

Collaborate

Innovate

Energy, Power, Chemicals, Metals, and Mining Casebook
Global Transaction Services



“This Casebook is a testimony to the innovative and creative spirit of our clients. It demonstrates how we work in collaboration with our clients to deliver new solutions to challenges they may not have faced before.”

Michael Guralnick
Global Head, Client Sales Management
Treasury and Trade Solutions
Global Transaction Services, Citi

welcome



Michael Guralnick
Global Head
Client Sales Management
Treasury and Trade Solutions
Global Transaction Services, Citi

It is my pleasure to present our Citi Global Transaction Services Energy, Power, Chemicals, Metals and Mining Casebook. This book of client case studies is a compilation of the innovative solutions that we have designed, in partnership with our clients, to help them achieve excellence in meeting their key working capital goals.

Against a backdrop of unrelenting economic challenges and a continued move towards globalization, our clients are focused on achieving operational efficiencies across their businesses and their increasingly complex supply chains. In this global business environment, our clients are also looking to mitigate a wide range of risks, such as operational risk, settlement risk, and transaction risk.

Citi's Global Transaction Services business provides a global platform of innovative solutions that fully utilizes the creative leverage of

the world-class professionals who staff our offices across more than 104 countries.

This Casebook is a testimony to the innovative and creative spirit of our clients. It demonstrates how we work in collaboration with our clients to deliver new solutions to challenges they may not have faced before. It is designed to share global best practices, and to help our clients accelerate the realization of their transaction services goals.

At Citi, we are committed to helping our clients in the energy, power, chemicals, metals and mining sectors respond effectively to these challenging times. We are delighted to share with you the insights we have gained from working with businesses like yours. I look forward to hearing from you and welcome the opportunity to continue and expand our successful partnership.

foreword



Peter Langshaw

Global Industry Head of Energy,
Power, Chemicals, Metals & Mining
Client Sales Management
Treasury & Trade Solutions
Global Transaction Services, Citi

Welcome to the Energy, Power, Chemicals, Metals and Mining (EPCM&M) Industry Casebook. I am delighted to present you with this collection of client cases that demonstrate the added value that Citi brings to EPCM&M companies who are now revitalizing their businesses and retooling for recovery.

Indeed, through our industry experience and engagement with clients globally, we see how companies in the EPCM&M sectors are employing new tools and techniques to help them face a new set of opportunities and challenges during this recovery period.

The client cases in this book highlight three important areas for focus: optimizing working capital, mitigating new industry risks, and expanding into new markets – whether organically or inorganically. They demonstrate how our clients are successfully collaborating with us to create efficiencies and address their evolving strategic and financial needs.

I hope that the cases in this book give you an idea of how we can work together to employ Citi Global Transaction Services' unique solutions and industry-specific value propositions to help you position your business for growth and further success.

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retooling for
recovery:
optimizing
working capital
for growth

The recent signs of economic recovery following the global crisis have been a powerful catalyst for change. In the energy, power, chemicals, metals, and mining sectors, companies are emerging from the recession and are retooling for improved business performance and productivity.

As corporates re-energize their businesses, they look to expand in high-growth markets and compete locally and globally. How effective they are at integrating their strategic expansion from a treasury and sales standpoint, and at managing the associated risks of new markets and an increasingly complex industry, will determine their ability to position their companies for the future.

This chapter draws on insights and practical case studies from our energy, power, chemicals, metals, and mining clients who operate globally, exploring recent industry sector trends and discussing the techniques our clients have adopted to maximize financial performance and success.

The cases in this book are great examples of how corporate treasurers are playing an important role in driving business change. They demonstrate how they deliver on their companies' new strategic direction as businesses emerge from the recession into a high-growth economy that relies on energy and commodities to sustain development. The cases also highlight how treasurers have been effective at providing new sources of funding and cash to improve working capital, shore up liquidity to improve the balance sheet, and develop techniques for mitigating increased risks.

With many corporates focused on expanding into the emerging markets to increase growth, the cases emphasize the importance

of building supporting treasury infrastructures and techniques to help drive sales and expansion into new growth markets.

Energy

Industry analysts believe that commodity prices – including oil – will remain uncertain in the long term, while exploration and production of oil is becoming more challenging from a geopolitical, sovereign, and environmental risk perspective. Consequently, costs are set to increase, which will limit exploration and production, and lower the rate at which reserves can be replenished.

Within the energy industry, the landscape is changing dramatically. International oil companies (IOCs) are restructuring their businesses

to improve performance and remain competitive. Meanwhile, more and more national oil companies (NOCs) are becoming the arms of countries' energy policies and are increasing their influence in new projects over IOCs, especially in Russia and China. For instance, China is quickly acquiring assets in emerging markets such as Africa, Latin America, and Central and Eastern Europe to compete within international markets and execute a long-term infrastructure program to boost GDP.

In the downstream business, refining margins remain under pressure and companies recognize that there is a need for long-term restructuring of marketing while keeping abreast of opportunities for alternative energy sources.

In addition to the IOCs and NOCs, independent exploration and production companies will continue to grow in many regions such as

North America and Africa – facilitated in part by the resurgence of bank lending and local conditions. In the oilfield services sector, demand for outsourced services will continue to increase despite growing regulatory pressures and focus on costs. In turn, strong sector performance is likely to spur further M&A activity.

“In the downstream business, refining margins remain under pressure and companies recognize that there is a need for long-term restructuring of marketing while keeping abreast of opportunities for alternative energy sources.”

Given the increased risks and uncertainties, the industry may come under pressure from external ratings agencies. Therefore the ability to shore up liquidity, focus on cost reduction, and further improve efficiencies will be key.

Power

The security of supply and climate change remain at the top of the political agenda and consequently continue to drive change in the industry. For upstream companies, such as power generators, the implication is a requirement for substantial capital expenditure.

Companies making investments have a number of issues to consider: they need to take into account carbon emissions and achieve a balance of renewables and traditional sources of power. At the same time, they need to recognize the immediate costs of development, which can be high for renewables, and the long-term costs of things such as decommissioning.

In the midstream sector (transmission and generation), capital expenditure is required to replace infrastructure that has often received little consistent investment in the past two decades and is now nearing the end of its life. Moreover, additional grid infrastructure is required to connect new sources of power generation, such as wind and solar, which are often located far from the existing grid.

While the pressure for capital expenditure in the upstream and midstream sectors is beyond doubt, the scale of the requirement is difficult to assess given the potential impacts the expenditure might have on the pace of demand for growth. Power companies need to be proactive when it comes to government policies for renewable energy and strategically plan how they intend to develop new opportunities. For example, energy efficiency measures at consumer level, such as smart meters, could slow the pace of growth of energy demand.

“However, a more likely trend in the coming months and years is likely to be deleveraging by large energy companies, following a wave of debt-fuelled M&A before the financial crisis.”

Regardless of the ultimate level of capital expenditure required, large investment projects mean companies with robust balance sheets will be most successful. While in many markets consolidation is largely complete, this pressure could fuel further M&A and government intervention for competition in the clean energy markets. However, a more likely trend in the coming months and years is likely to be deleveraging by large energy companies, following a wave of debt-fuelled M&A before the financial crisis.

Power companies face an additional challenge in financing capital expenditure. Changes to bank capital regulations are expected to limit their appetite for project financing. Consequently, companies will need to consider multilateral agency and bond market financing as an alternative while seeking ways to use internally generated cash more effectively, drive down costs, and improve efficiencies.

Chemicals

In the chemicals industry, the focus of companies on cash, cost, and price discipline during the financial crisis and economic downturn has ensured it has remained financially robust. A recovery in demand prompted the end of industrial destocking in mid-2009. However, the recovery of the chemicals industry has been strong with improved price conditions through demand in the emerging markets. Also, chemicals companies have been able to restructure during the downturn to create efficiencies in their manufacturing processes.

Long-term strategic objectives remain counterbalanced by cash and cost-management, the drivers of decision-making.

The economic recovery will necessarily affect parts of the chemicals industry differently. Leveraged players are taking the opportunity afforded by improved financial conditions to restructure against a backdrop of higher margins and increased confidence, which is reflected in growing inventory levels. Nevertheless, there remains a general focus on analysing costs and removing capacity where, for example, the cost base is high by industry standards. This approach reflects a new-found realism in the sector: many companies have used the down cycle to reconsider their business propositions.

While the extent of the global recovery remains uncertain, what is clear is how important emerging markets such as China and India are to global growth. Given its relatively

high level of emerging market exposure, the chemicals sector could be a disproportionate beneficiary of increased economic growth.

In developed and emerging markets, companies with more sustainable pricing power will benefit most from the economic recovery. Commodity names will perform less well owing to the probability of an intensification of price competition as market conditions return to normal (although this may affect a relatively small proportion of the sector).

One way in which well placed companies will choose to accelerate growth is through acquisition: asset prices may allow accretive deals. Players perceived to be weak are being pursued by developing market chemicals companies as the dynamic of the global industry changes. The ability of emerging market chemicals players to expand by acquisition has been enhanced by their higher

profitability over many developed market chemicals companies.

Longer-term trends that continue to be played out in the chemicals industry include the commoditization of products that were once specialties. Producers with cost-advantaged operating models can target these newly commoditized markets to capture the spread between the semi-specialty price and their low operation costs. As a result, the focus on creating an efficient operating model remains critical.

Metals and mining

One of the key drivers for metals and mining is the growth of emerging markets, which is a long-term support for commodities. Moreover, continued investment fund inflows will support commodity prices even in the face of demand weakness. However, the expectation of continued strong demand is not sufficient to maintain pricing across all commodities. Instead, supply continues to be a major

differentiator on the outlook for individual commodities.

“While the extent of the global recovery remains uncertain, what is clear is how important emerging markets such as China and India are to global growth.”

With a broadly supportive backdrop, consolidation in the metals and mining sector will continue with cash-rich giants having the upper hand. An example is the fact that metals and mining companies are looking to expand their business in the potash fertilizer market. Consider BHP Billiton, which was reported in the media to have been looking to acquire Potash of Saskatchewan for roughly USD40 billion. Metals and mining companies are aware of their strong position

for growth and want to take advantage of the opportunity. What is important is the nature of consolidation: the concept of an integrated value proposition is gaining increased currency.

Mining companies understand the long-term geopolitical risks involved in mining in certain countries, especially sub-Saharan Africa, and the royalty payments demanded by governments. Given relatively strong commodities prices, royalties have generated increased attention. It can be expected that higher royalties will impact on costs of extraction, margins, and dividend payments.

Critical industry value drivers

There is an increased level of urgency to create value from cash and working capital through greater efficiencies, and shore up liquidity and the balance sheet. With the increased focus on

emerging markets to grow business and improve margins, there is a strong need for a bank that can facilitate their expansion and integration into – and, equally importantly, out of – emerging markets. Indeed, with the changing landscape, much of the growth comes from local companies in emerging markets expanding into international markets.

Some successful techniques deployed by clients globally have included the following:

1. Shoring up liquidity, visibility, and control over cash

With rating agencies and equity analysts focused on companies with stronger liquidity as the key driver of performance, optimizing visibility and control of cash has become increasingly important. At the same time, the scarcity of credit means that companies now regard cash as a vital internal source of funds – maximizing it is therefore crucial.

Companies need global visibility of cash balances and real-time balance sheet management. They also need a complete, end-to-end process, from collections to investments, to increase the velocity of cash flow and the ability to net surpluses and deficits across regions. The goal of companies must be to bring all countries within a global cash structure, especially within emerging markets where cash management regulations can be more challenging.

2. Extracting liquidity from working capital

Enhancing the order-to-cash and purchase-to-pay cycles with financial supply chain solutions releases substantial trapped internal liquidity for energy, power, chemicals, metals, and mining companies. One significant consideration for companies must be to adopt integrated solutions for each step of the financial supply chain. They need to ensure, not only

that they protect themselves, but that value is created at every point for the company and its counterparties in their supply chain.

In particular, chemicals companies have been successfully deploying supplier finance techniques extensively to improve their working capital, with the other industry sectors focused on adopting similar approaches.

Additionally, as a result of a credit situation that remains tougher than before the financial crisis, inefficiency is now too costly to tolerate and there is a recognition that extracting liquidity from working capital can potentially free up billions of dollars, while integrated working capital solutions have direct, significant, and beneficial impacts on companies' balance sheets. Similarly, risk minimization has become a priority, and one type of risk – that of suppliers being unable to survive

– has become sufficiently important to spur the uptake of supplier financing solutions.

3. Mitigating risk and sourcing alternative funding

The tough credit environment of the past two years has increased the importance of alternative forms of financing. In particular, export credit agency and export agency financing activity has grown significantly. These solutions – which can have an agency-guaranteed portion of between 50 and 95% – are a valuable way of diversifying funding sources and preserving bank lines. Moreover, they are available regardless of market conditions, even when funding is restricted and expensive.

What's more, as companies expand into emerging markets such as Asia, there is a need to remain competitive by keeping costs low while managing risk. Companies should partner with a global bank

that can offer efficient, end-to-end solutions across geographies and provide an array of risk management techniques – from letter-of-credit confirmations to undisclosed payment guarantees to accounts receivable discounting.

4. Driving operational efficiency

Manual intervention and diverse processes in different regions often inhibit straight-through processing, resulting in longer processing cycles, increased settlement risk, and higher operating costs. Many companies have re-engineered their key financial processes to drive operational excellence through automation and centralization. At a basic level, this involves standardization of processes and a reduction in manual processes. More ambitious centralization measures include expanding the scope of shared service centers and rationalizing banking relationships.

5. Expanding into growth markets

While emerging markets such as Russia and China present companies in the energy, petroleum, chemicals, metals, and mining industries with new sourcing and sales opportunities, they are not only important as new consumer markets. Companies headquartered there that were historically domestic in focus are responding to the increased competitive pressure by expanding rapidly to become significant participants in the global economy.

Energy, petroleum, chemical, metal, and mining companies looking to expand into new markets need a bank that can effectively offer the expertise, tools, and techniques to achieve greater visibility and control over cash, manage risk, and drive working capital efficiently.

In summary, some of the challenges facing energy, power, chemicals, metals, and mining companies are

common across all sectors. Businesses have long had a strong focus on increasing the efficiency of cash management processes. Now that focus is being seen as part of a broader range of objectives surrounding working capital.

“As companies emerge from the recession, corporate treasurers are looking to re-tool and establish robust treasury infrastructure to support their renewed growth strategies. Restructuring.”

As companies emerge from the recession, corporate treasurers are looking to re-tool and establish robust treasury infrastructure

to support their renewed growth strategies. Restructuring around high-margin businesses and expansion into new-growth markets create new and more complex risks. Transaction banks have an important role to play in providing treasurers of energy, power, chemicals, metals, and mining companies with techniques and solutions that will allow them to make the most of the opportunities this new world offers.

As the following cases will demonstrate, it is critical that energy, power, chemicals, metals and mining companies work with a transaction banking partner that understands their sectors, and that can offer them tools and solutions to position their businesses for the future.





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Antam

Resolving liquidity, tax payment, and trade issues in remote locations

A vertically integrated, Indonesian mining company that undertakes all stages of the mining process from exploration, mining, smelting, and refining, through to marketing.

The challenge

With six remote mining locations in the jungles of Indonesia, Antam sought a single electronic platform to consolidate and optimize cash management. It required cash payment visibility to better manage cash flow within these various sites and manage the movement of funds across different banks.

Exporting bauxite and nickel, the company had export documentation originating at the mines that, if incorrect, required physical shuffling back and forth over long distances. Antam wanted to more efficiently process its trade documentation and accelerate its payments.

Building on the excellent relationship it has established with Antam means Citi now provides 70 to 80% of Antam's cash management and trade services.

The remote locations and distances from banks made tax payment difficult, so the company needed an electronic tax payment system.

The solution

By introducing CitiDirect® Online Banking (Citi's online banking platform) and TreasuryVision® (Citi's web-based, global financial information service), Citi created a single electronic platform that would enable Antam to make payments and monitor its cash balances and activities across all its locations and banks.

The commissioning of CitiConnectSM eTax gave Antam an electronic tax-payment solution. eTax, a web-based platform, was linked to Antam's bank account. Payments made online removed any need to travel to distant banks or tax offices.

Another web-based system resolved the trade documentation problems that arose from remote locations. Documents could be checked on the web platform and, if given the green light, collected from the mines by a courier.

The result

Citi was able to build on a relationship with Antam that went back to 1990. With the activation of the electronic cash management platform, Antam was able to optimize cash balances across its six remote locations and with local banks.

Antam's remote mines can now use a web-based system to pay and monitor their tax payments. This removes the trouble of traveling from the mines to submit returns.

Antam is the first company in Asia to benefit from Citi's innovative system for the verification of trade documentation on a web-based platform. For Antam, this means a simpler and faster process of completion that removes the delays caused by the shuttling of physical documents to and from the mines.

Building on the excellent relationship it has established with Antam means Citi now provides 70 to 80% of Antam's cash management and trade services.

Arrow Energy

Cash optimization through effective structure, pooling, and investments

ASX- listed Arrow Energy is an energy company focused on the development of coal seam gas throughout eastern Australia and Asia.

The challenge

Arrow Energy is headquartered in Brisbane, Australia. With rapid international expansion, and a major alliance with a major global petrochemical corporation to develop new coal seam gas projects, it conducted one of the most comprehensive cash management evaluations ever undertaken in Asia Pacific. Among its requirements were: a need to significantly optimize working capital management across the group; develop internal treasury management expertise; and support onshore and offshore growth across six key countries: Australia, China, India, Indonesia, Vietnam, and Singapore.

Arrow Energy needed a bank with a global reach, regional expertise, and local knowledge. In effect, it required a solution that could cover a spectrum of investment banking, fixed income, foreign exchange, and working capital solutions, including

trade and commercial cards, to streamline cash management processes and reduce costs across the company's financial infrastructure and supply chain.

The solution

In Brisbane and Singapore, Citi implemented two pooling structures for all group accounts – AUD in Australia and USD in Singapore – leveraging its multicurrency platform. In both locations, the solution included a domestic sweep structure, ensuring that all surplus balances of multiple entities would be optimized within the overall group.

This also allowed for surplus funds to be invested through Citi® Online Investments, the award-winning e-banking portal providing access to an array of short-term investments, significantly enhancing Arrow's treasury capacity to execute short-term investment decisions in a fully

automated manner – through a single sign-on from the CitiDirect® Online Banking platform. By implementing CitiDirect, Arrow can execute all payments and receivables seamlessly and view its accounts in real time from anywhere it operates.

A company in which its executives are constantly traveling, Arrow Energy also required local AUD and regional USD commercial cards to meet its on-the-go needs, while giving its finance department a comprehensive view of expenses, transactions, and spend data.

The result

With over 60 group and joint-venture accounts established across six countries, Arrow Energy is now able to achieve greater operational efficiency and optimize its cash management processes. Citi's online solutions – CitiDirect, TreasuryVision® and Online Investments – give the company

a comprehensive view of its cash and foreign currency positions and the flexibility to make informed investment decisions.

Arrow Energy now saves time collecting and analyzing data for individual entities and enjoys standardized reporting and a single, shared view of its financial standings anytime of the day, from any time zone.

Graham Yerbury, CFO at Arrow, says of the solution and of the partnership with Citi: "Improved systems have enabled Arrow to manage cash more effectively and has greatly improved our efficiency and enabled a unified treasury management operation. These benefits, coupled with the high levels of service that we receive from Citi, confirm that we made the right choice."

Improved systems have enabled Arrow to manage cash more effectively and has greatly improved our efficiency and enabled a unified treasury management operation.

Oando

Nigeria's energy giant wanted to centralize its treasury

Oando PLC is one of Africa's largest integrated energy solutions company, with gas and power operations, oilfield services, and refinery businesses. Oando sells and distributes one in every five litres of petroleum in Nigeria through 500+ retail outlets, and has operations across West Africa.

The challenge

Oando maintained about 100 accounts between its nine subsidiaries globally. For its distribution business, Oando's collection needs were met by a diverse group of local and rural banking relationships that were suited to this complex collection environment.

Oando was particularly worried that it was not receiving reliable information from its businesses for account balances and that there was a growing amount of idle cash that was not being effectively upstreamed to reduce debt.

In short, the company wanted to capture third-party bank balances that could also be fed into its native Enterprise Resource Planning system in an accessible and workable standard.

The solution

After some consultation with Oando to learn about its particular needs, Citi introduced TreasuryVision®, through which Citi virtually aggregated all account balance information across the spectrum of Oando's banks, presenting data in a usable format and web-friendly environment.

The company wanted to capture third-party bank balances that could also be fed into its native Enterprise Resource Planning system in an accessible and workable standard.

The result

It didn't take long for Oando's treasury to gain total visibility over its accounts. With such central oversight, Oando could not only manage its cash more efficiently, minimizing interest expense on debt, but deploy it more effectively.





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Oando Case Study

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TAQA

Appointing a single, global banking partner improves liquidity management

Abu Dhabi National Energy Company (TAQA) is a leading United Arab Emirates company, with revenues of USD4.6 billion in 2009 and a portfolio of businesses in the Middle East, North America, Europe, and India in upstream oil and gas, pipelines, gas storage, power generation, and water desalination.

The challenge

Rapid expansion abroad created new demands on TAQA's treasury team: the treasury organization was decentralized, which caused difficulty in maintaining clear visibility of funds; multiple new systems and processes needed to be built to support the company's larger multinational operations; and significant new injections of capital were needed to reduce leverage and support growth. It was for these reasons that TAQA undertook a restructuring of its treasury management function.

The solution

TAQA appointed PricewaterhouseCoopers to help set up a Global Treasury Center to manage TAQA's funds flow in all countries and currencies. The company selected Amsterdam as the center to house its global treasury operations due to a number of favorable factors,

one of which was better time-zone coverage for its worldwide operations.

The Global Treasury Center required a single global banking service provider. This mandate was awarded to Citi's Global Transaction Services in October 2008.

TAQA will have a single global banking partner to help it conduct its cash management and liquidity operations effectively.

The arrangement, implemented in early 2009, involved the provision by Citi of a number of best-practice and cutting-edge solutions, including:

- Domestic cash management services for 30 legal entities in North America, Europe, and the Middle East.

- A global liquidity structure with a multicurrency notional pool in London.
- Daily sweeping of cash balances.
- Host-to-host payment and reconciliation connectivity to TAQA's SunGard treasury workstation.
- CitiDirect® Online Banking platform.

The result

As the program rolls out, TAQA will have a single global banking partner to help it conduct its cash management and liquidity operations effectively, which is an important element towards achieving success in its future businesses. Doug Fraser, Chief Financial Officer of TAQA, says: "By choosing Citi, we are gaining access to its high-caliber expertise, global footprint, and local knowledge. Citi was able to provide us with a solution that was flexible and matched the needs of our company."

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extracting liquidity
from working capital

Inefficiency is now too costly to tolerate and there is a recognition that extracting liquidity from working capital can potentially free up billions of dollars, while integrated working capital solutions have direct, significant, and beneficial impacts on companies' balance sheets.

Cytec Industries Inc.

Choosing payment channels to leverage financial advantages

Cytec Industries Inc. is a global specialty chemicals and specialty materials company with 6,000 employees worldwide and annual sales of USD3.5 billion.

The challenge

Like most companies, Cytec is keenly focused on maximizing working capital. Even before the current environment of depressed sales, increased operating costs, and illiquid capital markets, Cytec's Treasury developed a sourcing strategy supported by innovative, secure payment channels to defend and enhance its bottom line.

Having worked with Citi on a successful Purchase Card program and a global travel and entertainment program, Cytec turned once again to Citi for advice, technology, and analytics, forging a comprehensive partnership across its entire payments spectrum, one that would manage payment streams to maximize cash flow and working capital.

Cytec was also keen to hear Citi's options for optimizing the continued growth of its Purchase Card program.

The solution

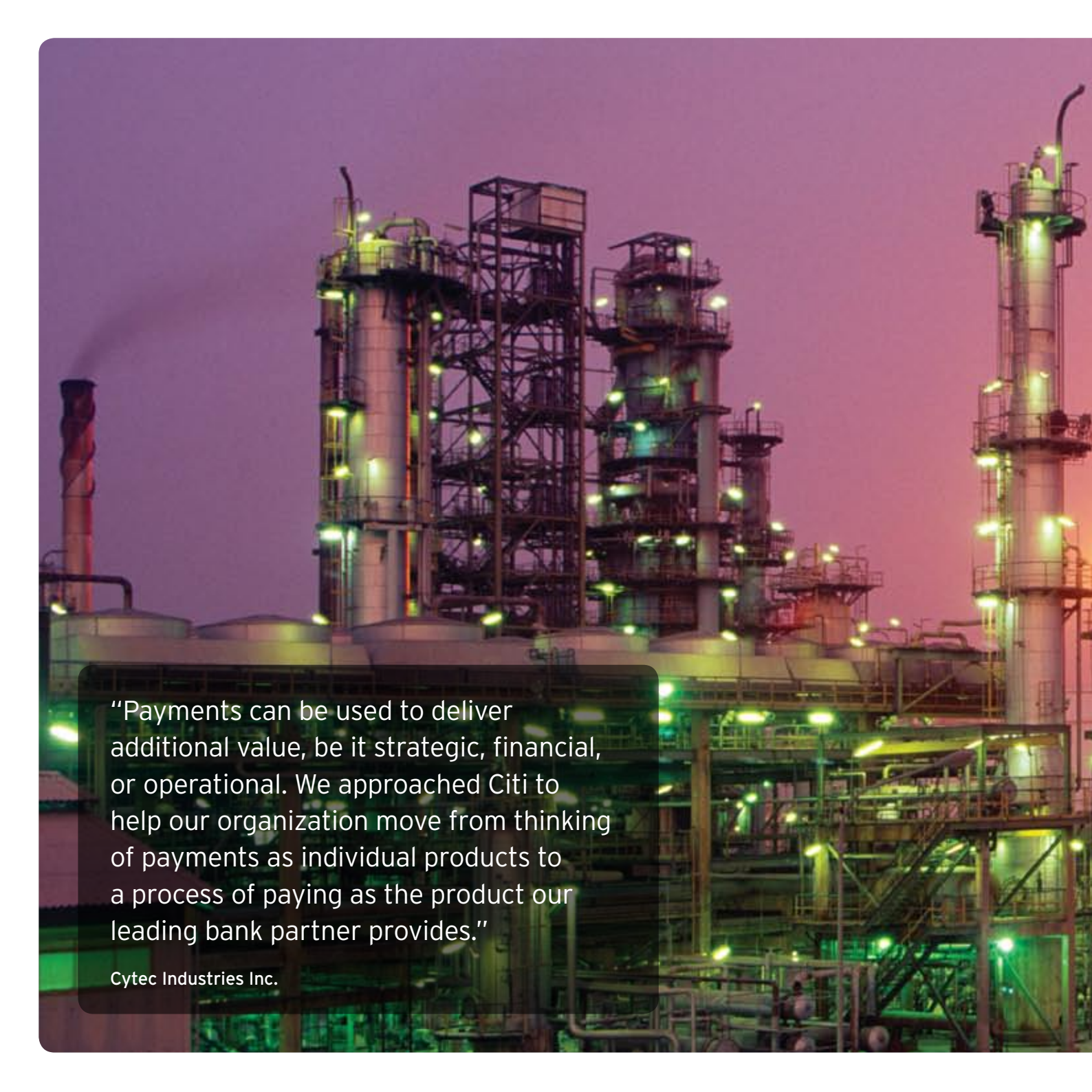
According to Gary Kawka, Cytec's Assistant Treasurer, Americas: "Payments can be used to deliver additional value, be it strategic, financial, or operational. We approached Citi to help our organization move from thinking of payments as individual products to a process of paying as the product our leading bank partner provides. We are optimizing payments, benefiting from the dynamic between time-to-procure, remittance date, and settlement date."

The result

Cytec's knowledge of its own procurement process, coupled with Citi's detailed analysis of payment strategy options and solutions to facilitate adoption and implementation, has been essential to the ongoing implementation of Citi® Paylink for Cards and a Supplier Finance program.

Cytec looks to not only accomplish its working capital goal but also improve the strength of its supply chain, recruiting new suppliers as it extends to them the value-added benefits of Supplier Finance.

Citi colleagues continue to meet with Cytec regularly to proactively address training or implementation requirements. Ongoing systemic payments reviews continue as well, identifying opportunities to increase payment efficiencies through enhanced solutions.



“Payments can be used to deliver additional value, be it strategic, financial, or operational. We approached Citi to help our organization move from thinking of payments as individual products to a process of paying as the product our leading bank partner provides.”

Cytec Industries Inc.



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mitigating risk and
sourcing alternative
funding

Companies should partner with a global bank that can offer efficient, end-to-end solutions across geographies and provide an array of risk management techniques – from letter-of-credit confirmations to undisclosed payment guarantees to accounts receivable discounting.

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China Petroleum & Chemical Corporation (Sinopec)

Thriving ADR program substantially increases shareholder base and liquidity

Sinopec is a major Chinese energy and chemical company with integrated upstream, midstream, and downstream operations, and oil and petrochemical businesses.

The challenge

When state-owned Sinopec decided to list American Depositary Receipts (ADRs) on the New York Stock Exchange in 2000, it had the goal of growing its shareholder base, enhancing liquidity, and being recognized as an important global player. Sinopec had limited experience with the investor base outside Asia and did not have an Investor Relations (IR) program. It needed to understand the expectations of US and European investors and learn how to conduct a successful IR outreach program to attract this new investor base to its equity.

The solution

Citi has met the needs of Depositary Receipt (DR) issuers since 1928. Its Depositary Receipt Services group is recognized for having former IR officers on the team. It has a strong and diverse IR knowledge that serves

international clients and helps them build programs to effectively communicate with US investors.

Sinopec chose Citi because its global reach provided extensive access to investors and broker-dealers. Citi supported Sinopec's program with IR training, website advice, designing an IR outreach program, investor targeting, organizing roadshows in the US, and strong US and local support.

Additionally, Citi assisted Sinopec with state-of-the-art technology systems (Global Shares on Demand and Issuer Access) to enable the company to get better information on its new and existing investor base.

The result

Sinopec has enhanced its reputation as a rapidly growing global player in the energy and chemical sector with a highly recognized ADR program. Citi's ongoing assistance with IR and capital markets training, investor

access, and proactive account management has been instrumental in helping Sinopec build a diversified shareholder base. The company's effective communication with investors was also instrumental in achieving global recognition for its IR program.

"Citi has helped us to broaden our investor activities in the US and other global markets," says Wensheng Huang, Deputy Director General, Board Secretariat, Sinopec. "Through our joint efforts, our shareholder base has been increased from 6,000 to 20,000 – aiding Sinopec's liquidity." He adds: "Citi understands our needs, not only in terms of investor relations but at a higher level. That's why we're committed to a long-term partnership with the bank."



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China Petroleum & Chemical Corporation (Sinopec)



Reliance Industries Limited (RIL)

Receivables finance mitigates risks, increases working capital, and diversifies funding

India's RIL is a Fortune 500 company with activities in oil and gas, petrochemicals, and textiles.

The challenge

In December 2008, RIL established a new refinery adjacent to its existing refinery, doubling its refining capacity and requiring the company to find new markets for its increased production. RIL needed to mitigate the risks associated with this expansion in sales and required substantially increased working capital funding. The company also wanted to improve its balance sheet management and diversify its sources of funding.

The solution

Citi India structured a limited-recourse receivables purchase solution for RIL for financing its post-shipment sales to global oil majors such as BP Singapore, BP Oil United Kingdom, and Kuwait Petroleum International Aviation Netherlands.

Citi Bahrain – used because limited-recourse financing is not permitted

in India – set up credit lines with each of its counterparties. Based on these lines, Citi Bahrain issued payment undertakings to purchase receivables from these oil counterparties in the event of non-payment on the due date on account of counterparty insolvency. Consequently, RIL was able to achieve risk mitigation. In addition, by making use of the agreed credit lines, RIL gained access to export funding and diversified its sources of funding, improving its balance-sheet management.

The result

The refinery came on stream in the first quarter of 2009 and Citi began implementing the limited-recourse receivables purchase solution immediately.

RIL met its specific counterparty risk mitigation requirements and its liquidity management objectives using a complex structure that was

not available in the Indian market. The solution provided financing at competitive rates while introducing new diversified sources of funding.

The solution benefited from Citi's strong relationships with RIL's counterparties, which facilitated the establishment of the credit lines that underlay the deal's structure.

OGK-4

Expansion for large-scale operations in central Russia, Siberia, and the Urals

OGK-4 is the largest wholesale thermal generating company in Russia, with the power volume to provide approximately 5% of total power production in the country. OGK-4 consists of one-of-a-kind power plants in terms of their technical and economic characteristics, including the largest Eurasian thermal power plant.

The challenge

Russian state-owned Wholesale Generating Company 4 (OGK-4) sought financing for the construction, engineering and commissioning of a 400-MW power station by an overseas consortium. It needed two stand-by letters of credit (SBLCs) of EUR140 million from internationally recognized banks to meet its payment obligations. OGK-4 faced two obstacles: the dampened credit appetite of large banks owing to the US subprime crisis; and the initiation of privatization proceedings by RAO UES, Russian's energy monopoly, leaving lenders uncertain as to what the identity of the ultimate creditor might be.

The solution

An extensive tendering process saw OGK-4 issue a joint mandate to Citi and ABN AMRO for the two SBLCs, who then structured

and launched a syndication in the secondary market. Citi's extensive relationships with financial institutions globally helped overcome the adverse credit environment, while a close Citi and ABN AMRO working relationship resulted in a single set of documents for the transaction, easing OGK-4's administrative burden. And, though the SBLC was issued in London, as required by the consortia, most of the administration of the deal was conducted by the banks' local teams in Russia. That one of the two beneficiaries was also a Citi client helped secure transaction terms acceptable to the consortia.

Citi's extensive relationships with financial institutions globally helped overcome the adverse credit environment.

The result

Recognized as "Deal of the Year 2007" by Trade Finance, this complex transaction was conducted smoothly, successfully enabling OGK-4 (subsequently acquired by E.ON of Germany) to extend its generating capacity. OGK-4's introduction to the international banking community by syndication left the firm well placed to potentially tap into the global capital markets for further expansion.

TNK-BP

Leading Russian oil company implements funding solution to raise capital on demand

TNK-BP is a leading Russian oil company and is among the top ten privately owned oil companies in the world in terms of crude oil production. Operating a retail network of approximately 1,400 filling stations in Russia and the Ukraine, the company is one of the key suppliers to the Moscow retail market and is a market leader in the Ukraine.

The challenge

Formed in 2003, as a result of the merger between BP's Russian oil and gas assets and the oil and gas assets of Alfa, Access/Renova group (AAR), TNK-BP employs some 63,000 people, mostly located in eight major areas of Russia and the Ukraine.

Considering the size and scale of TNK-BP's operations, TNK-BP wanted a funding solution that would enable it to raise capital as and when required. This was solved by establishing a medium-term note program that would give TNK-BP the ability to access the international capital markets to achieve its goals.

The solution

Acting as the calculation agent, leading issuing and paying agent, note trustee, registrar, and transfer agent, Citi could issue notes into the clearing systems on behalf of the company.


The initial program size gave TNK-BP the ability to raise USD5 billion over multiple note issuances, depending on funding requirements. Two years later, Citi worked with TNK-BP in updating the program size to USD8 billion.

TNK-BP wanted a funding solution that would enable it to raise capital as and when required. This was solved by establishing a medium-term note program that would give TNK-BP the ability to access the international capital markets to achieve its goals.

The result

Citi's dedicated Agency and Trust services enabled TNK-BP to access the international capital markets to meet its funding objectives, backed by Citi's unrivalled global footprint, compelling branding power and world-market expertise.



A silhouette of an offshore oil rig against a bright blue sky and a shimmering blue sea. The rig's complex structure, including its legs, platform, and various cranes, is clearly visible. A large crane arm is prominent on the right side of the rig. The overall scene conveys a sense of industrial scale and maritime operations.

Citi's dedicated Agency and Trust services enabled TNK-BP to access the international capital markets to meet its funding objectives, backed by Citi's unrivalled global footprint, compelling branding power and world-market expertise.

TNK-BP Case Study

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driving operational
efficiency

Manual intervention and diverse processes in different regions often inhibit straight-through processing, resulting in longer processing cycles, increased settlement risk, and higher operating costs. Many companies have re-engineered their key financial processes to drive operational excellence through automation and centralization.

Anvil Mining

Streamlined approach to cash management meets ambitious growth objectives

Australia-based Anvil Mining is a leading copper producer in the Democratic Republic of Congo (DRC). After significant challenges posed by the global financial crisis, Anvil is now focused on developing its flagship Kinsevere II project.

The challenge

A significant deterioration in the price of copper during 2007-08, increases in operating costs, and illiquid capital markets provided major headwinds. For Anvil, these pressures were compounded by reviews into mining licenses in the DRC and operational issues. In response, management developed a plan to reduce all but essential capex, while reducing opex to all but essential operations. At the core of the company's plan was a rigorous cost-cutting initiative and a strong partnership with Citi to deliver efficiencies, flexibility, and costs reductions by deploying Citi's integrated solution for managing payment and receivable flows.

Despite this, Anvil succeeded in raising USD200 million using debt and equity to resume Stage II of its Kinsevere project in the DRC and the construction of an SX-EW plant that would produce 60,000 tons a year of LME-grade copper cathode and significantly enhance the company's cash flows.

The solution

In collaboration with Citi, and building on Anvil's decision to establish a single global cash management platform, Anvil expanded the number of group accounts to 36 across four branches. With local account services, automated domestic and cross-border supplier payments, online investments for multicurrency cash balances, and a commercial cards program all implemented, Citi has assisted Anvil in managing its suppliers and contractors efficiently.

Importantly, Citi's platform enabled Anvil to separately manage and track capex drawn under its recently executed equity and debt facility, distinguishing it from its ongoing operations and internally generated cash flows.

The result

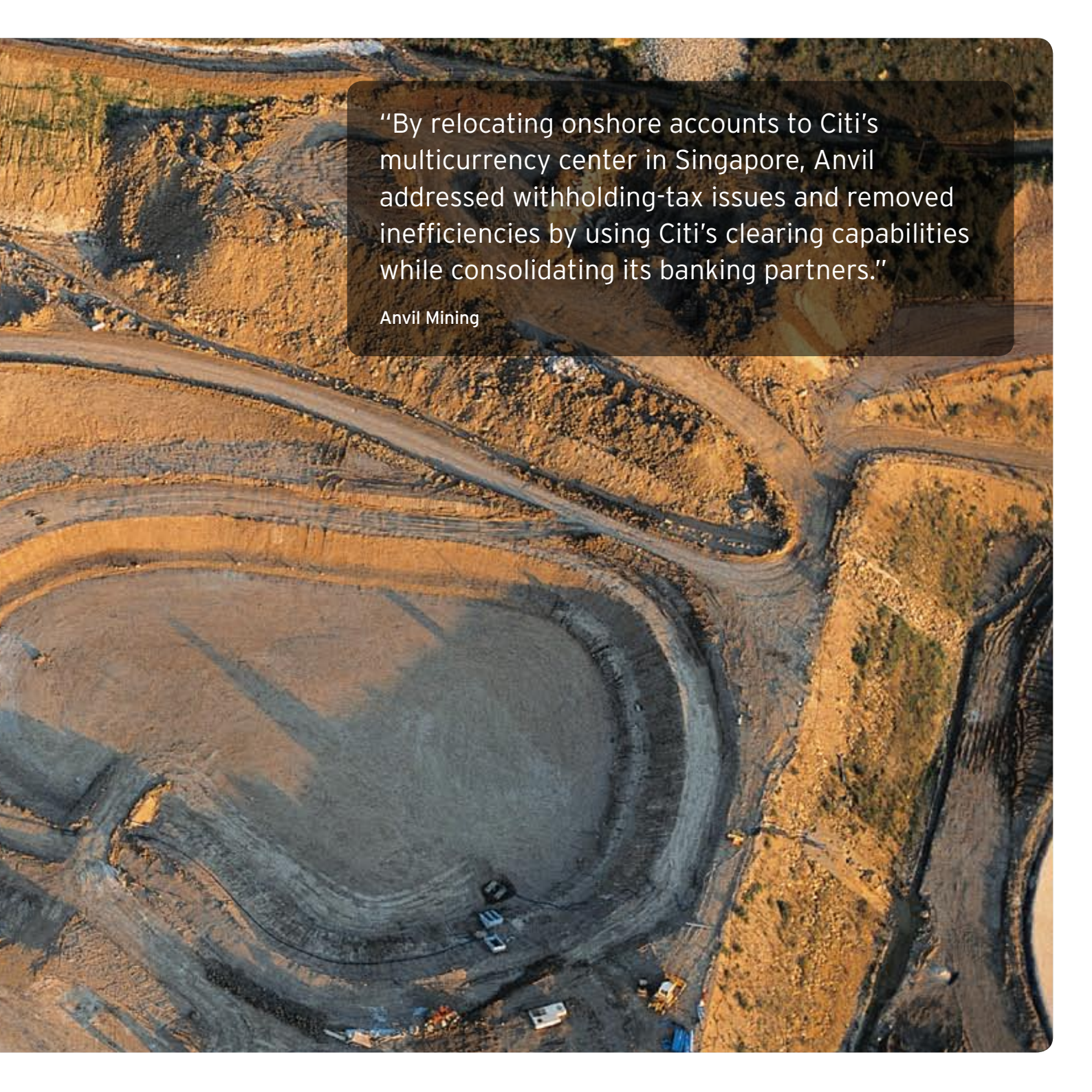
Simplification yields efficiency and transparency. Anvil's finance team in Perth now enjoys oversight over all group accounts, enabling

faster decision-making across all jurisdictions and underpinned by automated reporting tools that help optimize the use of cash.

Anvil Mining's Financial Controller, Lui Evangelista, notes: "By relocating onshore accounts to Citi's multicurrency center in Singapore, Anvil addressed withholding-tax issues and removed inefficiencies by using Citi's clearing capabilities while consolidating its banking partners."

Citi continues to meet with Anvil to discuss further improvements in operational efficiency, including, most recently, an agency and trust solution to manage its obligations under its debt facility.





"By relocating onshore accounts to Citi's multicurrency center in Singapore, Anvil addressed withholding-tax issues and removed inefficiencies by using Citi's clearing capabilities while consolidating its banking partners."

Anvil Mining

Monsanto

Extracting value from electronic banking platforms to reach efficiency

Monsanto is an agricultural company with leading seed brands in large-acre crops like corn, cotton, wheat, and oilseeds. Monsanto also produces leading in-the-seed trait technologies for farmers, which are aimed at protecting farmers' yields, supporting their on-farm efficiency, and reducing their on-farm costs.

The challenge

Monsanto was a satisfied user of CitiDirect® Online Banking but recognized it could get more from the platform. With a high rotation of staff and frequent new hires, Monsanto found that providing detailed training was time consuming. Moreover, it was not always possible to provide training at a convenient time for the company and trainee. In addition, some longstanding Monsanto staff had overlooked CitiDirect updates and weren't unaware of the new functionality, resulting in the use of sub-optimal methods to achieve their goals.

The solution

Citi wanted to help Monsanto improve its productivity using CitiDirect. Following onsite conversations to understand Monsanto's processes, organization, and training requirements, Citi created a tailor-made training

program. The solution would provide on-demand training for Monsanto's current and future CitiDirect users, tailored to the company's structure and needs. In addition, Monsanto's site delivered company news, reports, industry updates, and articles explaining the latest functionality of the platform.

The result

Monsanto treasury professionals can now access their customized on-demand training, accompanied by step-by-step voiceover tutorials, in three levels of training 24 hours a day, 7 days a week. "This innovative program ensures that consistent and up-to-date training is available to facilitate staff rotations," says Monsanto. This project served as a pilot for customized training that developed from Citi's Client Service Academy, which is now available on four continents and in multiple languages, free of charge.

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Shell International

Global cards program rollout consolidates spending and facilitates process control

Shell is a global energy and petrochemicals company with 108,000 employees in more than 140 countries.

The challenge

Shell wanted a single global commercial card program for travel and entertainment (T&E) and low-risk procurement expenditure. “Shell’s policy is to eliminate, standardize, simplify, and automate processes, and a strategic card program meets that brief,” says Helen Buchanan, Senior Manager at Shell.

Shell’s goal was to improve its visibility and control of spending and to capture consolidated global spending with key suppliers. It also wanted to manage the card program from its Shared Business Centers, minimizing card users’ administrative burden in the process.

The solution

Citi was selected in 2005 to implement a global commercial card program on the strength of its global footprint and competitive pricing. In December 2008, the master agreement was updated and extended to 2013.

The program is centrally run, billed, and settled, and it has a single contact for implementation. It offers a consistent solution across all countries except where regulatory requirements dictate step-outs. International payment cards are used in markets where Citi does not offer a local currency solution, such as the United Arab Emirates, Qatar, or Luxembourg.

Shell runs a trust-based system (where expenditure reports do not require supervisor physical sign-off) with preventative and detective processes in place as a safeguard.

“Shell has a robust program structure and a strong risk-based control framework,” says Buchanan. “It’s vital to protect the reputation and integrity of the company.”

The result

A phased implementation determined by country spending has been rolled out since 2005, the US,

the UK, and the Netherlands among the first to be implemented. Six implementations are underway in 2010 and proposals for 2011 will be developed, taking into account Citi’s own developing footprint. Around 90% of Shell’s global T&E spending is covered by the program, covering 47,000 cardholders in 27 countries.

Shell has gained a detailed insight into its global spending, enabling procurement to leverage consolidated spending effectively while also facilitating more efficient process control. “Initially the support of senior management allowed us to overcome resistance to change; based upon the success of the program, we now have legal entities in remaining countries approaching us and asking to be included,” Buchanan says.

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