

**Announcement: Moody's places the ratings of SEPI, ADIF and CORES on review for possible downgrade (Spain).**

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Madrid, July 29, 2011 -- Moody's Investors Service has today placed on review for possible downgrade the long-term Aa2 senior unsecured debt ratings of three Spanish government-related issuers (GRIs), namely: (i) Administrador de Infraestructuras Ferroviarias (ADIF); (ii) Corporación de Reservas Estratégicas (CORES); and (iii) Sociedad Estatal de Participaciones Industriales (SEPI). This includes the (P)Aa2 Senior Unsecured MTN Program ratings for ADIF and CORES. The short-term Prime-1 rating of ADIF is not affected by the review process.

**RATINGS RATIONALE**

The ratings review process for these three GRIs follows Moody's recently announced rating review process of the Kingdom of Spain (Aa2).

All of the above companies are GRIs which have a very strong element of government support incorporated within their ratings in accordance with Moody's rating methodology for such entities. This is because, despite lacking explicit guarantees from the Spanish State, the ratings of ADIF, CORES and SEPI are based on these entities' legal characteristics including their bylaws and/or their public law nature, as well as Moody's assumption that these entities will remain key instruments for the Spanish government's public sector management and strategic oil reserves policy.

To date these three GRIs have been suited to a par rating with the government; indeed they have benefited from the sovereign's rating in the past and continue to do so due to their special status, conferring the strategic importance of their role. In the case of CORES and SEPI, Moody's applies credit substitution, supported by the companies' particular funding and business models. Therefore, for CORES and SEPI, the rating agency does not publish a granular analysis of typical GRI factors, i.e. support and dependence in addition to the baseline credit assessment (BCA) and sovereign rating. Moody's has nonetheless considered the standalone profiles of each of these companies including, in the case of CORES, its currently adequate asset to debt coverage.

Therefore, the ratings review of the sovereign ratings of Spain has triggered a review of the long-term debt ratings of ADIF, CORES and SEPI.

The review process will focus on reassessing the underlying credit strength of these issuers, including ADIF's BCA. In addition, with the exception of SEPI which has a robust liquidity position, the review process will assess the extent to which these entities will continue to manage their liquidity profiles to avoid a deterioration beyond Moody's expectations or any liquidity concerns arising otherwise.

Although Moody's does not expect that the current rating review will affect the very high support assumption for these three GRIs (which is reflected in the credit substitution approach for two of them), the review will assess whether a one-notch differentiation between the sovereign and the GRIs would be appropriate to reflect the absence of a guarantee by the sovereign and the weaker credit profile of the GRIs compared to the credit strength of the sovereign.

In the absence of a change in the nature and standalone profiles of these entities or the perceived strength of underlying sovereign support, the ratings of these three issuers are expected to be primarily driven by the rating of the Kingdom of Spain. In view of today's action, and the recent action on the sovereign rating, no positive ratings pressure is currently envisaged in the short-term for either ADIF, CORES or SEPI.

For additional information on rating factors, please refer to the individual issuer credit opinions, available on [www.moody's.com](http://www.moody's.com).

**METHODOLOGY**

The principal methodology used in rating ADIF was the Government Owned Rail Network Operators Industry Methodology published in April 2009. Other methodologies used include the Government-Related Issuers methodology published in July 2010.

CORES and SEPI's ratings were assigned by evaluating factors that Moody's considers relevant to the credit profile of the issuer, such as the company's (i) business risk and competitive position compared with others within the industry; (ii) capital structure and financial risk; (iii) projected performance over the near to intermediate term; and (iv) management's track record and tolerance for risk. Moody's compared these attributes against other issuers both within and outside CORES and SEPI's core industry and believes CORES and SEPI's ratings are comparable to those of other issuers with similar credit risk. Other methodologies used include the Government-Related Issuers methodology published in July 2010.

Headquartered in Madrid, Spain, ADIF is responsible for: i) owning and managing the railway infrastructure including tracks, stations, and freight terminals, on behalf of the Spanish government; ii) managing rail traffic; iii) distributing capacity to rail operators; and iv) collecting fees for

infrastructure, station and freight terminal use.

Madrid-based CORES is the organisation responsible for managing the strategic oil reserves and controlling compulsory reserves (petroleum products and natural gas) in Spain. By law, all companies authorised to distribute oil products in Spain - both operators and importers - must be members of CORES and pay its monthly fees or risk losing their licence.

Headquartered in Madrid, SEPI is a public law entity which holds equity stakes in companies in various industries in Spain including real state, aerospace, shipping, engineering, and finance. The entity was created as per Royal Decree 5/1995 under the public law bylaws in Spain. It is

ascribed to the Ministry of Economy and its purpose is to i) maximise the return of its equity holdings; ii) determine a strategy to maximise the value of its portfolio; iii) manage and minimise the debt held by the former INI and iv) supervise and manage a conglomerate of publicly-owned

companies in strategic sectors or in non-competitive industrial sectors under the EU directives which enable governments to intervene in the

restructuring of certain activities that might be considered obsolete.

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For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moody's.com](http://www.moody's.com).

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

Information sources used to prepare the rating for SEPI are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Information sources used to prepare the rating for ADIF and CORES are the following: parties involved in the ratings, and confidential and proprietary Moody's Investors Service information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

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