



Fitch Affirms Repsol YPF's IDR at 'BBB+'; Outlook Stable Ratings

21 Dec 2011 5:54 AM (EST) Fitch Ratings-Barcelona/London-21 December 2011: Fitch Ratings has affirmed Repsol YPF's (Repsol) Long-Term Issuer Default Rating (IDR) and senior unsecured rating at 'BBB+' and Short-term IDR at 'F2'. The senior unsecured debt issued by Repsol's wholly-owned indirect subsidiary, Repsol International Finance, BV, which is fully and unconditionally guaranteed by Repsol is also affirmed at 'BBB+'. Fitch has also affirmed the subordinated preference shares issued by Repsol International Capital Ltd. at 'BB+'. The Outlook for the Long-term IDR is Stable.

The affirmation follows Repsol's announcement yesterday of the buyback of 10% of Repsol shares previously held by Sacyr (its largest shareholder). The transaction amount is around EUR2.5bn, which will be largely funded with cash-on-hand and undrawn available credit facilities. Fitch understands that Sacyr, a diversified Spanish construction group, will use the funds to partly repay its syndicated loan.

Fitch takes a negative view of this transaction as it will reduce Repsol's liquidity profile in the short term. However, the EUR850m bond issued last week by Repsol Finance B.V. has taken some pressure off Repsol's debt repayment schedule and has been used to refinance half of the company's debt falling due in 2012.

Fitch expects the 10% stake to be sold within the first six months in 2012 which should restore Repsol's liquidity profile to pre-transaction levels. Should Repsol fail to dispose of these treasury shares in a timely manner, Fitch would likely take negative rating action.

Repsol's investment-grade ratings are supported by its resilient downstream business model in Spain which provides the company with a competitive advantage by allowing it to actively market refined products and liquefied products (LPG) even in a lower price environment. The ratings are also supported by its established position in the global liquefied natural gas (LNG) market mainly in Trinidad and Tobago and, more recently, in Peru and Canada.

The Stable Outlook reflects Fitch's expectation that Repsol will continue to hold a dominant position in the downstream industry, especially in the Iberian market as the company is expanding and converting its refineries at Cartagena and Bilbao, and that it will maintain an adequate liquidity position.

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The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

Corporate Rating Methodology

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