

Corporacion de Reservas Estrategicas de Productos Petroliferos (CORES)

Key Rating Drivers

Rating Derivation Summary: Fitch Ratings views Corporacion de Reservas Estrategicas de Productos Petroliferos (CORES) as a government-related entity (GRE) of Spain (A-/Stable) and equalises its ratings with the sovereign's. This reflects a score of 45 points under our *GRE Rating Criteria*. The rating factors Support Track Record and Expectation and Socio-Political Implications of Default are assessed as 'Very Strong', while Status, Ownership and Control and Financial Implications of Default are assessed as 'Strong'.

Status, Ownership and Control – 'Strong': The central government has a strong influence on and control of CORES' operations, shown by the supervision of the Ministry for the Ecological Transition and the Demographic Challenge (MITECO). MITECO can veto any CORES agreement that could breach the law or harm public interest, has members on CORES' board of directors and has the right to appoint CORES' president. The central government holds no shares in CORES; in case of dissolution, it would not be involved and there would be no transfer of liability.

Support Track Record and Expectations - 'Very Strong': Fitch believes that regulatory influence is strongly supportive of CORES' financial stability and viability, as petroleum gas product operators and natural gas shippers are obliged by law to pay increased fees, where necessary, to guarantee that CORES can cover its total spending costs, including debt servicing (principal debt and interest).

Socio-Political Implications of Default - 'Very Strong': A default by CORES would materially endanger the provision of its activity, affecting its borrowing capacity, given that it funds its purchase of reserves with debt borrowing. There is not an immediate substitute that can fulfil CORES' obligation of maintaining 42 days of reserves, given the complicated necessary legal changes, the economic and financial difficulty for private operators to assume CORES' obligation and the non-transferability of the task of controlling and inspecting reserves held by operators.

Financial Implications of Default - 'Strong': The government has a strong incentive to provide extraordinary financial support to prevent a default by CORES as such a default would have a significant impact on Spain's credit international reputation and its ability to meet EU targets. CORES' accounts are consolidated in Spain's debt in national public terms. Its default would also have a significant impact on the availability of borrowing, as it is mostly financed in capital markets (62.9% of outstanding debt at end-2020).

ESG Considerations: The score is '3' on other ESG issues, meaning they are credit neutral or have only a minimal credit impact on the entity.

Rating Sensitivities

Sovereign IDRs: A positive rating action on Spain's Issuer Default Ratings (IDRs) will be mirrored in Cores' IDRs, assuming that the links between the sovereign and CORES remain strong. Conversely, a negative rating action on Spain's IDRs will be mirrored in CORES' IDRs.

Sovereign Support, Legal Framework: A downgrade of CORES' IDRs could follow a weakening of expected support from the state or an adverse change in the legal framework, which Fitch views as unlikely at present.

Ratings

Foreign Currency

Long-Term IDR	A-
Short-Term IDR	F1

Local Currency

Long-Term IDR	A-
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Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Debt Rating

Senior Unsecured Debt - Long-Term Rating	A-
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Issuer Profile

CORES was established in 1994 as the central stockholding entity (CSE) for the maintenance of oil stocks in Spain. CORES' main responsibilities include acquiring petroleum, and maintaining, managing and selling petroleum reserves.

Financial Data

Corporacion de Reservas Estrategicas de Productos Petroliferos (CORES)

(EURm)	2019	2020
Net adjusted debt/EBITDA (x)	36.9	76.1
EBITDA/gross interest coverage (x)	2.5	1.2
Operating revenue	184	152
EBITDA	43	21
Net adjusted debt	1,584	1,571
Total assets	1,910	1,920

Source: Fitch Ratings, Fitch Solutions, CORES

Applicable Criteria

[Government-Related Entities Rating Criteria \(September 2020\)](#)

Related Research

[Fitch Affirms Cores at 'A-'; Outlook Stable \(May 2021\)](#)

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Appendix A: Financial Data

Corporacion de Reservas Estrategicas de Productos Petroliferos (CORES)

Appendix A

(EURm)	2016	2017	2018	2019	2020
Income statement					
Operating revenue	304	178	161	184	152
Operating expenditure	251	150	138	144	135
Interest revenue	0	0	0	0	0
Interest expenditure	-13	-10	-17	-17	-18
Other non-operating items	0	0	0	0	0
Taxation	0	0	0	0	0
Profit (loss) after tax	40	18	6	23	0
Memo: Transfers and grants from public sector	-	-	-	-	-
Balance sheet summary					
Long-term assets	85	33	32	34	32
Stock	1,880	1,866	1,862	1,852	1,851
Trade debtors	1	0	1	1	0
Other current assets	0	23	0	0	0
Total cash, liquid investments, sinking funds	60	441	52	23	37
Total assets	2,026	2,363	1,948	1,910	1,920
Long-term liabilities	1,764	1,562	1,509	1,605	1,356
Trade creditors	15	16	42	13	13
Other short-term liabilities	10	530	135	7	266
Charter capital	40	18	6	23	0
Reserves and retained earnings	197	238	255	262	284
Minority interests	-	-	-	-	-
Liabilities and equity	2,026	2,363	1,948	1,910	1,920
Debt statement					
Short term debt	1	525	127	2	252
Long term debt	1,764	1,562	1,509	1,605	1,356
Finance leases	-	-	-	-	-
Subordinated debt	-	-	-	-	-
Total debt	1,765	2,086	1,636	1,607	1,608
Unfunded pension liabilities	-	-	-	-	-
Other Fitch-classified debt	-	-	-	-	-
Adjusted debt	1,765	2,086	1,636	1,607	1,608
Unrestricted cash, liquid investments, sinking funds	60	441	52	23	37
Net adjusted debt	1,705	1,646	1,585	1,584	1,571
EBITDA reconciliation					
Operating balance	53	27	23	40	18
+ Depreciation	3	3	3	3	3
+ Provision and impairments	-	-	-	-	-
+/- Other non-cash operating expenditures/revenues	0	0	0	0	0
= EBITDA	56	30	26	43	21

Source: Fitch Ratings, Fitch Solutions, CORES

Appendix B: Financial Ratios

Corporacion de Reservas Estrategicas de Productos Petroliferos (CORES)

Appendix B

	2016	2017	2018	2019	2020
Income statement ratios					
Operating revenue growth (annual % change)	78.3	-41.7	-9.1	13.9	-17.1
Operating expenditure growth (annual % change)	66.7	-40.1	-8.0	4.0	-6.4
EBITDA/operating revenue (%)	18.5	17.0	16.1	23.4	13.6
Personnel costs/operating expenditure (%)	1.5	2.7	3.3	3.5	3.8
Total transfers from public sector/operating revenue and ad-hoc transfers (%)	-	-	-	-	-
Balance sheet ratios					
Current assets/adjusted debt (%)	110.0	111.7	117.1	116.7	117.4
Current assets/total assets (%)	95.8	98.6	98.4	98.2	98.4
Total assets/adjusted debt (%)	114.8	113.3	119.0	118.9	119.4
Return on equity (%)	17.0	6.9	2.4	8.1	0.0
Return on assets (%)	2.0	0.8	0.3	1.2	0.0
Debt ratios					
Net adjusted debt/EBITDA (x)	30.3	54.5	60.9	36.9	76.1
EBITDA/gross interest coverage (x)	4.3	3.1	1.5	2.5	1.2
Net adjusted debt/operating revenue (%)	560.2	926.8	981.7	861.8	1031.7
Net adjusted debt/equity (%)	717.6	644.8	606.0	556.8	552.3
Debt in foreign currency/total debt (%)	0.0	0.0	0.0	0.0	0.0
Debt at floating interest rates/total debt (%)	79.5	63.6	52	40	40
Issued debt/total debt (%)	65.4	73.1	61.4	62.8	62.9
Liquidity ratios					
Liquidity cushion (x)	0.6	2.0	0.9	0.9	1.2
Coverage ratio (x)	5.0	102.0	4.8	6.2	33.1

Source: Fitch Ratings, Fitch Solutions, CORES

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