

PRESS RELEASE

Noting Credit Crisis, Coface Downgrades Seven Industry Sectors

Net deterioration in company payment behavior is seen – 45% increase in payment defaults over the first four months of 2008.

Paris – May 22, 2008 – Coface is observing a net deterioration in company payment behavior, with payment defaults increasing 45% over the first four months 2008 compared to the same period in 2007. This is a clear sign of the beginning of a credit crisis, even after taking into account that the indicator, based on statements from Coface insured clients in 65 countries, traditionally overreacts at the start of a crisis. For this reason, Coface confirms its January forecast of a crisis less significant overall than the crisis of 2001-2002, which was marked by a 30% increase in payment incidents.

The financial crisis has rippled through to the actual economy in two ways. First, American demand is reduced, mainly affecting North America and U.S.-oriented countries and sectors. Second is the increased difficulty in access to bank credit. Added to these factors are higher prices for raw materials and energy, the appreciation of currencies outside the dollar bloc and very stiff competition. For the moment, France and Germany are only slightly affected.

Coface lowers the rating of seven sectors

The affected sectors are air transport, public works, automotive, paper, mass distribution, electrical components and textiles. Ratings have been lowered on the worldwide level for some and only in the United States and/or Western Europe for others.

Vulnerability of sectors to various market conditions

	Raw materials, energy	Exchange rate	Investment bubble	Tightening of credit	Obsolescence	Asian competition	Market balance
Air transport	yes						good
Public works	yes		yes	yes			bad
Automotive	yes	yes		yes			average
Paper	yes	yes					average
Distribution	yes			yes			average
Electrical components					yes	yes	good
Textiles	yes	yes			yes	yes	average

Downgraded sectors by region

North America:

- **Mass distribution** (from A- negative outlook to B+)
- **Apparel** (from C to C-)
- **Automobile** (from C to C-)
- **Construction** (from B- to C+)
- **Air transport** (from C+ to C)
- **Electronic components** (from A to A-)

Western Europe:

- **Paper** (B+ negative outlook to B)
- **Construction** (from B to B-)

Emerging Asia

- **Electronic components** (from A to A-)

Overall few sectors are escaping the crisis, but some like metallurgy, chemistry, mechanics, pharmacy, information technologies and communication are managing to reduce the impact of these shocks, particularly in emerging countries where economic conditions are resisting.

“The fifth credit crisis since the first oil crisis has begun, and the payment behavior of companies has clearly deteriorated since the beginning of 2008,” said Coface CEO Jérôme Cazes. *“Our risk monitoring has been reinforced to allow us to continue supporting our customers in their operations while limiting the impact of the crisis on our results”.*

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About Coface

Coface, rated AA (stable outlook) by Fitch Ratings, AA (negative outlook) by S&P and Aa3 (stable outlook) by Moody's, is a subsidiary of Natixis whose share capital (Tier 1) was 11.7 billion euros at the end of 2007. Coface's mission is to facilitate global business-to-business trade by offering its 120,000 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 management of government export guarantees in France. Due to the worldwide local service delivered by 7,000 staff in 65 countries, over 45% of the world's 500 largest corporate groups are already customers of Coface. Learn more at www.coface.com.

APPENDIX

Sector @ratings measure the average level of default risk posed by companies in individual sectors. A rating assesses the likely impact on short-term payment behavior of the economic prospects and average corporate financial position in a particular sector. To establish a rating, Coface uses three evaluation criteria:

- Business trends in the sector**, which reflects how market prospects, price levels and production costs might influence company solvency;
- Average financial position of companies in the sector**, which reflects the ability of companies to cope with economic downturns;
- Payment behavior** in short-term transactions, as reported by Coface databases.

Coface establishes Sector @ratings on ten levels — ranging from A+ for the lowest risks to D for the highest, according to the following definitions:

A+	In a good sector economic environment with robust corporate financial health, payment experience has been satisfactory. Default probability is low on average.
A	
A-	
B+	The essentially good economic environment in the sector is not exempt from short-term deterioration with negative repercussions on corporate financial health. Payment experience has been generally correct and default probability acceptable.
B	
B-	
C+	In a very uncertain economic environment with vulnerable corporate financial health, payment behavior is relatively poor. Default probability becomes a nettlesome problem.
C	
C-	
D	With a very poor economic environment prevailing in the sector, weakened corporate financial health gives rise to generally bad payment behavior. Default probability is high.