

**Coface Country Ratings:
Spain and Romania Placed on Negative Watchlist;
US and UK to Remain on Negative Watchlist.**

Paris – October 16, 2007 - Spain is the third large industrialized country to be placed on the negative watchlist by Coface in 2007. This action is due to the risk of a spreading property crisis, similar to that of the US and UK, both of which were placed on the negative watchlist by Coface this year (April and July, respectively.)

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

Spain vulnerable to property crisis risk

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 as well.

Spanish growth should 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 slowing of household consumption from 3.2% to 2.7%.

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

Spain is the third industrialized country to be placed on the negative watchlist by Coface since the beginning of the year. “Spain is sharing the dangerous cocktail of real estate bubble and household over-indebtedness with the US and UK” explains Yves Zlotowski, Chief Economist for Coface.

The US and UK remain on negative watchlist

The US has been on the negative watchlist since April 10, 2007. At that time, Coface had noted 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 of the US, Coface will keep the country on the negative watchlist, where it has been since July 10, 2007.

Coface believes that the American slowdown could extend into 2008. If global corporate payment behavior remains 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 has been severely hit by the financial crisis set off in the US this summer. Since that time the leu has fallen significantly and it is the most vulnerable currency among all the emerging countries. The potential for a confidence crisis is particularly strong because the current deficit is at a level that is difficult to maintain (14% of GDP predicted for this year).

Rapidly rising corporate debt is also 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 the State have slowed down the speed of reforms, including those relating to governance.

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 and 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 financial and political indicators
- Microeconomic expertise that draws on Coface databases covering 44 million companies worldwide

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 behavior.

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 at the end of 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. Due 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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