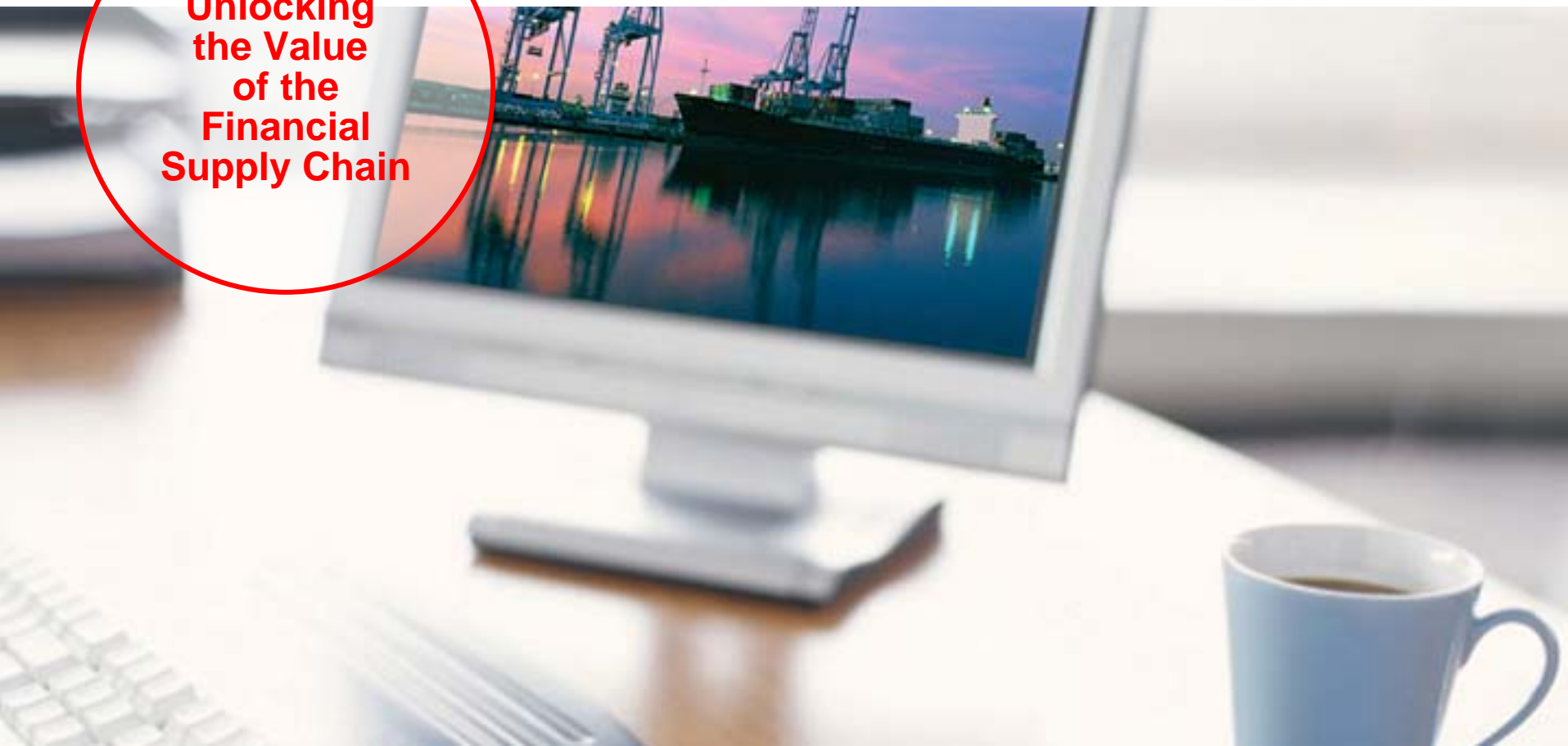


**Unlocking
the Value
of the
Financial
Supply Chain**



Global Transaction Services

Cash Management Trade Services and Finance Securities and Fund Services

Unlocking the Value of the Financial Supply Chain

Tuesday, June 5th, 2007
11:00 a.m. to 12:00 p.m. (Eastern Time)



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Stephen Timme



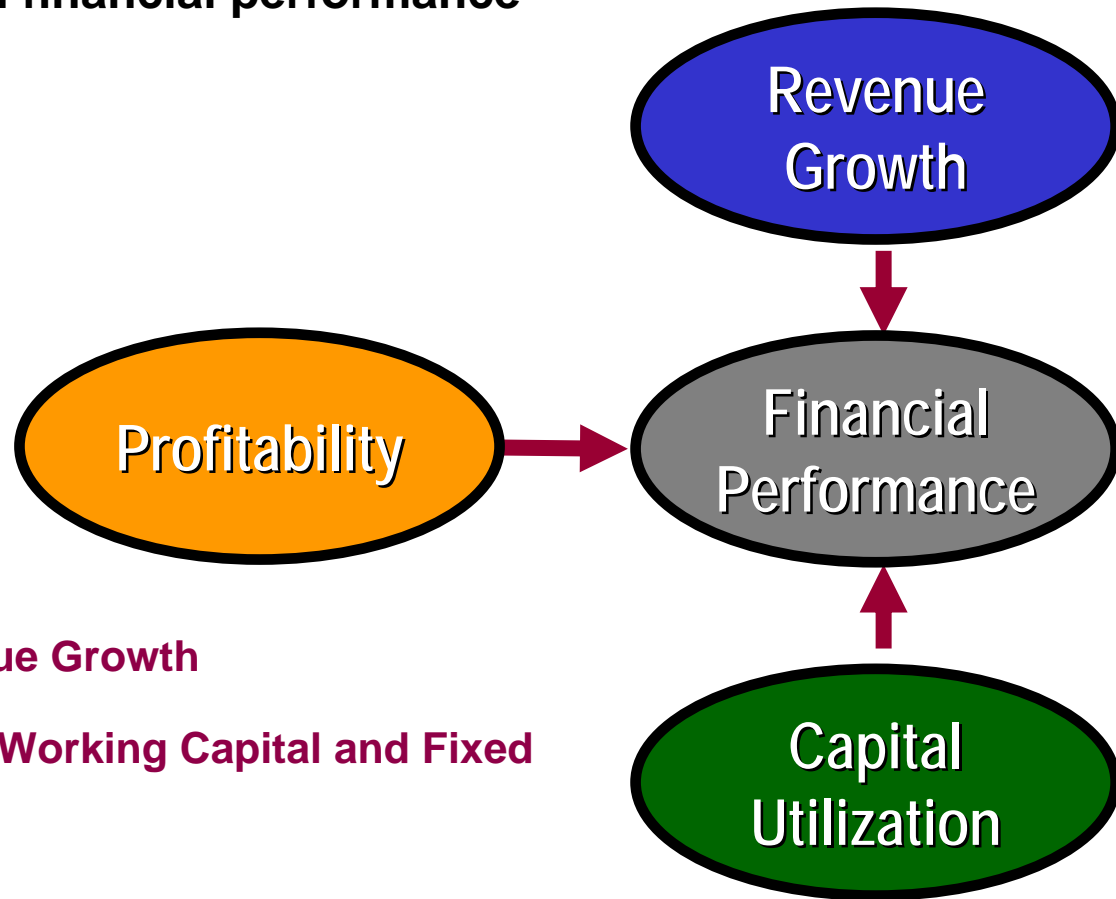
Dr. Stephen Timme
*President of FinListics® Solutions and
Adjunct Professor of Georgia Institute of
Technology*

The Challenge

- Many companies historically have not aligned Supply Chain Management (SCM) with financial performance goals.

- High performance companies use SCM to achieve financial goals through:

- Higher Value-Adding Revenue Growth
- Improved Profitability
- Greater Capital Utilization – Working Capital and Fixed Asset Utilization



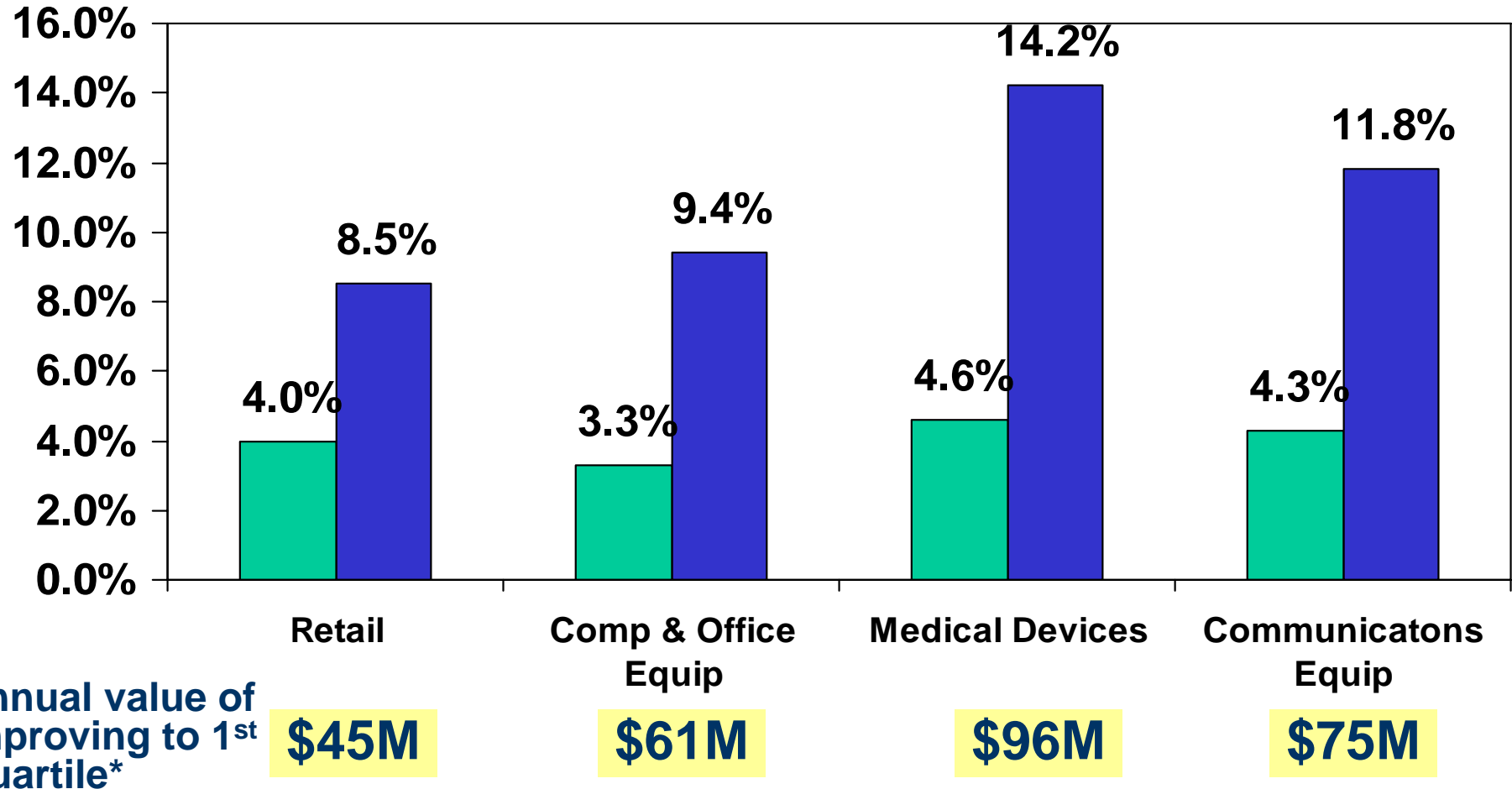
Examples of CxOs' View of SCM

CxO	View of Supply Chain Management
CEO	<ul style="list-style-type: none"> ■ Deliver value-adding growing revenue. ■ Like product availability, new product speed to market and customer service.
CFO	<ul style="list-style-type: none"> ■ Better manage the balance sheet primarily in terms of inventory and fixed assets and the income statement in terms of SCM related expenses.
Treasurer	<ul style="list-style-type: none"> ■ Optimize financing costs of product flow --- Inventory, Accounts Receivable and Accounts Payable
VP Supply Chain	<ul style="list-style-type: none"> ■ Better plan and fulfill market demand for goods and service and do so more efficiently. ■ Like SCM buy-side, sell-side, planning and execution.
VP Sales	<ul style="list-style-type: none"> ■ Grow sales through product availability, easy of doing business and customer service.

Financial-Supply Chain Management Connection

Financial Metric	Examples of How Supply-Chain Management Adds Value	
Revenue Growth	<ul style="list-style-type: none"> • Fill rates • Forecasting • Customer Service 	<ul style="list-style-type: none"> • Lead times • New Product Speed to Market • Quicker Expansion into New Markets
COGS as a Percentage of Revenue (Gross Profit Margin)	<ul style="list-style-type: none"> • Inbound Transportation Mgt. • Inventory Mgt. • Network Design 	<ul style="list-style-type: none"> • Procurement • Reverse Logistics • Selective Outsourcing
SG&A as a Percentage of Revenue	<ul style="list-style-type: none"> • Warehouse Mgt. • Outbound Transportation • Logistics Administration 	<ul style="list-style-type: none"> • Customer Service • Information Technology
Days in Inventory	<ul style="list-style-type: none"> • Transportation Mgt. • Warehouse Mgt. • Network Design 	<ul style="list-style-type: none"> • Inventory Visibility • Forecasting Accuracy • Demand Planning
Days Sales Outstanding	<ul style="list-style-type: none"> • Shipment Integrity • Fill Rate • Proof of Delivery 	<ul style="list-style-type: none"> • Invoicing Accuracy • Internal Communications
Days Purchases Outstanding	<ul style="list-style-type: none"> • Procurement Terms 	<ul style="list-style-type: none"> • Payment Practices
Fixed Asset Utilization	<ul style="list-style-type: none"> • Warehouse Management • Transportation Management 	<ul style="list-style-type: none"> • IT Management • Selective Outsourcing

Much Potential to Unlock Hidden Value: Operating Income Margin



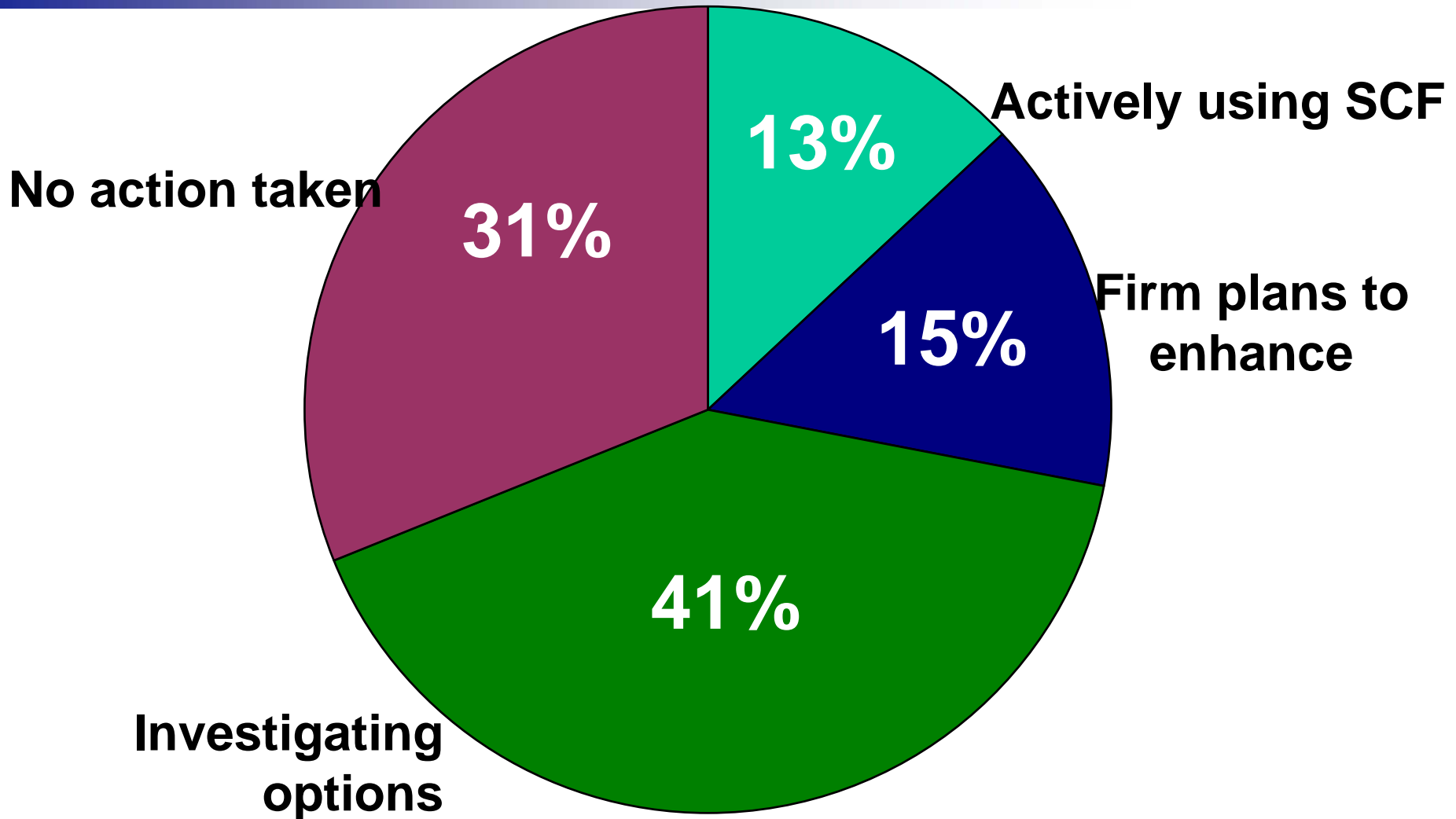
Annual value of improving to 1st Quartile*

*per \$1,000 million in revenue

Note: Total gap not likely closed by improved SCM



Use of Supply Chain Finance (SCF)



Source: "Financing the Chain," CFO Magazine, February 2007, pp 46-53. From study by Aberdeen Group.

Stuart Roberts

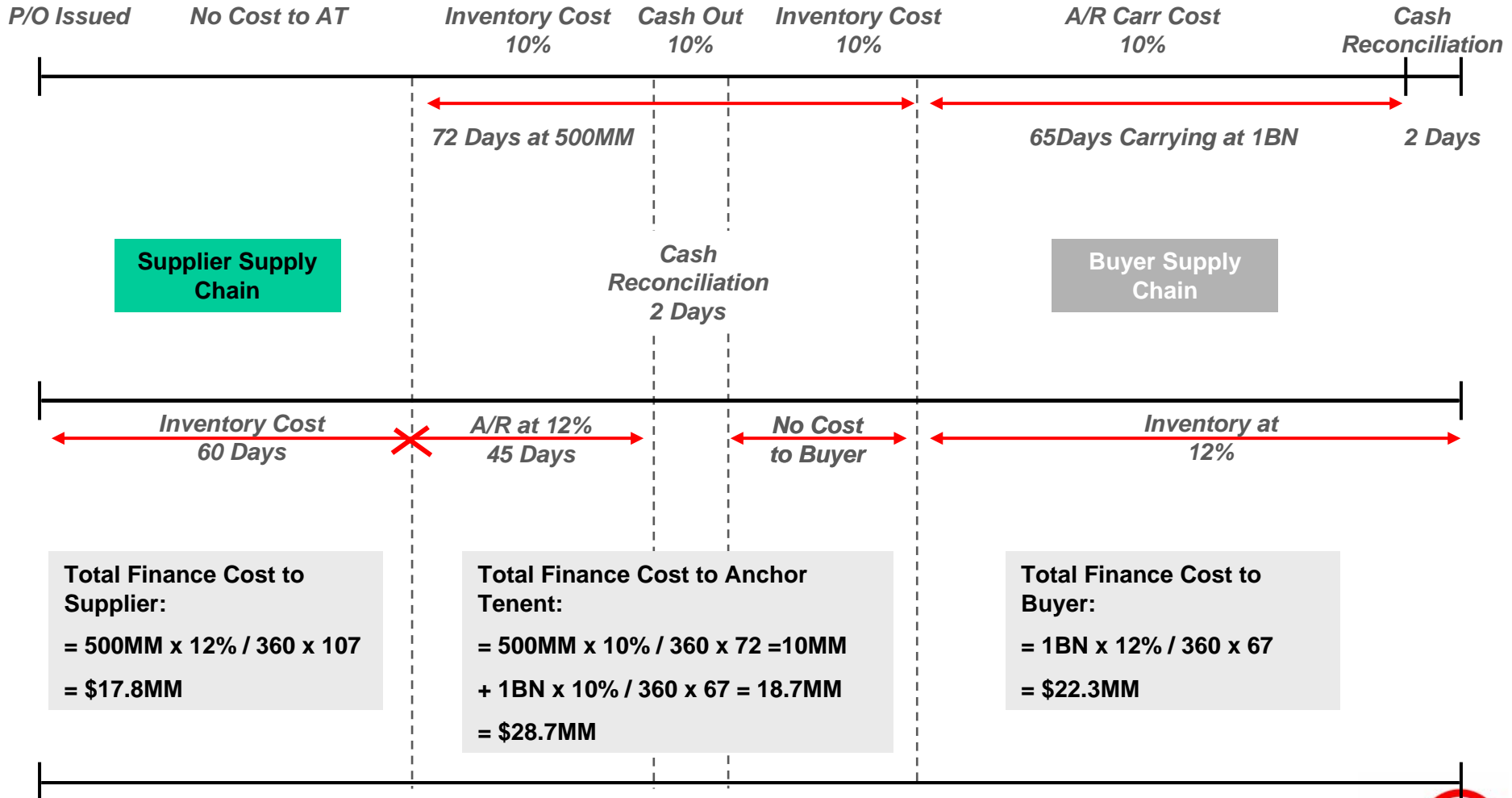


Stuart Roberts

*Managing Director, North America Trade
Sales Head*

Financial Cost in Supply Chain

Anchor Tenant Supply Chain

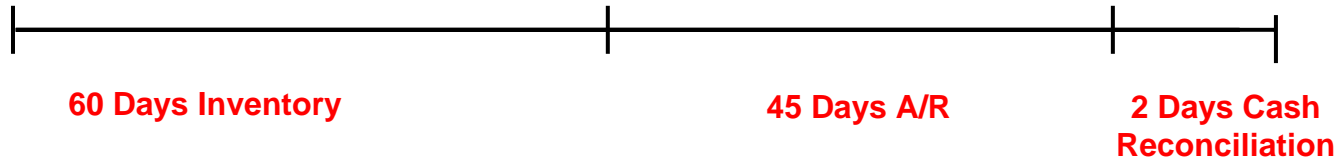


Value Add of Bank (Supplier Supply Chain as an example)

Sample \$500MM, LIBOR = 5.37%

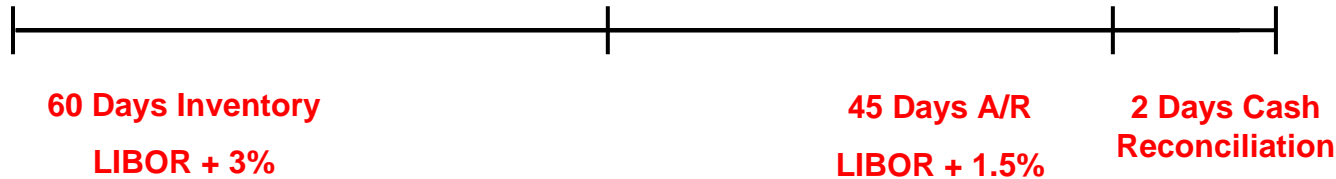
Existing

WACC = 12%



(Inventory: 10MM
AR: 7.5MM
Cash Reconciliation:
300M
Total Cost = 17.8MM

With Bank & Anchor Tenant Sponsorship



Inventory: 7.0MM
AR: 4.3MM
Cash Reconciliation:
150M
Total Cost = 11.45

Total Savings =
6.35MM
= 1.27% of COGS

Product Family

Trade

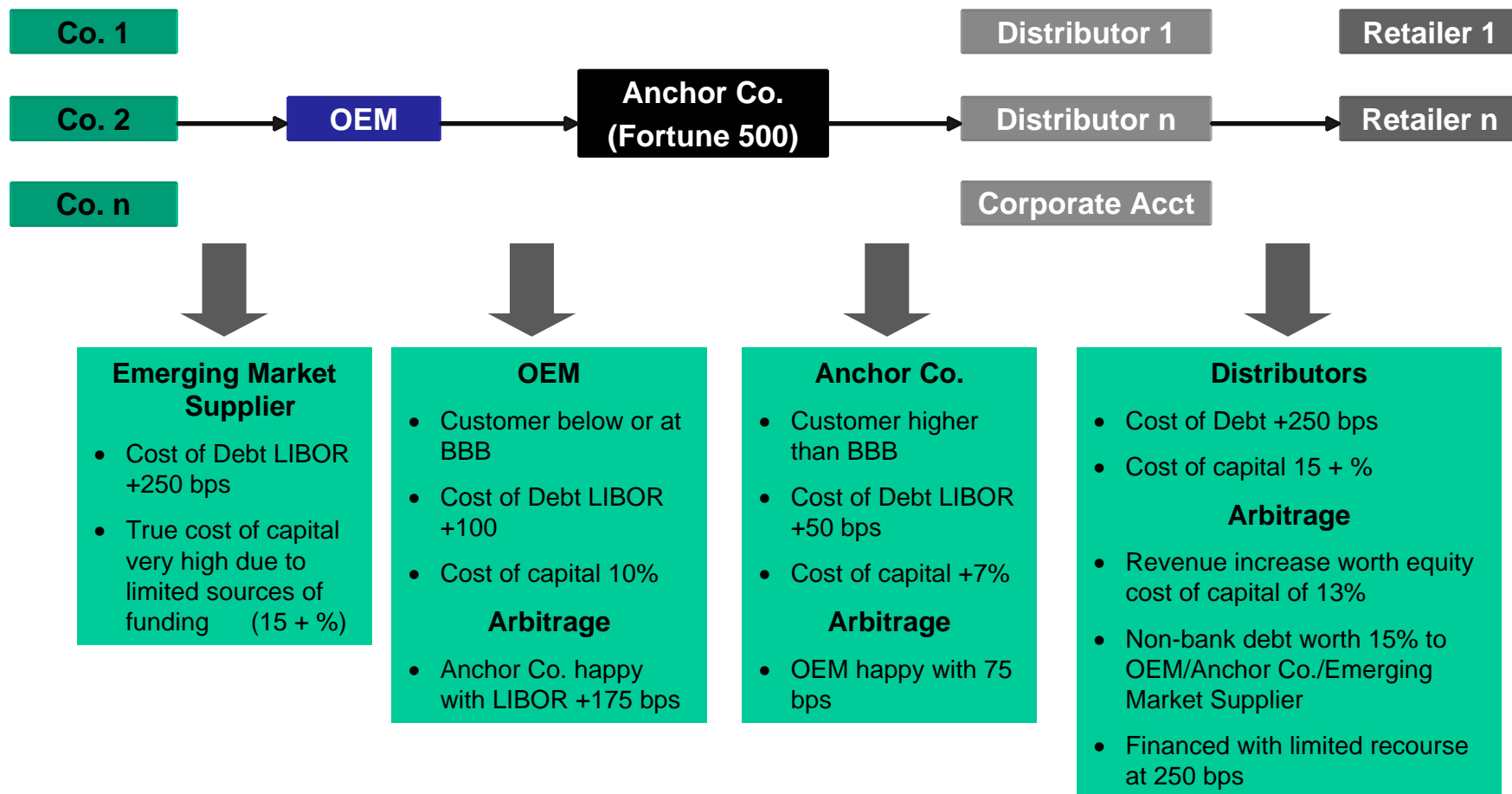
Trade

Cash

- In previous example, total costs of financial supply chain were 68.8MM. If a bank were to finance it throughout, savings could be made of 19.78MM

Cost of Capital Arbitrage

Sample \$500MM, LIBOR = 5.37%



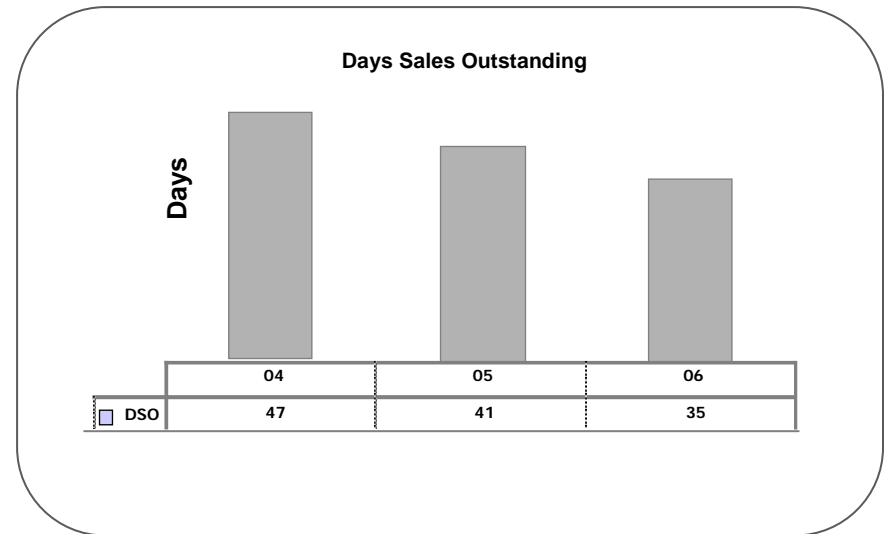
Supply Chain Financial Solutions

- **Biggest Win for Customers Focuses on Non-Economic Asset Finance and True Sales, Non-Debt Balance Sheet Treatment**

Supply Chain Product	Supplier Benefit	Buyer Benefit
Post Shipment Finance PREPS & Accounts Receivable Sale	<ul style="list-style-type: none"> ■ Convert uneconomic A/R asset to economic asset (cash), at a rate less than own cost of capital 	<ul style="list-style-type: none"> ■ Uses its better cost of capital to lower carrying costs in procurement supply chain leads to lower COGS with benefit of retaining its own cash (better DPO)
Pre-Shipment Finance	<ul style="list-style-type: none"> ■ Gains non-core bank liquidity to fund inventory (scarcity of capital play – Emerging Markets) 	<ul style="list-style-type: none"> ■ Lowers carrying costs in its procurement supply chain (non-core bank)
Distribution Finance	<ul style="list-style-type: none"> ■ Provides liquidity into its sell side supply chain allowing market share gain (equity cost of capital gain). Still removes uneconomic asset and gets cash at lower rate than cost of capital 	<ul style="list-style-type: none"> ■ Receives liquidity to fund inventory (scarcity of capital play – Emerging Markets)

Sample Technology Integrator DSO Adjustment

- **Pre-Citi Trade in 2004**
 - DSO of 47 Days
- **Post-Citi Trade in 2005, 2006**
 - DSO of 41 Days in 2005
 - DSO of 35 Days in 2006
- **12 Day improvement in DSO**
 - \$482,640,000 increase in Free Cash Flow
 - \$51,112,000 Cost of Capital Savings
- **2006 Company has best in class DSO Metrics**
 - Competitor 1 DSO = 49 Days
 - Competitor 2 DSO = 51 Days



	Current		Potential		Cash Flow	
	DSO @ 47 days	DSO Target Turn @ 35 days	DSO @ 47 days	DSO Target Turn @ 35 days		
04 ONE DAY FLOW	\$ 40,220	\$ 4,259	\$ 40,220	\$ 4,259		
CURRENT 04 FLOW	\$ 1,890,340	\$ 200,187	\$ 907,640	\$ 96,120		
POTENTIAL 04 FLOW	\$ 1,407,700	\$ 149,075	\$ 425,000	\$ 45,008		
POTENTIAL VS. CURR.	\$ (482,640)	\$ (51,112)	\$ (482,640)	\$ (51,112)		

Q&A

- **Questions?**



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