Nestlé Russia LLC -
Supplier Finance Programme

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Introduction

Philippe Blondiaux was on his morning run in Gorki Park outside Moscow. It had been five months since he had moved to Moscow on his new assignment as CFO for Nestlé Russia LLC. He was used to being called to fix the finances of Nestlé subsidiaries. His corporate career had made him move between Europe, America, Africa and Asia. But over the last few years his family had enjoyed an unusually quiet period at Nestlé's corporate headquarter in Vevey, Switzerland where Philippe served as corporate treasurer. But then one day the company had asked him to contribute to resolving the situation in an important emerging market for Nestlé. Philippe had always been a good officer so he accepted and his family moved again – this time to Moscow.

Pacing on this fresh beautiful autumn morning he was thinking about the roll out of the new reverse factoring supplier finance programme. While the programme was a winning proposition on paper he was surprised how many challenges Nestlé encountered. Now Paul Polman, Nestlé's new CFO wanted a recommendation on whether Nestlé should roll-out the programme across Europe. What should he advise?

Nestlé S.A.

Nestlé is a multinational packaged food company founded and headquartered in Vevey, Switzerland. It was founded in 1860 by Henri Nestlé, a pharmacist, who had developed a food for babies whose mothers were unable to breastfeed. In 1905 Nestlé merged with the Anglo-Swiss Condensed Milk Company. The 1920s saw Nestlé's first expansion into new products, with chocolate the company's second most important activity. Nestlé felt the effects of World War II immediately. Ironically, the war helped with the introduction of the company's newest product, Nescafé, which was a staple drink of the US military.

The end of World War II was the beginning of a dynamic phase for Nestlé. Growth accelerated and many companies were acquired. In 1947 came the merger with Maggi seasonings and soups. Between 1950 and 1975 Nestlé acquired Crosse & Blackwell, Findus, Libby's and Stouffer's. Diversification came with a shareholding in L'Oréal in 1974. In 1977, Nestlé made its second venture outside the food industry by acquiring Alcon Laboratories Inc. In the 1980'ties, Nestlé's launched a new round of acquisitions, notably American food giant Carnation and the British confectionery company Rowntree Mackintosh. The first half of the 1990s proved to be favourable for Nestlé: trade barriers crumbled and world markets developed into more or less integrated trading areas. Since then Nestlé has acquired even more firms including San Pellegrino, Spillers Petfoods, Ralston Purina, and Chef America, Inc. As a result of these acquisitions, some divestitures and strong organic growth Nestlé offered a wide range of products across a number of markets including coffee, water, other beverages, ice cream, infant foods, performance and healthcare nutrition, seasonings, frozen and refrigerated foods, confectionery and pet food.[i] In 2006 Nestlé's was well on its way to pass the turnover of 100 billions Swiss Francs (= USD 80 billions) making it by far the world's largest food company.

The Russian Market

Russia, or more precisely the Russian Federation, is a transcontinental country extending over much of northern Eurasia (Europe and Asia). With an area of 17,075,400 km², Russia is the largest country in the world, covering almost twice the total area of the next-largest country, Canada, and has large mineral and energy resources combined with the world's ninth-largest population. Formerly the Russian Soviet Federative Socialist Republic, a republic of the Union of Soviet Socialist Republics (USSR), Russia became the Russian Federation following the dissolution of the Soviet Union in December 1991. After the Soviet era, more than half of the area, population, and industrial production of the Soviet Union passed on to the Russian Federation. Russia is internationally recognised as continuing the legal personality of the Soviet Union and is a permanent member of the United Nations Security Council.

In 2006, well over a decade after the collapse of the Soviet Union in 1991, Russia was trying to further develop a market economy and achieve consistent economic growth. While Russia's 2006 GDP was $1.723 trillion, the 9th highest in the world, the per capita GDP of USD 11.000 still ranked 83rd only. Nevertheless, Russia ended 2006 with its ninth straight year of growth, averaging around 6.5% annually since the financial crisis of 1998. Although this growth was initially driven by oil exports supported by high oil prices and a relatively cheap rouble since 2003, exports of natural resources decreased in economic importance as the internal market strengthened considerably, largely stimulated by intense construction, as well as consumption of increasingly diverse goods and services.

Russia’s economic development of the country was extremely uneven geographically: the Moscow region contributed one-third of the country's GDP while having only a tenth of its population. While the huge capital region was an affluent metropolis, much of the country, especially indigenous and rural communities in Asia, lagged significantly behind. Nevertheless, market integration was being felt throughout the country. The middle class, for instance, had grown from just 8 million in 2000 to 55 million in 2006.[ii]

Nestlé Russia LLC

Nestlé Russia LLC was a subsidiary of Nestlé SA. Up to 1994 Nestlé served the Russian market via Russian importers and its total staff comprised five persons. In 1995 Nestlé SA acquired the confectionary company “Rossiya” in Samara and in the following year Nestlé Russia LLC (NRLLC) was founded as head office and for import, marketing, selling and distribution of finished goods. The same year, Nestlé Russia created the Nestlé Zhukovsky Ice Cream Joint Venture near Moscow and set up regional NRLLC sales offices in 10 major cities.

In 1998 two confectionary companies and one ice cream and frozen-food company were acquired. During 1999-2000 all production companies were converted into pure factories by centralizing the marketing and sales of their output. In 2001-2002 culinary production, local coffee and pet food repackaging operations started. In this period and where possible Nestlé bought out its joint venture partner to own 100 per cent of the respective company. Ever since the first water company was bought in 2003 the water business expanded with more acquisitions. New distribution centres were built and additional regional offices established. 2004 saw the opening of the NRLLC’s new coffee factory. By then NRLLC had introduced many of its global brands like Nescafe, Nestlé, Maggi, Purina or Vittel while supporting some of local Nestlé brands. Overall, in 2006 NRLLC generated 1.4 billion Swiss Franks turnover with more than 10.000 employees and Nestlé SA had invested more than 500 million U.S. dollars into developing this emerging and strategic market. (*Exhibit 1 (Appendix): Factories and Distribution Centers Nestlé Russia LLC)*

Supply Chain Challenges in Russia

Philippe had learned about the particular challenges of managing supply chains in Russia from Jonathan Pearce, Nestlé Russia's Supply Chain Director. Besides the sheer challenge of managing logistics in the biggest country of the world, difficult supplier relations were the greatest concern. Nestlé Russia supplier base consisted of 3.500 suppliers and not all of them were managed centrally. Practically speaking, and beyond traditional purchase spent categorization, Nestlé Russia managed three supply classes: (1) categories such as gas or energy where Nestlé faced a state monopoly and had very little or no influence on supplier performance, (2) categories such as dairy, sugar or glass where Nestlé faced a quasi-monopoly of often only one or two suppliers. As demand often exceeded supply Nestlé and its competitors where in intense competition over supplier attention. (3) Other categories such as corrugated paper, paper labels, aluminium foils or laminates where fairly healthy competition had emerged but bottlenecks and issues around food safety, quality, service, volume, and reliability still occurred occasionally due to excessive demand growth.

In addition, Nestlé faced unique challenges regarding supplier financial issues. Despite the impressive economic recovery, the Russian banking system was still influenced by the 1998 macro-economic crisis which was caused by a mix of high inflation and weak rouble and which was aggravated by fiscal problems. Access to credit continued to be difficult and a major barrier to growth in Russia. Therefore, within Russia a culture of quick payments had emerged. Payment terms of two, three, five or seven days were not unusual. If longer payment terms were accepted they were generally coupled with pre-payments, for instance, 30% pre-payment, 70% within 15 days or 50% pre-payment and 50% within 30 days. While monopoly suppliers simply dictated these terms, longer payment terms could often not be negotiated, even where competition existed. Most suppliers needed the working capital to finance their sourcing and production cycle and had no access to other sources of finance. More home-made, Nestlé Russia had negotiated more than one hundred different payment terms with their suppliers. The resulting administrative complexity paired with inadequate information systems across supply chains complicated reconciliation of purchase orders, delivery notes and supplier invoices. This sometimes led to delays in payments which resulted in tensions with suppliers that needed their cash timely. As a consequence of all of this not only was Nestlé Russia's working capital performance relatively low, their suppliers were also affected by the inefficiencies of the procure-to-pay (P2P) process. .

Principles of Factoring and Reverse Factoring

Factoring is a traditional type of financing in which firms sell their credit-worthy invoices, i.e. accounts receivable, at a discount - equal to interest plus service fees - and receive immediate cash. Factoring is not a loan because there is no debt repayment and no additional liabilities on the firm's balance sheet, although it provides working capital financing. Factoring is done mainly "with recourse" but can be "without recourse" at a premium, meaning that the firm that purchases the receivables, often a specialized financial institution and referred to as "the factor", assumes responsibility for the buyers ability to pay but may retain some recourse back to the supplier for performance issues. In addition, factoring can be done on either a notification or non-notification basis. Notification means that the buyers are notified that the supplier has sold their accounts receivables (i.e. the buyer's account payables) to a factor and that the buyer must now pay the factor rather than the supplier. Overall, factoring is a comprehensive financial service that includes credit protection, accounts receivable bookkeeping, collection services and financing.[iii]

Factoring is used in developed and developing countries around the world. In 2006, total worldwide factoring volume was over US$ 1.134 trillion, as the result of an impressive growth rate of 182% in the five-year period 2001-2006 (see Exhibit 5 in appendix).[iv] However, traditional factoring has in general not been successful in emerging markets. First, when good historical credit information in unavailable, then the factor takes on large credit risk. Second, fraud (e.g. bogus receivables, non-existing customers) is a big problem. In emerging markets the weak legal environment, non-electronic business registries and traditional credit bureaus make it more difficult to identify these problems.[v]

Reverse Factoring (RF) emerged as a result of the realization that small and medium size enterprises (SME) in emerging markets are constrained in their growth and competitiveness due to difficult access to capital. While success according to a Russian proverb has many fathers, the role of the Worldbank in the development of reverse factoring is noteworthy. The Worldbank had developed and tested in Mexico and other emerging markets an innovative solution that reversed traditional factoring by focusing on the debtor of invoices rather than the seller. In reverse factoring, the lender, usually a bank purchases account receivables from suppliers under an acceptance from high-quality buyers only to meet their payment obligation at maturity. The lender only needs to collect credit information and calculate the credit risk for this focal buyer, often a large, very transparent, internationally accredited firm. Therefore, in reverse factoring, the credit risk is equal to the default risk of the high-quality customer, and not the risky SME. This arrangement allowed creditors in developing countries to factor "without recourse" and for lenders to provide low-risk financing solution to high-risk SMEs.

RF is particularly beneficial for small suppliers for a number of reasons. First, ordinary factoring requires comprehensive credit information on all the borrower's customers, which is difficult and costly to determine in emerging market economies with weak credit information systems. Since the credit assessment is not on the supplier, this no longer becomes a requirement. Second, RF allows suppliers to transfer their credit risk and borrow on the credit risk of its creditworthy buyers. This allows suppliers to borrow greater amounts at lower costs. Third, RF only requires the legal environment to sell, or assign, accounts receivables and does not have a dependency or rely on the robustness of good collateral laws or efficient judicial systems.

Nestlé SA's Working Capital Initiative

Upon his arrival in 2006, Paul Polman, Nestlé's Chief Financial Officer, had embarked on a strategy of "finance enabled transformation". His analysis had revealed that Nestlé's working capital performance was below par vis-à-vis its competitors and that this had contributed to lower price/earnings (P/E) ratio, EBITDA margin, and Return on Capital Employed. He therefore set new targets of sustainable growth, continued improvement of EBIT margin, and responsible capital management. *(Exhibit 2 (Appendix): Days Working Capital in the FMCG Industry)*

As Paul Polman came to realize, managing all aspects of working capital had not been part of Nestlé's culture. Instead, day-to-day working capital management had focussed primarily and sometimes exclusively on Days Inventory Outstanding (DIO) and Days Sales Outstanding (DSO; Accounts Receivables). In contrast, he had identified accounts payables as the "forgotten item" of working capital management.

Paul was aware that some of Nestlé's competitors had tried to standardise and extend payment terms at the expense of suppliers, reducing <u>their</u> working capital, <u>their</u> liquidity and eventually <u>their</u> margins. Therefore, previous industry attempts to extend DPO had resulted in supplier resistance. Paul, however, had come across information on the emerging reverse factoring schemes and imagined that suppliers would consent to extending DPO if they would see some benefits in it. He knew that buyers wants to optimise cash flow by 'stretching the trade' while supplier wants to convert receivable to cash as early as possible. Unlike before where buyers used such programs to shift the cost of enhancing their WC onto their suppliers, RF presented an opportunity for Nestle to extract the costs out of supply chain and reduce cost of goods sold. Paul hoped that these new schemes would help strengthen supplier relationships whilst improving Nestlé's working capital performance in a mutually beneficial way.

But there were additional reasons for Nestlé to be interested in innovative account payable programmes. Over the previous years Nestlé had enjoyed a strong company credit rating. With this exceptionally high rating came many advantages but as Paul Polman knew also several disadvantages. It allowed Nestlé access to extraordinary financing opportunities and this provided Nestlé with enormous financial flexibility. Combined with Nestlé's prudent use of short term debt it generated a usually under-estimated financial performance to the benefit of the shareholders. Leveraging this strong rating provided Nestlé with substantial flexibility in financing even large acquisitions without any bank support. It enabled Nestlé to chose the timing of its capital market transactions with no refinancing risk, offered the possibility to stay on the most beneficial points of the yield curve, and to manage financial assets and liabilities in a highly tax efficient way. Overall, the strong rating enabled Nestlé to be highly cost effective, on an after-tax basis, although these benefits were hard to quantify. *(Exhibit 3 (Appendix): Cost of Debt for Difference FMCG Companies)*

Nestlé Russia's Reverse Factoring Programme

In emerging markets like Russia, however, there were also several disadvantages associated with Nestlé SA's strong credit rating such that traditional financing solutions did not make sense anymore. Bond financing, for instance, was not attractive for Nestlé Russia because while Nestlé refinanced itself with 40 bps or lower (bps = basis points) outside Russia, the benchmark for the rouble bond market is the city of Moscow – at 70 bps which meant that Nestlé Russia could not issue bonds at a lower rate than the city of Moscow despite its overall excellent credit rating outside Russia. Similarly, leasing propositions usually included a financing component indexed on the credit quality of the lessor whose rating was usually much lower than Nestlé's. Paradoxically, Nestlé experienced certain difficulties to find attractive financing options due to its excellent corporate rating and reverse factoring provided an interesting alternative. *Exhibit 4 (Appendix): Premium over LIBOR rate for Rouble Bonds.)*

Other characteristics of Russia added to its attractiveness for a reverse factoring programme. First, as compared to collateral-based loans, RF removes the account receivables from the seller's accounts (which usual factoring does not), which in case of bankruptcy is particularly important for the factor if the judicial system is less developed or inefficient. Second, factoring has distinct advantages in providing funding to higher risk and informationally opaque firms, especially SME. This is particularly relevant in transitions countries like Russia, where accounting standard are less developed, audited financial statements are not the rule, but where private sectors are young and fast growing. While the general lack of data on payment performance, such as the kind of information that is collected by public credit registries, private business credit bureaus and credit insurers or factors themselves, has a negative impact, factors compensate by working primarily with suppliers to large foreign and domestic firms with high creditworthiness.[vi]

Paul Polman knew that Philippe Blondiaux would be the right person to design a successful RF programme that would support Russian suppliers whilst contributing to Nestlé's overall working capital objectives. Both also realized that the key to the success of such a programme for Nestlé Russia was to (1) standardize and extend payment term across all suppliers and then (2) provide a simple, easy-to-implement financing solution for approved suppliers.

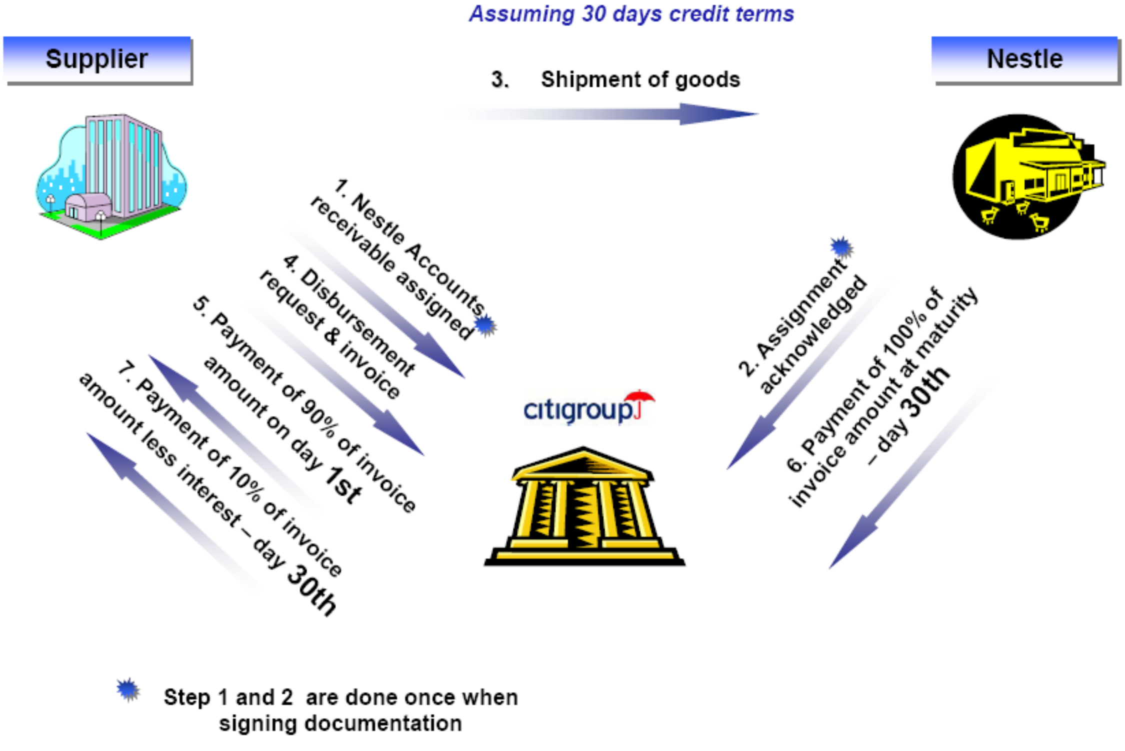


Exhibit 4: Schematic of RF Solution structured by Citi for Nestlé Suppliers in Russia

Therefore, Philippe tried to identify a bank that had the financial strength and technical capability to create and manage such a programme, the long term interest in a strong relationship with Nestlé and the regional presence to implement such a programme in Russia. Not many banks fulfilled these criteria so after a formal request for quotation to several banks and a rigorous assessment, Nestlé Russia contracted with Citi. Citi on the other hand, took great pride in being given the opportunity to work on this program with a premier client and household name like Nestle. What differentiated Citi from its competitors was the proven track record on the subject matter across multiple geographies, robust infrastructure and supplier on-boarding strategy.

To calculate the business case, Nestlé Russia provided Citi with a selection of potential suppliers, the current and proposed terms of trade with these suppliers and an analysis of their procurement spend. Citi then performed a detailed cost-benefit analysis which showed substantial benefits for all parties involved (see Appendix). Subsequently, Nestlé Russia and Citi designed an implementation strategy which (a) defined the goals of the program, (b) the process of reverse factoring, (c) the appropriate metrics to measure and improve upon, (d) the system and accounts payable implementation plan and (e) the proposed supplier roll-out and on-boarding plan.

Suppliers that had accepted Nestlé Russia's new payment terms would be invited into the programme. They would set up an account with Citi (Step 1) (this however is not a requirement, but had to be the case due to local regulations), assignment of which was confirmed by Nestlé Russia (Step 2). Once the account would be set up and approved, the suppliers would receive purchase orders (Step 3a) and would ship goods as usual (Step 3b). Once Nestlé Russia would acknowledge receipt without objections as to the quantity and quality of goods, the suppliers would, however, be granted the option to submit a disbursement request with their invoice to Citi according to the agreed credit terms and the supplier's liquidity needs (Step 4). Citi in turn would pay, for example, 90% of the invoice on the 1st day after submission (Step 5). In the case of a 30 day payment term, Citi would pay the remaining 10% of the invoice less interest to the supplier at maturity, i.e. on the 30th day, whilst Nestlé would pay Citi 100% of the invoice simultaneously.

A Win-Win-Win-Situation?

Philippe had often dreamed of a true win-win-win situation and the new reverse factoring programme would hopefully achieve this. Nestlé, on the one hand, hoped to reap several benefits from this programme. Given that Russia was an emerging market with a limited qualified supplier base, Nestlé and its competitors were courting the few capable suppliers. If the programme helped Nestlé to emerge as a preferred buyer it could provide competitive advantage. Indeed, one of the underlying aims was to support the key local supplier base with no extra risk-taking and limited additional expenses. This would increase the volume that Nestlé could buy from its suppliers and therefore allow Nestlé to grow faster in this strategic market where market share was the name of the game. At the same token Nestlé would standardize and extend payment terms across its supplier base which would not only improve working capital but also simplify transaction processes.

For the suppliers, this programme would allow improved working capital financing. The accredited suppliers could obtain financing immediately after shipment and invoice submission, and as a result, enjoy improved liquidity which would enable the supplier to grow whilst meeting financing needs. The beauty of the programme was that it provided easy access to financing. Only a minimal documentation package and no collateral or pledges were required. The programme gave suppliers access to less expensive financing compared to the stand-alone borrowing conditions of their local banks. Given that the suppliers could now flexibly manage their working capital needs without the need to use bank credit this also freed up borrowing capacity with existing lenders. Whilst this was not a major issue with an esteemed buyer such as Nestlé it nevertheless reduced credit and collection risk for the suppliers and gave them a tool to predict their cash flow.

Citi also gained from the programme. While it would take a margin on the intermediation the fee would still be much lower than the gain in lower basis points or credit access for the suppliers. Citi was also hoping to learn from the roll-out, improve its reputation in the Russian market and increase their customer base across the supplier network. Citi faced little risk, as with Nestlé’s AAA rating, the default risk was close to zero.

Rollout and Outlook

Over the next two years, whenever a supply contract came up for renewal, Nestlé negotiated their worldwide standard payment terms of 30 days. Philippe knew, however, that unless they provided additional value for the relationship suppliers would simply calculate the financial cost of payment extension into the price. Depending on the category, this could be 3-5% of purchase price. By inviting the suppliers to join the reverse factoring programme, Nestlé avoided this counter productive response and in addition provided true value for the Nestlé supplier who gained flexible access to liquidity at very competitive interest rates. However, no pressure was exercised when suppliers chose not to participate when they did not require this financing opportunity or because they had access to better financing elsewhere.

The roll-out started with Nestlé’s most important suppliers and then spread across the whole supplier base. While initially, discussions were bilateral, Nestlé later set up supplier forums where Nestlé, a supplier and Citi explained the concept and both the economic and soft benefits in an open and constructive manner.

Nevertheless, Philippe was surprised by some of the implementation challenges. Initially, Nestlé Russia’s purchasing director, for instance, resisted the programme because he did not fully grasp all of its benefits. Many suppliers worked with one house-bank exclusively and were not accustomed to dealing with international banks. As they were used to being paid quickly, they were very concerned about the programme’s extension of payment terms and at first did not value the flexible access to low cost working capital. Overall, they were overwhelmed by what they considered a radical departure from previous working practices and felt that the programme was perhaps “too good to be true”. Philippe and Jonathan, however, were determined to go ahead as they felt a business obligation to help their suppliers and reduce the risk that they could no longer supply Nestlé due to cashflow constraints.

The actual reverse factoring process experienced some hiccups as well. Russia’s archaic financial procedures were very bureaucratic and required manual stamps in addition to the electronic transaction receipts. Therefore, Nestlé Russia and Citi had to maintain a manual process in parallel to the electronic payment process used in Western Europe. Some remote suppliers reported difficulties in setting up and managing accounts with Citi in Moscow.

In addition, in 2003 and 2004 there were speeches by Securities Exchange Commission (SEC) staff in US on the topic of ‘Classification and Disclosure of Certain Trade Accounts Payable Transactions Involving an Intermediary ‘ and this raised concerns with some auditors. At that time there were transactions that had been structured to circumvent the balance sheet presentation and classification requirements. It would usually involve the use of a structured arrangement in which an intermediary, typically a financial institution or one of its affiliates, pays trade payables on behalf of the buyer in order to take advantage of discounts for early payment that the buyer would not otherwise avail itself of. Also, there were instances of direct benefits being extended by the lender to the buyer in form of extension of terms beyond the due date of the payment or sharing of fee from the supplier.

This cast a shadow on the RF scheme which had no bearing of the structures discussed above or in the speeches and was in fact standard vanilla supplier finance solution. Indeed, Citi had worked with many of its client base and its auditors on this front and were able to leverage the knowledge and structure the solution that was ‘payable friendly’.

However, some smaller Russian suppliers who were not used to dealing with international banks were simply not comfortable with such “modern” products. And some commentators were increasingly worried that careless, so called “sub-prime” mortgage lending in the US could lead to a larger credit crisis that could have major repercussions for other parts of the financial systems. Others had contrary opinions emphasizing the different and countercyclical nature of supply chain finance solution and that on top developments in emerging markets seemed increasingly de-coupled from more mature markets.

Philippe was pondering the opportunities and risks. What should he recommend to Paul Polman? Should Nestlé SA roll out the reverse factoring programme to other countries? And how should he fix the situation at Nestlé Russia?

Appendix

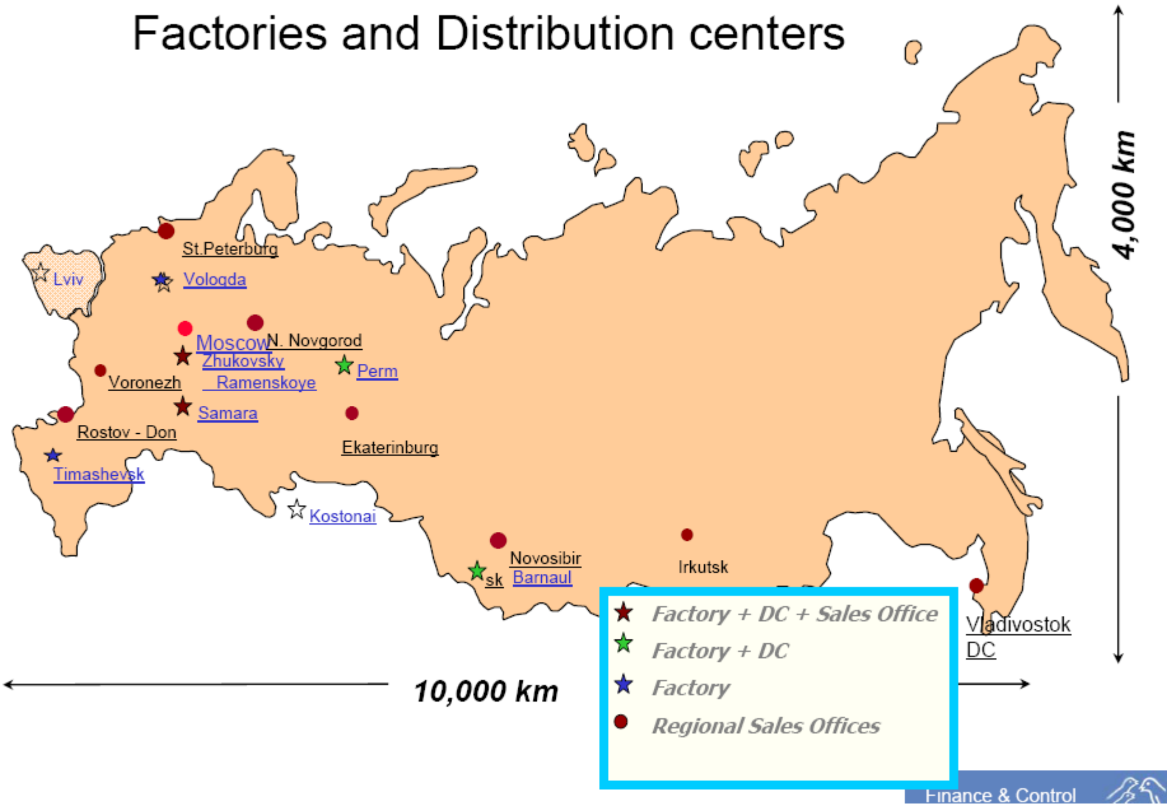
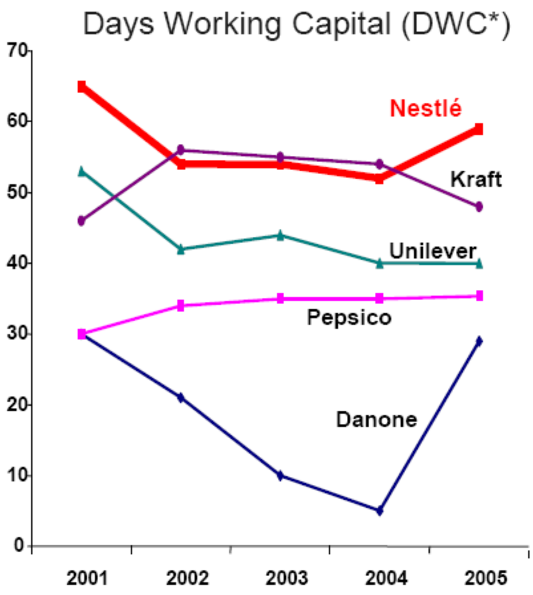


Exhibit 1: Factories and Distribution Centers Nestlé Russia LLC



* DWC = Days Working Capital = (Total Receivables + Inventory - Trade Payables) / Sales x 365

Exhibit 2: Days Working Capital in the FMCG Industry

Traditional approach : AAA vs A : 25 bps based on credit default swap market

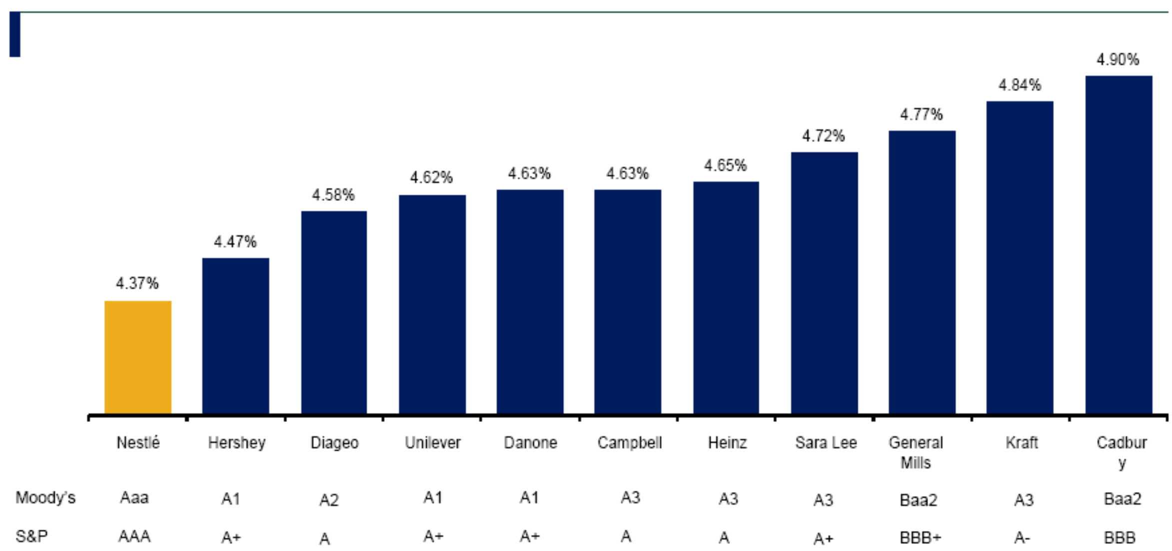
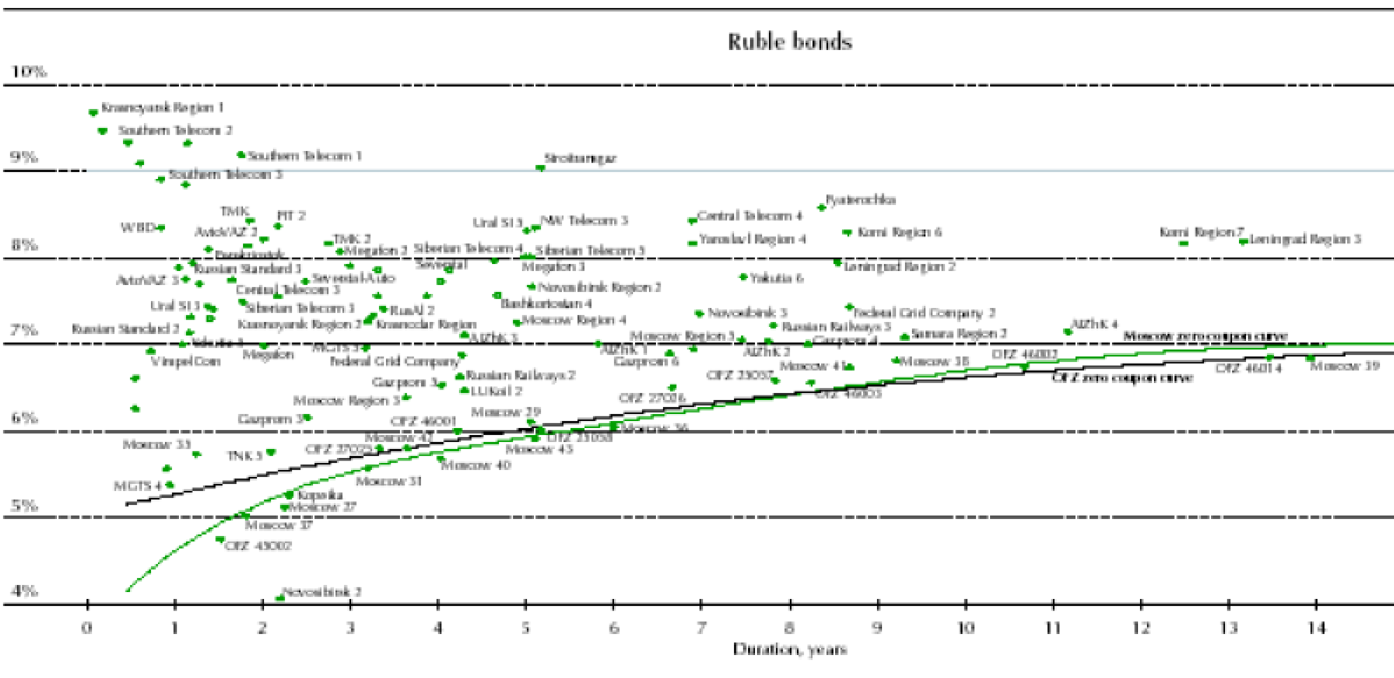


Exhibit 3: Cost of Debt for Difference FMCG Companies (2005)



Source: Bloomberg

Exhibit 4: Cost for Rouble Bonds

	2000	2001	2002	2003	2004	2005	2006
EUROPE							
Austria	2,275	2,181	2,275	2,932	3,692	4,273	4,733
Belgium	8,000	9,000	9,391	11,500	13,500	14,000	16,700
Bulgaria	1	2	0	0	0	0	35
Croatia	0	0	0	0	28	175	340
Cyprus	1,410	1,554	1,997	2,035	2,140	2,425	2,546
Czech Rep.	1,005	1,230	1,681	1,880	2,620	2,885	4,025
Denmark	4,050	5,488	5,200	5,570	6,780	7,775	7,685
Estonia	615	1,400	2,143	2,262	3,920	2,400	2,900
Finland	7,130	7,445	9,067	8,810	9,167	10,470	11,100
France	52,450	67,660	67,398	73,200	81,600	89,020	100,009
Germany	23,483	29,373	30,156	35,082	45,000	55,110	72,000
Greece	1,500	2,050	2,694	3,680	4,430	4,510	5,230
Hungary	344	546	580	1,142	1,375	1,820	2,880
Iceland	125	26	16	25	16	15	25
Ireland	6,500	7,813	8,620	8,850	13,150	23,180	29,693
Italy	110,000	124,823	134,804	132,510	121,000	111,175	120,435
Latvia*					155	20	276
Lithuania*					1,040	1,640	1,896
Luxembourg	0	0	197	257	285	280	306
Malta	0	0	0	0	0	0	1
Netherlands	15,900	17,800	20,120	17,500	19,600	23,300	25,500
Norway	4,960	5,700	7,030	7,625	8,620	9,615	11,465
Poland	2,085	3,330	2,500	2,580	3,540	3,700	4,425
Portugal	8,995	10,189	11,343	12,181	14,700	16,965	16,886
Romania	60	98	141	225	420	550	750
Russia	0	0	168	485	1,130	2,540	8,555
Serbia	0	0	0	0	0	0	150
Slovakia	160	240	240	384	665	830	1,311
Slovenia	65	71	75	170	185	230	340
Spain	19,500	23,600	31,567	37,486	45,376	55,515	66,772
Sweden	12,310	5,250	10,229	10,950	14,500	19,800	21,700
Switzerland	1,300	1,430	2,250	1,514	1,400	1,900	2,000
Turkey	6,390	3,947	4,263	5,330	7,950	11,830	14,925
Ukraine	0	0	0	0	0	333	620
UK	123,770	136,080	156,706	160,770	184,520	237,205	248,769
Total Europe	**414,383**	**468,326**	**522,851**	**546,935**	**612,504**	**715,486**	**806,983**

*shown with Estonia until 2003

Exhibit 5: Volume of Facoring in selected countries

	2000	2001	2002	2003	2004	2005	2006
AMERICAS							
Argentina	1,715	1,017	71	70	101	275	333
Brazil	12,012	11,020	11,030	12,040	15,500	20,050	20,054
Canada	2,256	2,699	3,100	3,161	3,157	3,820	3,386
Chile	2,650	3,123	3,130	3,500	4,200	9,500	11,300
Colombia	0	0	0	0	0	0	100
Costa Rica	258	208	210	185	180	100	50
Cuba	108	113	120	93	190	210	210
El Salvador	0	123	157	102	105	80	191
Mexico	5,030	6,890	6,340	4,535	4,600	7,100	8,150
Panama	220	220	0	160	201	240	607
Peru	0	0	0	0	0	95	563
U.S.A.	102,268	101,744	91,143	80,696	81,860	94,160	96,000
Total Americas	**126,517**	**127,157**	**115,301**	**104,542**	**110,094**	**135,630**	**140,944**
AFRICA							
Egypt	0	0	0	0	1	1	3
Morocco	45	50	190	160	300	430	440
South Africa	5,550	5,580	5,860	5,470	7,100	5,580	7,800
Tunesia	60	171	153	210	185	226	270
Total Africa	**5,655**	**5,801**	**6,203**	**5,840**	**7,586**	**6,237**	**8,513**
ASIA							
China	212	1,234	2,077	2,640	4,315	5,830	14,300
Hong Kong	2,400	2,690	3,029	3,250	4,800	7,700	9,710
Indonesia	3	0	1	1	0	1	50
India	470	690	1,290	1,615	1,625	1,990	3,560
Israel	460	429	354	190	155	325	375
Japan	58,473	61,566	50,380	60,550	72,535	77,220	74,530
Lebanon	0	10	22	35	41	61	95
Malaysia	585	842	610	718	730	532	480
Oman	30	36	29	10	8	1	5
Philippines	0	0	0	0	0	141	150
Saudi Arabia	0	150	100	50	0	0	0
Singapore	2,100	2,480	2,600	2,435	2,600	2,880	2,955
South Korea	115	85	55	38	32	850	850
Sri Lanka	99	115	110	102	128	201	184
Taiwan	3,650	4,511	7,919	16,000	23,000	36,000	40,000
Thailand	1,268	1,240	1,274	1,425	1,500	1,640	1,925
UAE	0	0	0	37	145	440	810
Vietnam	0	0	0	0	0	2	16
Total Asia	**69,865**	**76,078**	**69,850**	**89,096**	**111,614**	**135,814**	**149,995**
AUSTRALASIA							
Australia	7,320	7,910	9,527	13,716	18,181	23,130	27,573
New Zealand	100	410	465	263	236	250	280
Total Australasia	**7,420**	**8,320**	**9,992**	**13,979**	**18,417**	**23,380**	**27,853**
TOTAL WORLD	**623,840**	**685,682**	**724,197**	**760,392**	**860,215**	**1,016,547**	**1,134,288**

Exhibit 5: Volume of Facoring in selected countries (continued)

[i] Source of Nestlé Information: www.nestle.com; www.wikipedia.org
[ii] Source of Russia Information: www.wikipedia.org
[iii] Source of Reverse Factoring Information: Klapper, Leora (2006): The role of factoring for financing small and medium enterprises, Journal of Banking & Finance 30 (2006) 3111–3130.
[iv] www.factorchain.org
[v] Klapper, Leora (2006)
[vi] Klapper, Leora (2006)