

Final Terms dated 2 June 2008

Citigroup Funding Inc.
Issue of up to 100,000 Inflation Linked Notes due 7 July 2010
Guaranteed by Citigroup Inc.
under the U.S. \$20,000,000,000 Euro Medium Term Note Programme

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in the Public Offer Jurisdiction mentioned in Paragraph 52 of Part A below, provided such person is one of the persons mentioned in Paragraph 52 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

None of the Issuer, the Guarantor and any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

These Final Terms were executed in the English language. A non-binding translation into the German language will also be available. In the event that any discrepancy arises between the English version of these Final Terms and the non-binding translation into German hereof, the English version will prevail.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth under the sections entitled "*Terms and Conditions of the Notes*" in the Base Prospectus dated 22 August 2007, as supplemented by a Supplement (No.1) dated 7 January 2008, a Supplement (No.2) dated 14 January 2008, a Supplement (No.3) dated 31 January 2008, a Supplement (No.4) dated 14 March 2008 and a Supplement (No. 5) dated 30 April 2008, which together constitute a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus and the afore-mentioned Supplements thereto. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Base Prospectus and the afore-mentioned Supplements thereto. The Base Prospectus and the afore-mentioned Supplements thereto are available for viewing at the registered office of the Issuer and at the office of the paying agent in London.

1. (i) Issuer: Citigroup Funding Inc.
- (ii) Guarantor: Citigroup Inc.
2. (i) Series Number: EMTN0436
- (ii) Tranche Number: 1
3. Specified Currency or Currencies: Euro ("EUR").
4. Aggregate Nominal Amount of Notes admitted to trading:
 - (i) Series: Up to 100,000 Notes. It is anticipated that the final Aggregate Nominal Amount of the Notes to be issued will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) on or around 7 July 2008.
 - (ii) Tranche: Up to 100,000 Notes. It is anticipated that the final Aggregate Nominal Amount of the Notes to be issued will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) on or around 7 July 2008.
5. Issue Price: EUR 1,000
6. Specified Denominations: EUR 1,000. The Notes may not be subdivided or reissued in a smaller denomination.
7. (i) Issue Date: 7 July 2008
- (ii) Interest Commencement Date: Issue Date
8. Maturity Date: 7 July 2010, subject to adjustment in accordance with the Modified Following Business Day Convention for which the applicable Business Centres are London, TARGET and New York
9. Types of Notes: Inflation Linked Notes

10. Interest Basis:	Inflation Linked Interest (further particulars specified below)
11. Redemption/Payment Basis:	Redemption at par
12. Change of Interest or Redemption/Payment Basis:	Not Applicable
13. Put/Call Options:	Not Applicable
14. (i) Status of the Notes:	Senior
(ii) Status of the Guarantee:	Senior
15. Method of distribution:	Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions	Not Applicable
17. Floating Rate Note Provisions	Not Applicable
18. Zero Coupon Note Provisions	Not Applicable
19. Dual Currency Interest Provisions	Not Applicable
20. Index Linked Interest Provisions	Not Applicable
21. Commodity Linked Interest Provisions	Not Applicable
22. Inflation Linked Interest Provisions	Applicable
(i) Index:	The Eurostat Consumer Price Index (CPI) (excluding Tobacco) which mirrors the weighted average of the indices of national revised consumer prices in the Euro-zone. The composition and calculation of the Index by the Index

Sponsor might change to reflect the addition of any new member states of the European Union to the Euro-zone without any effect to the references to the Index in the Additional Terms and Conditions for Inflation Linked Notes. More detailed information on the Index (including the historical Index values) are available on the following website:

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2714,1,2714_61582099&_dad=portal&_schema=PORTAL

(ii) Screen

Page/Exchange Code: Bloomberg page: CPTFEMU Index

(iii) Formula:

160% * Inflation, floored at 0%;

whereby:

"**Inflation**" means a percentage (which shall never be lower than zero per cent.) calculated according to the following formula:

$$\text{Max} \left[\frac{\text{Index}_{\text{PD}(i)-3}}{\text{Index}_{\text{PD}(i)-15}} - 1; 0\% \right],$$

with:

"**Index_{PD(i)-3}**" corresponding to the value of the Index on the Business Day falling three months prior to the relevant Interest Payment Date, subject to the Modified Following Business Day Convention; and

"**Index_{PD(i)-15}**" corresponding to the value of the Index on the Business Day falling fifteen months prior to the relevant Interest Payment Date, subject to the Modified Following Business Day Convention.

(iv) Calculation Agent responsible for calculating the interest due:

Citibank N.A. (London) – Inflation Derivative Calculations

(v) Provisions for determining coupon where calculation by reference to Formula is impossible or impracticable:	See Annex 2 to the Base Prospectus – Additional Terms and Conditions for Inflation Linked Notes
(vi) Interest Period(s):	Annually
(vii) Interest Payment Date(s):	7 July in each year, payable in arrear, from and including 7 July 2009 to and including the Maturity Date, adjusted for payment only in accordance with the Modified Following Business Day Convention for which the applicable Business Centres are London, New York and TARGET.
(viii) Day Count Fraction:	30/360 unadjusted
(ix) Cut-Off Date:	Not Applicable
(x) Related Bond:	Fallback Bond
(xi) Issuer of Related Bond:	The relevant issuer of the Fallback Bond
(xii) Fall Back Bond:	Not Applicable
(xiii) Index Sponsor:	The Statistical Office of the European Community (EUROSTAT)
(xiv) Related Bond Redemption Event:	Not Applicable
(xv) Other Provisions:	Not Applicable
23. Foreign Exchange Rate Linked Interest Provisions	Not Applicable
24. Formula Linked Interest Provisions	Not Applicable

25. Business Day Convention

- | | |
|---------------------------------|---|
| (i) For Interest Payment Dates: | Modified Following (unadjusted, for payment only) |
| (ii) For Interest Periods: | Not Applicable |
| (iii) For the Maturity Date: | Modified Following (unadjusted, for payment only) |
| (iv) Any other date: | Not Applicable |

26. Additional Business Centres
(Condition 3(b))

London, TARGET and New York

PROVISIONS RELATING TO REDEMPTION

27. Call Option

Not Applicable

28. Put Option

Not Applicable

29. Final Redemption

Amount of each Note EUR 1,000 per Specified Denomination of EUR 1,000

30. Index Linked Redemption

Amount Not Applicable

31. Commodity Linked Redemption Amount

Not Applicable

32. Inflation Linked Redemption Amount

Not Applicable

33. Foreign Exchange Rate Linked Redemption Amount

Not Applicable

34. Formula Linked Redemption Amount

Not Applicable

35. Early Redemption Amount

Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption and/or the

method of calculating the same (if required or if different from that set out in the Conditions): EUR 1,000 per Specified Denomination of EUR 1,000

36. **Provisions applicable to Physical Delivery** Not Applicable

37. **Variation of Settlement** Not Applicable

38. **Early Redemption Amount** See above

GENERAL PROVISIONS APPLICABLE TO THE NOTES

39. **Form of Notes** Bearer Notes:

Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

40. New Global Note Not Applicable

41. Financial Centre(s) or other special provisions relating to Payment Dates: London, TARGET and New York

42. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No

43. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: Not Applicable

44. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: Not Applicable
45. Redenomination, renominatisation and reconventioning provisions: Not Applicable
46. Consolidation provisions: Not Applicable
47. Other final terms: Not Applicable

DISTRIBUTION

48. (i) If syndicated, names of Managers: Not Applicable
- (ii) Date of Subscription Agreement: Not Applicable
- (iii) Stabilising Manager(s) (if any): Not Applicable
49. If non-syndicated, name and address of Dealer: Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
50. Total Commission and Concession: The Distribution agent will earn an amount of EUR 10.00 per Note. Further information on the placement fee may be obtained from the relevant distribution agent.
51. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
52. Non-exempt Offer: An offer of the Notes will be made other than pursuant to Article 3(2) of the Prospectus Directive in Germany (the "**Public Offer Jurisdiction**") during the period from and including 2 June 2008 until and including 30 June 2008 (the "**Offer Period**"), during the hours in which banks are generally open for business in Germany.

The Commission de Surveillance du Secteur Financier has provided the competent authority in Germany with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive. The Base Prospectus has been passported into Germany.

The Notes will be offered in Germany through:

Citibank Privatkunden AG & Co. KGaA
Kasernenstraße 10
40213 Düsseldorf
Germany

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|-------------------------------------|----------------|
| 53. Additional Selling Restrictions | Not Applicable |
|-------------------------------------|----------------|

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and public offer in the Public Offer Jurisdictions and admission to trading on the regulated market of the Luxembourg Stock Exchange of the Notes described herein pursuant to the U.S. \$20,000,000,000 Euro Medium Term Note Programme of Citigroup Funding Inc.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:
Duly authorised

Signed on behalf of the Guarantor:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the regulated market of the Luxembourg Stock Exchange with effect from 7 July 2008.
- (ii) Admission to trading Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and on the unregulated market (*Freiverkehr*) of the Frankfurt Stock Exchange with effect from 7 July 2008.

2. RATINGS

The Issuer's senior debt is rated Aa3 / P-1, Negative Outlook (Moody's), AA- / A-1+, CreditWatch Negative (S&P) and AA- / F1+, Negative Outlook (Fitch), based on the guarantee by Citigroup Inc.

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: General Corporate Purposes
- (ii) Estimated net proceeds: The estimated net proceeds will depend on the final size of the offer. It is anticipated that the estimated net proceeds will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) on or around 7 July 2008. For the avoidance of doubt, the estimated net proceeds reflect the proceeds to be received by the Issuer on the Issue Date. They are not a reflection of the fees payable by/to the distribution agent or any other persons which may be involved in the distribution of the Notes from time to time.
- (iii) Estimated total expenses: Approximately EUR 3,960

5. Performance of Inflation, Explanation of Effect on Value of Investment and Associated Risks and Other Information concerning the underlying

The formula for the calculation of the coupon is linked to the performance of the Index. The Index mirrors the weighted average of the indices of national revised consumer prices in the Euro-zone. The composition and calculation of the Index by the Index Sponsor might change to reflect the addition of any new member states of the European Union to the Euro-zone without any effect to the references to the Index in the Additional Terms and Conditions for Inflation Linked Notes. More detailed information

on the Index (including the historical Index values) are available on the following website:

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2714,1,2714_61582099&_dad=portal&_schema=PORTAL

6. Underlying Disclaimer

The issue of this series of Notes (in this paragraph, the "**Transaction**") is not sponsored, endorsed, sold, or promoted by the Eurostat Consumer Price Index (CPI) (the "**Index**") or the Statistical Office of the European Community (EUROSTAT) (the "**Index Sponsor**") and the Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. No Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with entering into any Transaction. The Issuer shall not have any liability for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. Except as disclosed prior to the Issue Date, neither the Issuer nor its affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, its affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.

7. Related Bond Disclaimer

The Notes are not sponsored, endorsed, sold or promoted by the issuer of the Related Bond and the issuer of the Related Bond has made no representation whatsoever, whether express or implied, as to the performance of the Related Bond and/or any amendments, adjustments or modifications to the terms and conditions of the Related Bond, and/or as to the results to be obtained from the use of any value or index level determined or derived with respect to the Related Bond or otherwise. The issuer of the Related Bond shall not be liable (whether in negligence or otherwise) to any person for any error in the index level or any value determined or derived with respect to the Related Bond and such issuer is under no obligation to advise any person of any error with respect thereto. The issuer of the Related Bond has made no representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Notes. Neither the issuer of the Related Bond nor any calculation agent in respect thereof shall have any liability to any person for any act or failure to act in connection with the Related Bond.

8. OPERATIONAL INFORMATION

ISIN Code:	DE000A0TV014
Common Code:	36649135
German Securities Number (WKN):	A0TV01

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

Clearstream Banking AG, Frankfurt

Delivery:

Delivery against payment

Names and addresses of initial Paying Agent:

Citibank, N.A.
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Names and addresses of additional Paying Agent(s) (if any):

Kredietbank S.A. Luxembourg, 43, Boulevard Royal,
L-2955 Luxembourg

Intended to be held in a manner which would allow Eurosystem eligibility: Yes

TERMS AND CONDITIONS OF THE OFFER

Offer Price: EUR 1,000 per EUR 1,000 in nominal amount of the Notes.

Conditions to which the offer is subject: Offers of the Notes are conditional on their issue. The Issuer reserves the right not to issue the Notes.

Description of the application process: Investors may apply to subscribe for Notes during the Offer Period. The Offer Period may be discontinued at any time. In such case the Issuer shall give immediate notice to the public before the end of the Offer Period by means of a notice published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Investors will not be required to enter into any contractual arrangements directly with the Issuer related to the subscription for any Notes.

A prospective investor should contact the distribution agent prior to the end of the Offer Period. A prospective investor will subscribe for Notes in accordance with the arrangements agreed with the distribution agent relating to the subscription of securities generally.

There is no pre-identified allotment criteria. Citi will adopt allotment criteria that ensures equal treatment of prospective investors. All of the Notes requested through the distribution agent during the Offer Period will be assigned up to the maximum amount of the offer. A prospective investor will, on the Issue Date, receive 100 per cent. of the amount of Notes allocated to it during the Offer Period.

Applicants will be notified directly by the distribution agent of the success of their application.

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:

Not Applicable

Details of the minimum and/or maximum amount of application:

The minimum amount of application is the Specified Denomination

Details of the method and time limits for paying up and delivering the Notes:

The Notes will be made available on a delivery versus payment basis.

The Issuer estimates that the Notes will be delivered to the purchaser's respective book-entry securities accounts on or around the Issue Date.

Dealings in the Notes may commence on the Issue Date.

Manner in and date on which results of the offer are to be made public:

By means of a notice published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:

Not Applicable

Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:

Offers may be made by the distribution agents in Germany to any person.

Offers (if any) in other EEA countries will only be made pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus.

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:

Applicants will be notified directly by the distribution agent of the success of their application.

Dealings in the Notes may commence on the Issue Date.

Amount of any expenses and taxes specifically charged to the subscriber or purchaser:

Responsibility for any tax implications of investing in these Notes rests entirely with the subscriber or purchaser.

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.

The Notes will be offered in Germany through:

Citibank Privatkunden AG & Co. KGaA
Kasernenstraße 10
40213 Düsseldorf
Germany

SECONDARY MARKET

Citigroup Global Markets Limited will use its reasonable efforts, under normal market conditions, to provide a daily secondary market for the Notes.

APPENDIX

Taxation

GERMANY

The following is a general discussion of certain German tax consequences of the acquisition and ownership of Notes. It does not purport to be a comprehensive description of all tax considerations, which may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

Potential investors are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents.

Taxation in relation to the Notes

Tax treatment until 31 December 2008

Tax Residents

Interest/ Capital gains

Payments of interest on the Notes, including interest having accrued up to the disposition of a Note and credited separately ("**Accrued Interest**"), if any, to persons who are tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to German personal or corporate income tax (plus solidarity surcharge (*Solidarit tszuschlag*) at a rate of 5.5 per cent. thereon). Such interest may also be subject to trade tax if the Notes form part of the property of a German trade or business. Accrued Interest paid upon the acquisition of a Note may give rise to negative income if the Note is held as a non-business asset.

In case of a disposal, assignment or redemption of a Note ("**Disposal**") held as a private asset any income or loss resulting from such disposal is subject to the taxation according to the yield to maturity method (pro-rated yield, *Emissionsrendite*), provided that such pro-rated yield is identifiable upon proof (decree of the German Federal Ministry of Finance dated 18 July 2007, IV B 8 – S 2252/0, ("**Decree**") and the decision of the German Supreme Tax Court dated 11 July 2006, VIII R 67/04). However, as the pro-rated yield of the Notes cannot be identified the income or loss resulting from the Disposal in principle has to be calculated on the basis of the market yield method (*Differenzmethode*) according to which generally the difference between the proceeds from the Disposal and the issue or purchase price is deemed to constitute interest income subject to income tax (plus the solidarity surcharge) in the year of the disposition, assignment or maturity of the Note.

Withholding Tax

If the Notes are held in a custodial account which the Noteholder maintains with a German branch of a German or non-German bank or financial services institution (the "**Disbursing Agent**") a 30 per cent. withholding tax on interest payments (*Zinsabschlag*), plus 5.5 per cent. solidarity surcharge on such tax, will be levied, resulting in a total tax charge of 31.65 per cent. of the gross interest payment. Withholding tax on interest is also imposed on Accrued Interest.

Any difference between the proceeds from the Disposal and the issue or purchase price of the Notes shall, according to the Decree for simplification purposes, may be subject to withholding tax at a rate of 30 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon) if the Note has been kept in a custodial account with such Disbursing Agent since the time of issuance or acquisition, respectively. If the Notes have not been kept in a custodial account with a Disbursing Agent, withholding tax of 30 per cent. is applied to 30 per cent. of the amounts paid in partial or final redemption or the proceeds from the disposition or assignment of the Notes, respectively.

In computing the tax to be withheld the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest paid by the Noteholder to the Disbursing Agent during the same calendar year. In general, no withholding tax will be levied if the holder of an Instrument is an individual (i) whose Instrument does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property; and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the Noteholder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

If Notes are not kept in a custodial account with a Disbursing Agent, withholding tax will apply at a rate of 35 per cent. of the gross amount of interest paid by a Disbursing Agent upon presentation of a coupon (whether or not presented with the Note to which it appertains) to a holder of such coupon (other than a non-German bank or financial services institution). In this case proceeds from the disposition, assignment or redemption of a Coupon, and the proceeds from the disposition, assignment or redemption of a Note, will also be subject to withholding tax at a rate of 35 per cent. Where the 35 per cent. withholding tax applies Accrued Interest paid cannot be taken into account in determining the withholding tax base. Again a solidarity surcharge at a rate of 5.5 per cent. of the withholding tax applies so that the total tax burden to be withheld is 36.925 per cent.

Withholding tax and the solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts over-withheld will entitle the Noteholder to a refund, based on an assessment to tax.

Non-residents

Interest, including Accrued Interest, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder; or (ii) the interest income otherwise constitutes German-source income (such as income from the letting and leasing of certain German-situs property). In the latter case a tax regime similar to that explained above under "*Tax Residents*" applies. Capital gains from the disposition of Notes other than proceeds from their sale or redemption re-characterized as interest income for German tax purposes (as explained above under "*Tax Residents*") are, however, only taxable in the case of (i) above.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above under "*Tax Residents*". Where Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposition

or redemption of a Note are paid by a Disbursing Agent to a non-resident, withholding tax of 35 per cent. will apply as explained above under "*Tax Residents*". The withholding tax may be refunded based upon an applicable tax treaty.

Tax treatment from 1 January 2009 onwards/Introduction of a flat tax (Abgeltungsteuer) on Investment Income and Private Capital Gains

Tax Residents

In the course of the Company Tax Reform Act 2008 (*Unternehmensteuerreformgesetz 2008*), inter alia, a flat tax at a rate of 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax) on investment income (e.g. interest income with respect to the Notes) and private capital gains has been introduced. The flat tax regime will take effect from 1 January 2009. The flat tax will, in principle, be levied as a withholding tax on the basis of the gross amount of investment income and private capital gains, i.e. expenses related to such income – except for a standard lump sum (*Sparer-Pauschbetrag*) of Euro 801 (Euro 1.602 for married couples) – will not be deductible. The flat tax will satisfy any income tax liability of the investor in respect of such investment income or private capital gains. However, a taxpayer will be able to apply for a tax assessment if his or her personal income tax rate is lower than the flat tax rate.

According to the flat tax regime losses from the sale or redemption of securities can only be set-off against other investment income. If the set-off is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods only and can be set-off against investment income generated in these future assessment periods. Capital losses suffered prior to 1 January 2009 can only be set-off against capital gains under the new law until 31 December 2013.

The flat tax will apply to current investment income received 1 January 2009 and onwards and to capital gains/losses from the disposal of securities held as non-business assets, irrespective of any holding period, provided that the gains/losses are generated after 31 December 2008. However, the flat tax will only be imposed on private capital gains/losses from assets acquired after 31 December 2008, unless the assets were to qualify – as the Notes in the present case – as financial innovations. In this case the new tax regime will be applicable to private capital gains/losses from a disposal or redemption after 31 December 2008, even if the assets were acquired prior to 1 January 2009.

Withholding

If the Notes are held in a custody with or administrated by a German credit institution, financial services institution (including a German permanent establishment of such foreign institution), securities trading company or securities trading bank (the "**Disbursing Agent**" as amended by the Company Tax Reform Act 2008), the flat tax will be withheld by the Disbursing Agent upon interest payments, sale or redemption of the Notes. The withholding will be applied to investment income and capital gains from Notes held as private and Notes held as business assets. The flat tax is imposed on the interest payments and the excess of the proceeds from the sale or redemption over the purchase price paid for the Notes, the latter if the Notes were held in custody by the Disbursing Agent since their acquisition. If the Notes are held as private assets, the Disbursing Agent will provide for a set-off of losses with current investment income and capital gains from other securities. If custody has changed since the acquisition and the acquisition data is not proved, the tax rate of 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax) will be imposed on an amount equal to 30 per cent. of the proceeds from the sale or redemption of the Notes.

In general, no flat tax will be levied if the holder of a Note filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent (in the maximum amount of the standard lump sum of Euro 801 (Euro 1.602 for married couples)) to the extent the income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Income not subject to the withholding flat tax (e.g. since there is no Disbursing Agent) will be subject to the flat tax rate of 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax) upon statutory assessment.

In case of tax resident corporations or individual investors holding Notes as business assets the flat tax regime only applies to the extent described above under "*Tax treatment from 1 January 2009*", "*Withholding*". Apart from that, the tax treatment remains in principle as described above under "*Tax treatment until 31 December 2008*".

Non-residents

The scope of the taxation of non-resident holders of a Note remains in principle unchanged in comparison to the tax regime applicable until 31 December 2008 (insofar see above under "*Tax treatment until 31 December 2008*", "*Non-residents*"). However, if such non-resident holders are subject to German income taxation the flat tax regime applies as for resident holders.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Note will arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

EU Savings Directive

Germany has implemented the EU Directive into national legislation by means of an Interest Information Regulation (*Zinsinformationsverordnung*). The German Regulation follows the wording of the EU Directive very closely. Because the German Government interpreted the term "interest" broadly interest income also includes income from financial instruments, which qualify as interest income under German tax law. Additionally, the total amount of the proceeds from sale and redemption of the instruments will be reported. Starting on 1 July 2005 Germany has therefore begun to communicate all payments of interest on such instruments, including notes which qualify as financial instruments, to the beneficial owners Member State of residence if the notes are kept in a custodial account with a Disbursing Agent. The same applies to the total amount of the proceeds from disposition, assignment and redemption of financial instruments.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.