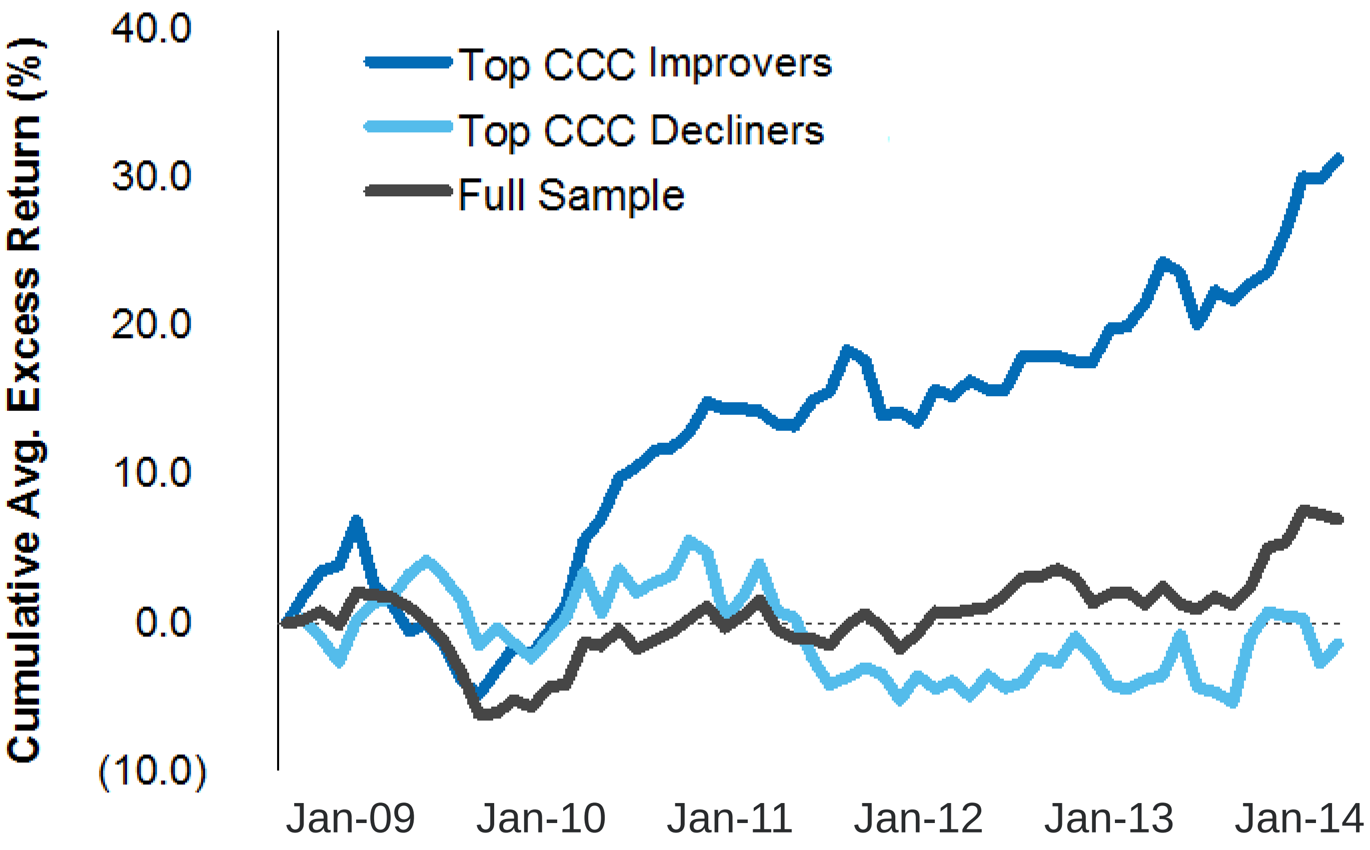
8. ECB's quantitative easing program, stagnant growth, negative rates and deepening of Greek crisis among the factors sending the euro down

Source: IMF World Economic Update – Jan 2015, nasdaq.com, Bloomberg

Investors Also Reward Improvements in Working Capital Efficiency

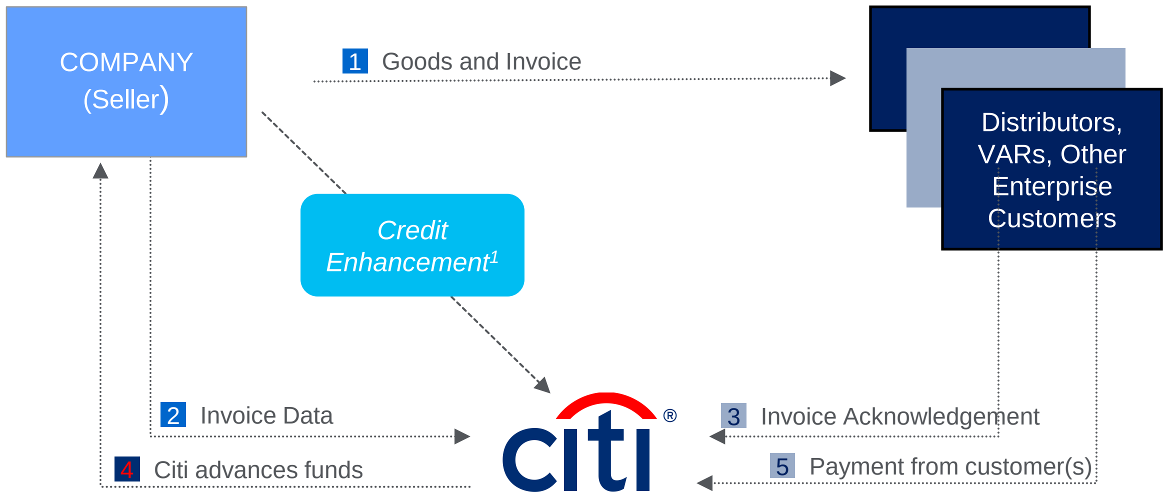
Excess Return for Top Improvers vs. Top Decliners in Working Capital Efficiency

Citi/S&P PMI Global Index



Distribution Finance

Citi finances a portfolio of customer receivables and payment is collected from each customer at an extended maturity date



Process Flow

- COMPANY and Citi select a portfolio of customers to participate in the program based on sales history and performance
- COMPANY sells product; sends customer invoice creating an Account Receivable
- COMPANY sends invoice information to Citi platform
- Customer logs into platform and acknowledges invoice (if required in customer jurisdiction)
- COMPANY sells designated A/R; Citi advances 100% of invoice amount less discount
- Citi collects funds when customer pays on due date

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- ▲ Solution available for a portfolio of customers
- ▲ Platform provides visibility to COMPANY and customers
- ▲ Pricing may be passed on to customers
- ▲ Payment terms may be extended to support sales growth
- ▲ COMPANY can control and maintain a specific DSO

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- ▼ Solution requires some form of risk sharing / recourse to COMPANY
- ▼ Requires active involvement / participation of customers

Citi Supplier Finance

Citi Supplier Finance equips corporate buyers with a payment tool that provides liquidity to the supply chain

Description:

- A unique early payment tool made available to suppliers through a collaborative partnership between COMPANY and Citi
- COMPANY provides Citi with future dated payment information and Citi then notifies suppliers of payment availability. The trade payables accounting treatment of those payables is preserved.
- At their discretion, suppliers may elect to sell their COMPANY invoices to Citi, without recourse, in exchange for cash at an attractive discount and 100% advance rate
- Implementation of Citi Supplier Finance requires minimal resources from COMPANY with no fees payable to Citi.

Items To Consider:

- Provides suppliers access to early payments that accelerate their sales to cash cycle, irrespective of commercial terms with COMPANY.
- In many cases, the discount rate carries a lower APR than a supplier's other cost of funds
- Supplier Finance can support COMPANY' effort to extend payment terms with suppliers as an olive branch that mitigates any negative impact of extended payment cycles

Structure:

Day 1: Supplier → COMPANY (Invoice)

Supplier invoices COMPANY for goods/service with payment due on commercially agreed terms (Net 60 in this example)

Day 10*: COMPANY → Citi → Supplier (Future Payment Notice)

COMPANY sends Citi invoice approval with future payment details, which Citi then notifies the supplier of. *(*Note: COMPANY invoice approval times will vary)*

Day 11: Citi → Supplier (Optional Early Payment)

Supplier may opt to sell the invoice to Citi for cash

Day 60: COMPANY → Citi → Supplier (Invoice Due Date Payment)

As paying agent, Citi debits COMPANY's account on the invoice due date and deposits funds into the Supplier's account, or Citi's account if it has purchased the invoice from the supplier

Benefits to COMPANY:

- Increased supply chain viability
- Improved balance sheet metrics such as Days Payable Outstanding (DPOs) and Cash
- Improved margins / reduced Cost of Goods Sold (COGS)
- Easy to implement solution that does not increase cost for an increase of working capital
- Support of corporate social responsibility initiatives pertaining to small / diversity enterprises and sustainability
- Improved process efficiency (check to ACH conversion, visibility to early payments, reduced payment fees)

Benefits to Supplier:

- Low cost, non-debt liquidity source; working capital benefit via early payment; shortened DSO
- No impact to existing credit facilities
- Fair, competitive cost of funds
- Easy enrollment, no upfront or ongoing costs if not utilized
- No changes to existing bank accounts; No requirement to install or maintain any software

Citi believes that sustainability is good business practice. We work closely with our clients, peer financial institutions, NGOs and other partners to finance solutions to climate change, develop industry standards, reduce our own environmental footprint, and engage with stakeholders to advance shared learning and solutions. Highlights of Citi's unique role in promoting sustainability include: (a) releasing in 2007 a Climate Change Position Statement, the first US financial institution to do so; (b) targeting $50 billion over 10 years to address global climate change: includes significant increases in investment and financing of renewable energy, clean technology, and other carbon-emission reduction activities; (c) committing to an absolute reduction in GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (d) purchasing more than 234,000 MWh of carbon neutral power for our operations over the last three years; (e) establishing in 2008 the Carbon Principles; a framework for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power 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 and mitigation