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# Corporacion de Reservas Estrategicas de Productos Petroliferos

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# Corporacion de Reservas Estrategicas de Productos Petroliferos

*(**Editor's Note:** In the original article published Jan. 10, 2008, we mistakenly expressed outstanding debt at year-end 2008 in billions instead of millions in paragraph five of the rationale. A corrected version follows.)*

## Major Rating Factors

| Issuer Credit Rating |
| --- |
| AAA/Stable/A-1+ |

**Strengths:**

- Increasing strategic importance for the state and Spanish economy
- Very strong implicit legal status
- Solid and predictable funding profile

**Weaknesses:**

- Lack of explicit guarantees from the state
- Limited asset diversification

## Rationale

The ratings on Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES), a public entity responsible for Spain's strategic oil reserves, are based on expected continued support from the Kingdom of Spain (AAA/Stable/A-1+). This expectation is justified by CORES' strategic importance for the national economy and its legal status as a public entity, which implies tight supervision by the Spanish state and the latter's ultimate responsibility for all of the entity's obligations. CORES benefits from a favorable regulatory environment, characterized by a full-cost, fee-based funding system that provides it with a predictable and flexible financial profile.

CORES' legal mandate is to ensure compliance with obligations under Spanish law and international regulations regarding the strategic stockholding of oil and gas products. CORES was established in 1994 as a public entity and its legal status can only be changed by law.

CORES does not receive any funds from the government, nor does it benefit from any explicit state guarantee on its liabilities. The law does not preclude, however, the state's granting financial support to CORES in a potential stress scenario.

The entity is funded exclusively through the monthly quotas it receives from its members. All oil and gas operators and importers in Spain are required by law to pay fees to CORES; failure to do so can eventually result in the termination of an operator's activities. By law, fees are set to cover all operating, financial, and administrative costs. In the event of unforeseen circumstances that could put CORES' liquidity and/or solvency at risk, the government is entitled by law, at any time, to charge an extraordinary fee to CORES' members.

Defaults and arrears on fee payments have, to date, been minimal. Fee income surpluses and the selling of stocks at a profit have enabled CORES to gradually build up its financial reserves, which CORES expects to total €79.8 million at year-end 2007. CORES borrows funds in the international financial markets to finance the purchase of oil stocks.

It has easy access to such markets, owing to the state support ensured by its legal framework. Based on CORES' estimates, outstanding financial debt should be €1,487 million at year-end 2007 and is budgeted at €2,138 million for 2008; there is no currency risk. The debt increase will finance CORES' legal requirement to gradually build up 45 days' of oil reserves, from an estimated 39 days at year-end 2007.

## Outlook

The stable outlook reflects the likelihood that CORES, based on its strategic role for the Spanish economy, will continue to receive strong implicit government support given that Spain's oil imports cover nearly 100% of the country's consumption needs. Standard & Poor's does not expect any changes to CORES' legal or regulatory status that would undermine its creditworthiness in the foreseeable future, given the continued strategic importance of the entity for the Spanish government. We expect total debt to increase to a maximum €2,138 million by year-end 2008, owing to the requirement to increase reserves gradually to 45 days of supply. This growth is unlikely to erode CORES' financial solvency or liquidity, however, given that the financial cost increase associated with the debt rise will be offset by fee hikes, which we expect to be absorbed easily by members.

## Background And Business Description

Spain imports almost 100% of its oil consumption needs, resulting in high dependence on foreign supplies and risk associated with a potential disruption of international oil supply links. The Spanish government addressed this need as early as 1927, by maintaining minimum-security oil reserves, which, at the time, were equivalent to four months of oil product consumption. This strategic policy has essentially been maintained to date.

As a member of the International Energy Agency and the EU, Spain must maintain minimum stocks for three groups of oil products, equivalent to 90 days of supply and consumption (for the list, see "Operations" below), calculated based on the average consumption levels in the previous year.

The Spanish government shares the holding of such minimum-security reserves equally with the sector's operators. This differs from policy in other EU countries like Germany, where all minimum-security reserves are held by solely by the state, either directly or indirectly through state-owned entities such as the German state-owned Erdoelbevorratungsverband (AAA/Stable/A-1+).

### Government mandate to CORES

The Spanish government created CORES in 1994 by royal decree, granting it a mandate to constitute, maintain, and manage the minimum-security oil stocks held by the Spanish government. At that time, the strategic reserve requirement was 33% of the 90-day required minimum-security reserves of national oil product consumption. The remaining two-thirds had to be held by the oil operators, retail distributors, and consumers of imported oil. CORES is also responsible for ensuring that the oil operators fulfill their minimum-reserve obligations. Since 2004, CORES' strategic oil reserves requirements have been increased to 50% of the minimum-security reserves, i.e., 45 days of sales and consumption of oil products.

CORES is also obliged to: insure its strategic oil reserves fully; maintain the stocks' quality and adequacy for consumption at all times; store the stocks evenly throughout Spanish territory; and keep the stocks readily available for immediate release in the event of an imminent or existing disruption of oil supplies. In a crisis scenario, it is the government's responsibility to establish by decree the use and release procedures of the minimum-security reserves, including CORES' strategic oil reserves.

Since 2004, CORES' mandate has also included the supervision of gas operators to ensure that they meet their obligations regarding liquid petroleum gas (LPG) and natural-gas minimum-reserve requirements (set at 35 and 20 days, respectively), and that no more than 60% of gas resources are provided by any one country. Reflecting the new mandate, CORES' board of directors has increased its number to incorporate new representatives from the gas sector and the energy sector regulator, the Comisión Nacional de Energía. Apart from this change, CORES' supervision of gas reserves, which started in 2004, has not had, and is not expected to have, any significant impact on the corporation's structure, financials, or the way it carries out its operations.

## Legal Status

CORES' legal status is strong: As a public-law entity fully owned by the Kingdom of Spain, it can neither be privatized nor go bankrupt. Its legal status can only be changed through parliamentary approval. Given the entity's strategic role and the increased requirement in strategic oil reserves held by CORES, the risks of change in legal status and privatization are negligible.

CORES is subject to the supervision of the Spanish government under the tutelage of the Ministry of Industry. Due to its strategic importance, CORES' governing laws restrict its activities to those of a special-purpose entity with a clearly defined strategic role. For efficiency reasons, CORES is subject to private commercial laws and has a large degree of operational independence, however.

CORES does not receive any public funds, and the state does not grant any explicit guarantee for the company's liabilities, even though it could do so according to current law. Although the state is ultimately liable for CORES' obligations, only CORES' members financially support the entity's operations and debt repayment.

## Government Role, Organization, And Management

The Ministry of Industry nominates CORES' president for a five-year term, which is to end in October 2009. The government also has to approve the entity's annual accounts and set the unit quotas that will determine the fees paid by CORES' members and nonmembers. By law, the unit quotas must cover all CORES' operational, financial, and administrative expenses. Moreover, CORES' budgeting practices are conservative and overstate costs. Consequently, levied fees are usually in excess of the actual costs. Furthermore, the Ministry of Industry is also entitled to impose an extraordinary quota on CORES members at any time and for any period if CORES' financial position and solvency are at risk for any reason. No extraordinary quotas have been imposed to date because the budget is drafted so that ordinary quotas include a reasonable cushion for cost increases.

Operationally, CORES requires the government's authorization to release any strategic oil reserves (see "Stock release procedures" within "Operations" below).

The general assembly comprises CORES members. Voting rights are proportional to the annual quota paid by each member. The Ministry of Industry has a right of veto. Any agreement requires three-quarters of members' votes. So far, the ministry has never exercised its right of veto at the general assembly.

The board of directors is composed of the president and 11 members: Three are nominated by the Ministry of Industry, and eight by the general assembly (five represent operators in the oil sector, two the gas sector, and one the LPG sector). Decisions require the presence of seven board members, and a simple majority applies. The president has a right of veto over any agreement reached by the board that is contrary to existing laws.

## Operations

### Stockholding and storage operations

Minimum-security reserves are held for three different oil products: gasoline, middle distillates (diesel, kerosene, and jet fuel), and heavy fuel oils. Reserve requirements for each product category are recalculated every month and correspond to the 90-day average of sales and consumption in the preceding calendar year (with data allowing for a lag of three months).

CORES' recent obligation to increase stocks to create the 45-day reserves can be fulfilled through acquisitions in the open market and, up to a maximum of 50% of total strategic reserves, through leasing contracts with oil operators. At present, CORES has only a small storage facility of its own, which accounts for slightly more than 3% of its total stocks. The remainder is rented from third parties. CORES is building an additional storage facility, which became operational in 2007, with capacity for an additional about 3% of its storage needs. This will allow CORES to save on storage costs, while increasing the limited availability of storage capacity in Spain's oil market.

The leasing of stocks and renting of storage capacity must be carried out so as not to alter prices or market conditions. In addition, CORES' members are obliged to sell and lease stocks and rent storage capacities as required by CORES. To date, no member has refused to cooperate with CORES.

The previous obligation to maintain the 30-day reserves obligation was fulfilled in 2001, six years after CORES started operations, reflecting the difficulties associated with building up such a large stock of oil products, despite more favorable oil prices than at present. To help meet the current obligation, the corporation in 2007 reached an agreement with a private operator to outsource the holding about 240,000 cubic meters by year-end 2008. CORES' stock is expected to have reached 40.5 days at year-end 2007, and is set to reach 44 days at year-end 2008, still below the 45-day target.

### Stock release procedures

Any profits derived from the sale of oil products must be allocated to a special reserve. By Dec. 31, 2006, the special reserve amounted to €36.8 million. Since the creation of CORES, stocks have never been released due to a disruption or crisis affecting the supply of oil, or at the discretion of the entity, given that it is still far from achieving its 45-day stock goal.

CORES finances its purchases of oil products through borrowed funds.

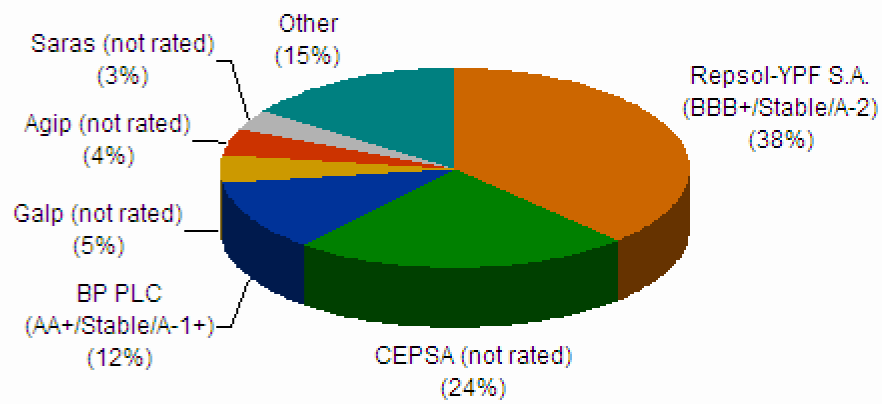
## Membership And Fee System

### Membership

All oil operators authorized to distribute oil products and liquefied petroleum gas (LPG) and, since 2004, carriers of natural gas in Spain are legally obliged to be members of CORES. Retail distributors and consumers of imported oil and gas products are obliged to pay monthly fees to CORES but do not have member status. The number of CORES members has increased to 100 from 41 at year-end 2003, largely due to the incorporation of members from the LPG and natural gas sectors. Members from the oil sector, however, continue to contribute almost 99% of the company's total fee income (see chart 1).

**Chart 1**

CORES Members' Contribution To Total Fee Income, October 2006-September 2007




*From October 2005 to September 2006. Source: Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES).



## Fee system

The law requires fees to be calculated so as to cover all the corporation's costs: financial, operational, administrative, and the allocation to the statutory reserve. This full-cost pricing ensures CORES' financial viability despite sharp increases in costs, because the quota does not represent a material cost to any member.

Members and nonmembers' fees are payable monthly without notice by applying the unit quotas to the volume of metric tons of products sold or consumed in the preceding month by each member and nonmember. In the event of delayed payments, CORES charges a penalty of 300 basis points over the legal Spanish interest rate (5%) for the duration of the payment moratorium. By law, failure to settle the fee within 45 days is a grave infraction. The Ministry of Industry will take action against the operator, which could eventually result in the termination of its license. Given this incentive, the rate of nonpayment is expected to remain nil or negligible.

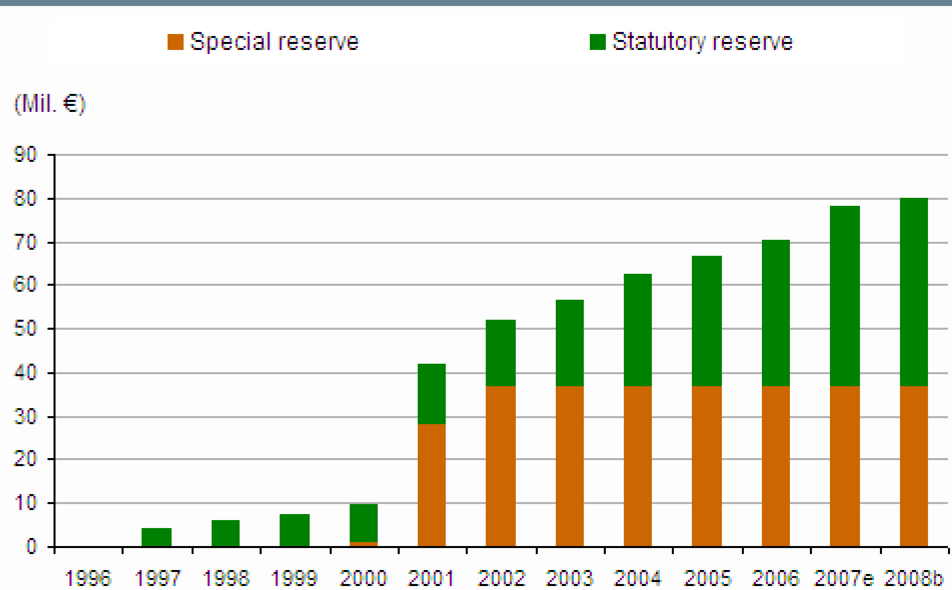
CORES' board of directors must elaborate a nonbinding balanced annual budget, with the sole purpose of proposing unit quotas. The budget must include projections of all costs. These costs must be allocated to the oil product categories in proportion to the projected strategic reserve requirements for each category. In turn, fees receivable from sales and consumption of each type of product must cover projected expenditures per product category. Unit quotas per metric ton of product sold and consumed are then calculated, dividing the projected total fee income per product category by the projected volume of oil sales for the budgeted year.

The quotas are made official and legally binding by ministerial order in December or early January of the budgeted year. If CORES' actual expenditures (or revenues) turn out to be higher (or lower) than projected, or if unforeseen circumstances put CORES' liquidity at risk, the Ministry of Industry is entitled to impose an extraordinary quota on CORES' members and nonmembers. To date, no extraordinary quota has been approved given the conservative policy for setting unit quotas, which has resulted in fee surpluses every year since CORES began operations.

CORES' board of directors decides whether any of the excess fee is to be paid back to the members, and it allocates the remaining surplus to the statutory reserve. Although members have never demanded that CORES should return excess quotas, the board of directors usually decides to do so as a signal of its willingness to contain fee levels. Accordingly since 2003, CORES has annually returned to members about 1% of budgeted revenues. CORES' management devotes a material part of its net income to the statutory reserve, so that it amounts to 25% of total budgeted expenditure in the year. At year-end 2007, the statutory reserve is expected to have amounted to €41.2 million, which accounts for 25% of 2007 expenditures and for 3.01 months of fee income, up from 2.3 months in 2003 (see chart 2). Total equity is expected to have been €79.82 million in 2007, almost six months of fee income.

**Chart 2**

**Evolution Of CORES' Reserves**




e--Estimated. b--Budgeted. Source: Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES).



Since CORES' creation, defaulted payments have been immaterial, and members have routinely complied with payment obligations. At year-end 2006, overdue fees are expected to have been nil. Penalty charges for delayed payments are usually negligible, and mostly due to administrative errors of minor importance. CORES relies on Repsol-YPF S.A. (BBB/Stable/A-2) and Cepsa, the two largest oil operators in Spain, for more than 60% of its annual fee income, although quotas paid to CORES by the operators represent a minimal amount of their annual total expenses. The share of these two operators in CORES' total fee income should gradually decline--as has happened in recent years--as the Spanish oil market becomes more competitive. The concentration of CORES' fee income among a small number of operators does not pose a significant risk to its financial and funding profile, due to the special features of the entity's funding system.

### Provisions against member bankruptcies

If an oil operator goes bankrupt, it ceases to operate in the market and competitors take over the failed operator's market share. The quotas due each month by members are calculated by applying the unit quotas to volumes of oil products sold in the previous calendar month by each operator, and so each member's monthly quota is automatically adjusted to reflect any changes in the market structure. Any disruptions to CORES' revenue stream should be of short duration and would be unlikely seriously to affect the company's ability to carry out its operations. In any case, the Ministry of Industry can set an extraordinary quota on members and nonmembers of CORES if circumstances require.

## Finances

**Table 1**

**Corporacion de Reservas Estrategicas de Productos Petroliferos Financial Summary***

| | --Fiscal year ended Dec. 31-- | | | | | |
|---|---|---|---|---|---|---|
| **(Mil. €)** | **2007e** | **2006** | **2005** | **2004** | **2003** | **2002** |
| Total revenues | 163.9 | 139.6 | 110.5 | 98.9 | 99.4 | 101.8 |
| Net income continuing | 1.8 | 8.0 | 3.5 | 4.5 | 5.9 | 4.3 |
| Funds from operations (FFO) | 3.2 | 9.1 | 3.6 | 4.6 | 6.0 | 4.4 |
| Capital expenditures | 7.9 | 14.4 | 14.1 | 8.5 | 0.5 | 0.1 |
| Financial debt | 1,479 | 1,168.8 | 976.3 | 676.9 | 687.2 | 694.0 |
| Common equity | 78 | 78.0 | 70.0 | 66.6 | 62.3 | 56.3 |
| **Adjusted ratios** | | | | | | |
| Operating income/sales (before D&A) (%) | 34.8 | 29.9 | 20.4 | 20.6 | 24.5 | 28.4 |
| EBIT interest coverage (x) | 1.0 | 1.2 | 1.2 | 1.3 | 1.3 | 1.2 |
| EBITDA interest coverage (x) | 1.1 | 1.3 | 1.2 | 1.3 | 1.3 | 1.2 |
| Return on capital (%) | 4.0 | 3.6 | 2.5 | 2.7 | 3.3 | 3.9 |
| FFO/debt (%) | 0.2 | 0.8 | 0.4 | 0.7 | 0.9 | 0.6 |
| Debt/EBITDA (x) | 26.1 | 28.2 | 43.3 | 33.3 | 28.2 | 24.0 |

*Fully adjusted. e--Estimated at year end. b--budgeted. Source: Corporacion de Reservas Estrategicas de Productos Petroliferos.

### Profit and loss account

CORES' largest operational expenditures are the maintenance and storage of the strategic stocks, which, estimated at €102.7 million for 2007, accounted for 64% of total operational costs (see table 1). This cost is expected to rise 24% in 2008 following the gradual buildup of 45-day oil reserves. Interest expenditures have increased gradually since CORES' creation, reflecting the buildup of oil reserves through debt financing. With debt set to rise to €2.2 billion by year-end 2008, CORES expects interest expenditures to accelerate to €95 million at year-end 2008 from €33 million at year-end 2006. Personnel costs, at an estimated €2.2 million at Dec. 31, 2007, and stock wastage, at €1.9 million (see table 2), together represented just 2.5% of total operational costs.

**Table 2**

| Corporación de Reservas Estratégicas de Productos Petrolíferos Financial Ratios | | | | | | |
|---|---|---|---|---|---|---|
| | --Year ended Dec. 31-- | | | | | |
| (%) | 2007e | 2006 | 2005 | 2004 | 2003 | 2002 |
| **Balance sheet** | | | | | | |
| Growth of assets | 20.9 | 23.1 | 40.0 | (0.3) | 0.0 | 9.8 |
| Growth of financial liabilities to banks and other creditors | 20.8 | 23.2 | 40.0 | (0.3) | 0.0 | 10.1 |
| **Liquidity and reserves** | | | | | | |
| Reserves and retained earnings/liabilities | 5.2 | 6.3 | 7.0 | 9.5 | 8.8 | 7.9 |
| Reserves from stock sales/value of compulsory stocks | 2.4 | 2.9 | 3.5 | 4.9 | 4.9 | 4.9 |
| Cash plus short-term assets/interest payments | 0.0 | 0.0 | 0.3 | 0.0 | 62.6 | 48.4 |
| Cash plus short-term assets/total operating expenditures | 0.0 | 0.0 | 0.0 | 0.0 | 12.7 | 12.3 |
| Statutory reserve (in months of membership fees) | 3.0 | 2.9 | 3.2 | 3.1 | 2.4 | 1.8 |
| **Profitability** | | | | | | |
| ROA (surplus/assets) | 0.1 | 0.6 | 0.3 | 0.6 | 0.8 | 0.6 |
| Surplus/revenues | 1.1 | 5.9 | 3.2 | 4.3 | 5.9 | 4.3 |
| Growth in earnings (surplus) | (78.0) | 356.3 | (18.9) | (27.4) | 37.5 | (58.4) |
| **Structure of revenues and expenditures** | | | | | | |
| Administrative costs/total expenditures | 2.6 | 2.7 | 3.0 | 4.2 | 2.8 | 2.7 |
| Interest payments/total expenditures | 33.5 | 25.2 | 17.8 | 16.6 | 20.3 | 25.4 |
| Storage costs/total expenditures | 63.9 | 72.1 | 79.2 | 79.2 | 76.8 | 71.9 |
| Membership fees/total revenues | 101.2 | 101.1 | 100.0 | 98.5 | 99.2 | 100.8 |
| Surplus brought forward/total revenues | 1.1 | 5.9 | 3.2 | 4.3 | 5.9 | 4.3 |
| **Average cost of financial liabilities** | | | | | | |
| Interest payments/long-term liabilities | 5.6 | 5.7 | 2.8 | 2.4 | 2.9 | 3.7 |

e--Estimated. Source: Corporación de Reservas Estratégicas de Productos Petrolíferos.

Fee income, estimated at €163.9 million in 2007, should account for 100% of total operating income. Although CORES' budget has to balance operational costs and revenues, CORES has always run a fee surplus, part of which is usually paid back to members, with the remainder allocated to the statutory reserve. In 2007, net profit is expected to have reached a high of €13.7 million, compared with an average of €4.5 million over 2003-2005, driven by a much lower-than-expected stock increase. This net income excess will be refunded to members after CORES makes its regular contribution to the statutory reserve (see "Fee system" above). After the refund, CORES expects to show a €1.8 million net profit at year-end 2007. Profits from the sale of stocks are allocated to the special reserve and cannot be distributed to members.

## Balance sheet

**Table 3**

| Corporación de Reservas Estratégicas de Productos Petrolíferos Balance Sheet Statistics | | | | | | |
|---|---|---|---|---|---|---|
| | --Year ended Dec. 31-- | | | | | |
| (Mil. €) | 2007e | 2006 | 2005 | 2004 | 2003 | 2002 |
| Assets | 1,595.3 | 1,320.1 | 1,071.9 | 765.9 | 768.2 | 767.9 |
| Strategic reserves | 1,549.9 | 1,282.6 | 1,048.7 | 756.7 | 755.3 | 755.5 |

**Table 3**

| Corporación de Reservas Estratégicas de Productos Petrolíferos Balance Sheet Statistics(cont.) | | | | | | |
|---|---|---|---|---|---|---|
| Financial assets (short-term) | 0.0 | 0.0 | 0.0 | 0.0 | 12.0 | 12.0 |
| Tangible and intangible assets | 45.4 | 37.4 | 23.0 | 9.1 | 0.8 | 0.4 |
| Receivables | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 |
| Cash | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liabilities | 1,594.2 | 1,319.2 | 1,070.9 | 764.8 | 767.1 | 766.8 |
| Own funds | 78.0 | 78.0 | 70.0 | 66.6 | 62.3 | 56.3 |
| Of which special reserve | 36.8 | 36.8 | 36.8 | 36.8 | 36.8 | 36.8 |
| Of which statutory reserve | 41.2 | 33.2 | 29.7 | 25.4 | 19.5 | 15.2 |
| Net profit | 1.8 | 8.2 | 3.5 | 4.3 | 5.9 | 4.3 |
| Long-term debt | 960.3 | 572.3 | 671.5 | 671.5 | 671.5 | 672.3 |
| Short-term debt including payables | 554.1 | 668.7 | 329.3 | 26.7 | 33.4 | 38.2 |
| Provisions for risk | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |

e--Estimated. b--budgeted. Source: Corporación de Reservas Estratégicas de Productos Petrolíferos.

At year-end 2007, CORES' strategic oil reserves, estimated at €1,545 million, will represent 97% of total assets (the same percentage as in 2006). Oil stocks are valued at average acquisition cost. At year-end 2006, the market value of CORES' stocks was €2,047 million, compared with €1,282 million at average acquisition cost. This constitutes a considerable hidden reserve.

CORES' long-term debt should be €960 million at year-end 2007, higher than in 2006 (€572 million) (see table 3). The long-term debt increase relates to the construction of the new storage facility and buildup of reserves. Loans account for 63% of CORES' total long-term debt. The only bond outstanding is a €350 million issue maturing in 2013 (see chart 3), but CORES envisages two more (10-year) bond issues totaling €1 billion by 2008, which are to refinance €500 million of short-term debt and continue to build up reserves. In line with this restructuring of CORES' amortizing profile, the corporation has budgeted a significant decline in short-term debt that will represent only €18 million of credit lines by year-end 2008. In 2008, total debt should increase €900 million to €2,138 million. The consequent increase in fees would continue to be immaterial for CORES' members, however.

**Table 4**

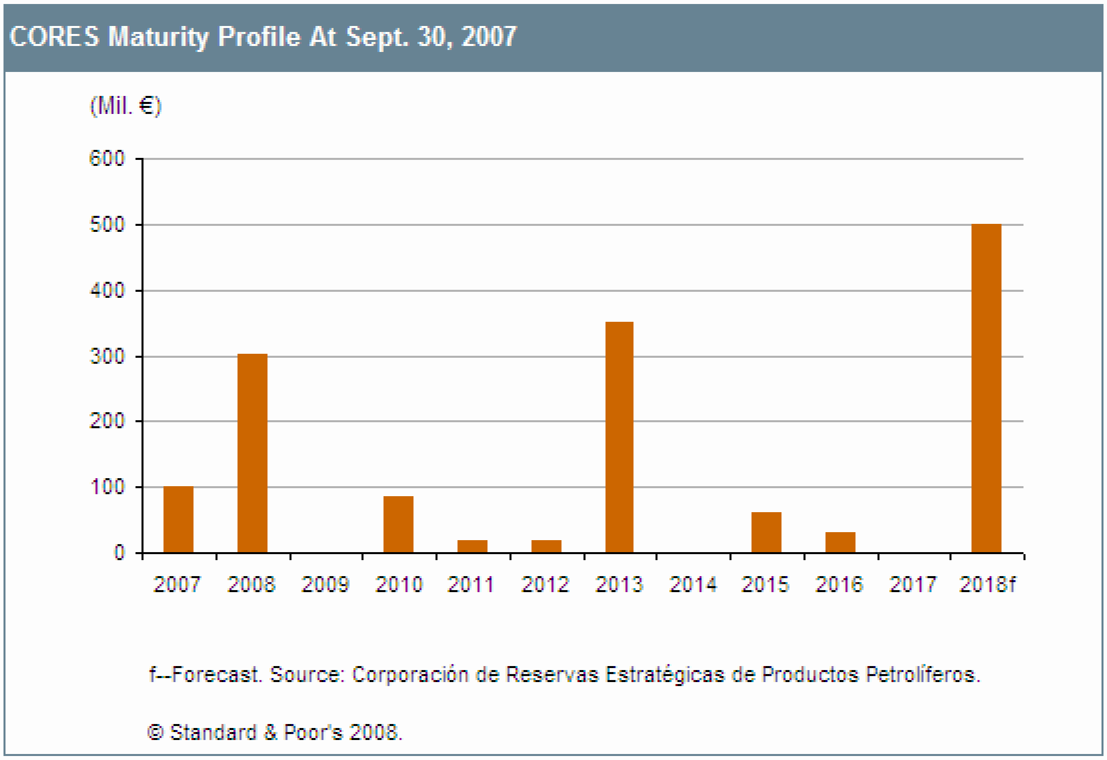
| Corporación de Reservas Estratégicas de Productos Petrolíferos Profit And Loss Account | | | | | | |
|---|---|---|---|---|---|---|
| | --Year ended Dec. 31-- | | | | | |
| **(Mil. €)** | **2007e** | **2006** | **2005** | **2004** | **2003** | **2002** |
| Income | 163.9 | 139.6 | 110.5 | 98.9 | 99.4 | 101.8 |
| Membership fees | 163.9 | 139.6 | 110.5 | 98.9 | 99.4 | 101.8 |
| Change in stocks | (1.9) | (1.5) | (1.3) | (1.1) | (1.1) | (1.0) |
| Financial income and other | 0.0 | 0.0 | 0.0 | 0.1 | 0.8 | 0.2 |
| Expenditures | 160.7 | 130.7 | 107.0 | 95.8 | 94.2 | 97.7 |
| Maintenance of stocks | 102.7 | 94.3 | 84.7 | 75.9 | 72.3 | 70.2 |
| Financial expenditures | 53.9 | 32.9 | 19.0 | 15.9 | 19.2 | 24.8 |
| Personnel and Administrative expenditures | 4.1 | 3.5 | 3.3 | 4.1 | 2.7 | 2.6 |
| Net profit | 1.8 | 8.2 | 3.5 | 4.3 | 5.9 | 4.3 |
| Sales of stocks | 0.0 | N.A. | 0.0 | 0.0 | 0.0 | 0.0 |
| Excess fees | 12.0 | N.A. | 3.5 | 4.2 | 5.1 | 4.1 |

**Table 4**

| Corporación de Reservas Estratégicas de Productos Petrolíferos Profit And Loss Account(cont.) | | | | | | |
|---|---|---|---|---|---|---|
| Financial operations and others | N.A. | N.A. | 0.0 | 0.1 | 0.8 | 0.2 |

e--Estimated. N.A.--Not available. Source: Corporación de Reservas Estratégicas de Productos Petrolíferos.

**Chart 3**




All of CORES' borrowings are denominated in euros. Reflecting the state support provided by its legal framework, CORES has access to the Spanish financial markets on very favorable terms. CORES has limited need for short-term credit lines for operating purposes, because member fees are paid monthly. However, the corporation has a €30 million committed credit line, of which €730,000 was drawn as of Nov. 30, 2007. CORES' special legal status implies that the entity does not have capital, but the law obliges it to build up a financial reserve, which, by year-end 2006, amounted to €70.0 million (including the special and statutory reserves).

| **Ratings Detail** (As Of April 3, 2008)* | |
|---|---|
| **Corporacion de Reservas Estrategicas de Productos Petroliferos** | |
| Issuer Credit Rating | AAA/Stable/A-1+ |
| Senior Unsecured | |
| *Local Currency* | AAA |
| **Issuer Credit Ratings History** | |
| 13-Dec-2004 | AAA/Stable/A-1+ |
| 31-Jul-2003 | AA+/Positive/A-1+ |
| 24-Sep-2002 | AA+/Stable/A-1+ |

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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