

# Supply Chain Finance @ OSRAM

## Market environment

The liquidity management of companies is subject to high requirements in terms of flexibility of cash flow. This is mainly driven by customers demanding longer payment terms.

Suppliers' cash flows are stressed and the current banking environment makes it difficult to finance the extended payment terms.

Modern ways of financing thus are playing an increasingly important role and are used in supply chain management to finance and stabilize the supply chain.

## Supply Chain Finance – alternative way of finance

Supply Chain Finance @ OSRAM has been developed especially for selected OSRAM suppliers. Being a multibank solution, Supply Chain Finance @ OSRAM is an extremely cost-efficient way for suppliers to convert 100% of the value of their receivables into non-recourse cash at a very attractive Discount Rate.

The Supply Chain Finance Program (SCF) helps to improve the cash flow of selected OSRAM suppliers and optimizes their working capital. The cooperation between OSRAM and its suppliers will become even more efficient with the utilization of the SCF program.

For providing a platform for the management of funding, Orbian\* has been opted, as one of the leading companies in the field of supply chain finance solutions. Through its Internet access for OSRAM Suppliers the Orbian platform offers a very efficient and user friendly interface.



## Summary of supplier benefits

### + Cash Flow improvement

Get paid fast, 2 days following the sale of the OSRAM receivable. Receivables can be sold either automatically or case-by-case according to your need for cash.

### + Working Capital Optimization

Sale of receivables for non-recourse cash improves liquidity, reduces Days Sales Outstanding (DSO) and improves the debt/equity ratio.

### + Cost Reduction

Automatically get paid on invoices once they are approved and reduce Account Receivable costs relative to OSRAM receivables.

### + Transparency of Cash Flows

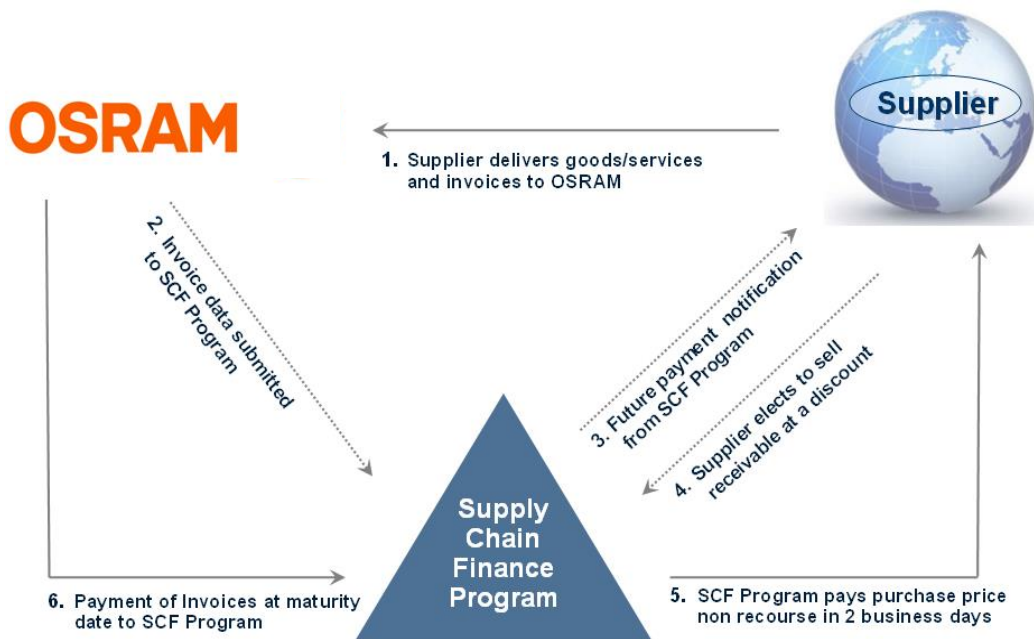
Suppliers are immediately able to see the approved payments (receivables) on their SCF web portal and gain early visibility of amount and date of payment.

# Supply Chain Finance @ OSRAM

## Finance for a strong supply chain

### Supply Chain Finance at work

The OSRAM Supply Chain Finance Program enables selected OSRAM suppliers to improve their liquidity through the sale of their OSRAM receivables to Orbian\* at very attractive rates.



\*ORBIAN is an international company founded by SAP and Citibank which is now held privately with focus on supply chain finance solutions. A subsidiary of Orbian Corp is acting as the buyer of the receivables. Please find more information at: <http://www2.orbian.com/>

### Selling options

There are two types of accounts a supplier can choose to sell his receivables:

#### 1. Auto-Discount

Supplier elects up-front to automatically sell all OSRAM approved payments (receivables) to Orbian\* at the pre-negotiated discount rate.

#### 2. Manual-Discount

Supplier has the option to select which of the approved payments (receivables) it would like to sell to Orbian\* at the pre-negotiated discount rate and the timing of such discounts. Due to additional manual effort the discount rate increases for 0.15% p.a.

### Contact & Information

Your contact at the OSRAM Business is available for further information.

In addition the SCF Program Manager at OSRAM is available for further information:

contact: Edith Li  
 phone: +86 755 3322 4999  
 e-Mail: edith.li@osram.com

## Cost

When selling the receivable the Supplier has to pay a discount on the face value of the receivable.

The current discount rate is LIBOR + 1.5% per annual. The LIBOR is determined daily in London and currently stands at approximately 1%. The additional 1.5 % is a fixed fee which covers the costs of the program as well as the banks providing the funds for the benefit of the suppliers.

### Example

A Supplier delivers products worth USD100,000. The payment is due in 90 days net. When participating in the SCF Program the supplier will receive payment 80 days earlier.

<b>Discount Rate:</b>	2.5% (1% + 1.5%)
<b>Discount Charge:</b>	USD 556 (100,000 x 2.5% x (80 / 360))
<b>Discounted value receivable:</b>	USD 99,444 (Cash received by Supplier)
<b>Cash flow benefit:</b>	USD 22,222 (Payment after 10 instead of 90 days)

**After 10 days supplier receives 99.44% of receivables face value, i.e. 80 days before receivables maturity date. 10 days for invoice and payment**

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