

PRESS RELEASE

Paris, 15 October 2007

COFACE PLACES SPAIN ON NEGATIVE WATCHLIST AND KEEPS UP THE NEGATIVE WATCH PUT ON USA AND UK DURING THE SECOND QUARTER OF 2007

Spain is the third large industrialised country to be placed on negative watchlist by Coface in 2007. Indeed, Spain presents a risk of contagion of the property crisis and seems similar to the situation in the US and UK, placed on negative watchlist by Coface in April and July respectively.

Among emerging European countries, the A4 rating for Romania has also been placed on negative watchlist. The Romanian currency is proving to be the most in danger among emerging countries and makes its economy vulnerable to a crisis of confidence. The increase in private sector debt gives reason to fear a deterioration of company payment behaviour.

Spain vulnerable to a risk of contagion of the American property crisis

The household debt rate is reaching proportions comparable to that of the UK and US (130%, 163% and 138% of disposable income respectively). Corporate investment, also heavily in debt, will suffer from the credit squeeze too.

Spanish growth should slow down and fall to 2.9% in 2008, compared to 3.8% this year, notably due to the fall in housing investment, which significantly contributes to growth and employment, and the deceleration of household consumption from 3.2% to 2.7%.

Payment behaviours, which have been satisfactory until now, risk deteriorating. Small and medium-sized firms linked to housing markets (finishings, estate agents, manufacturers and distributors of domestic materials and equipment), and who have recently grown in number, often find themselves in debt and exposed to slackening growth.

Spain is the third industrialised country to be placed on negative watchlist by Coface since the beginning of the year. "Spain is sharing the dangerous cocktail of real estate bubble and household overindebtedness with the US and UK" explains Yves Zlotowski, Chief economist for Coface.

The US and UK remain on negative watchlist

Coface is keeping the US on negative watchlist, having placed it on the list on 10 April. Coface had thus highlighted the signs of American economic slowdown, property market difficulties, as well as the credit squeeze and their possible impact on the financial soundness of businesses.

With the situation in the UK showing strong similarities to that in the US, Coface is keeping the country on negative watchlist, where it was placed on 10 July.

In our opinion, the American slowdown could extend into 2008. If global payment behaviours remain good, some companies, notably those financed by LBOs, could be weakened, all the more so if they are faced with a "credit crunch". A deceleration is also looming over the UK. Retail trade and other closely related sectors are the most vulnerable.

Exchange rate risk in Romania

Romania is particularly severely hit by the financial crisis set off in the US this summer: the leu has fallen significantly. It is the most vulnerable currency among all the emerging countries. The vulnerability to a confidence crisis is particularly strong as the current deficit is at a level which is difficult to maintain (14% of GDP predicted for this year).

Rapidly rising corporate debt is worrying. Companies would be seriously weakened in the case of a currency drop or a downturn in activity.

Finally, disagreements at the highest level of State have slowed down the speed of reforms, including those relating to governance.

Press Contact: Nathalie Ott - Tel: + 33 (0)1 49 02 16 29 - E-mail: nathalie_ott@coface.com

About Coface

Coface, rated AA+ by Fitch Ratings, AA by S&P and Aa3 by Moody's, is a subsidiary of Natixis whose share capital (Tier 1) was 11.6 billion euros end June 2007. Coface's mission is to facilitate global business-to-business trade by offering its 105.000 customers four product lines to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, company information and ratings, receivables management and factoring. Coface also offers, in France, management of government export guarantees. Thanks to the worldwide local service delivered by 6,000 staff in 64 countries, over 45% of the world's 500 largest corporate groups are already customers of Coface.

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Country rating methodology

The Country @rating assigned by Coface reflects the average level of **short-term** non-payment risk associated with companies in a particular country. It reflects the extent to which a country's economic, financial, and political outlook influences financial commitments of local companies.

Ratings are based on twofold expertise developed by Coface :

- macroeconomic expertise in assessing country risk based on a battery of macroeconomic financial and political indicators
- microeconomic expertise that draws on Coface databases covering 44 million companies worldwide and 50 years experience with payment in trade flows it guarantees.

7 families of risk are combined in order to determine an overall rating for each of the 154 countries monitored. Coface ranks country ratings on seven risk levels, A1, A2, A3, A4, B, C and D, in the order of increasing risk. The seven risk families are:

- Growth vulnerability
- Foreign currency liquidity crisis
- External over indebtedness
- Sovereign financial vulnerability
- Banking sector's fragilities
- Geopolitical and Governance vulnerabilities
- Company payment behaviour.

Specific information on each country is available at www.cofacerating.com