

RATCHABURI ELECTRICITY GENERATING HOLDING PLC

No. 32/2014

30 April 2014

Company Rating: AA+

Outlook: Stable

Rating History:

| Date | Company | Issue (Secured/ Unsecured) |
|----------|---------|----------------------------------|
| 25/04/13 | AA+/Sta | - |
| 09/02/11 | AA/Sta | - |
| 15/06/05 | AA-/Sta | - |
| 12/07/04 | A+/Sta | - |
| 26/06/03 | A+ | - |

Rating Rationale

TRIS Rating affirms the company rating of Ratchaburi Electricity Generating Holding PLC (RATCH) at “AA+”. The rating reflects RATCH’s leading position as the largest private power generator group in Thailand, the sizable and reliable stream of dividends from its power projects, and strong relationship with the Electricity Generating Authority of Thailand (EGAT). The rating also takes into consideration the company’s diversified portfolio of power plants and its plan to develop and invest in power and power-related projects in Thailand and overseas.

RATCH was established in 2000 as a power holding company to purchase the Ratchaburi power plant from EGAT. The company was listed on the Stock Exchange of Thailand (SET) in 2000. As of March 2014, EGAT continued to be RATCH’s major shareholder with a 45% stake. As of February 2014, RATCH’s portfolio consisted of 18 power projects, of which RATCH’s power generating capacity in terms of investment portion was 6,543 megawatts (MW). RATCH’s capacity comes from 12 projects currently in operation (5,519 MW) and six projects (1,024 MW) under development. As of February 2014, RATCH has 4,920 MW of capacity connected to the Thai power grid, representing 15% of the nation’s total installed capacity and making the company the largest privately-owned power generator in Thailand.

RATCH’s business profile is very strong. All of the company’s projects connected with the national power grid are covered by long-term power purchase agreements (PPAs) with EGAT or the Provincial Electricity Authority (PEA). Of all the projects in operations, 85% of RATCH’s generating capacity is located in Thailand, 10% in Australia, and 5% in the Lao People’s Democratic Republic (Lao PDR). In terms of plant type, about 93% of RATCH’s generating capacity is from gas-fired power plants, 5% from hydropower plants, and the rest (2%) from renewable resources.

During 2012-2013, RATCH’s average earnings before interest, tax, depreciation and amortization (EBITDA) was Bt12,000 million per year, up from an average of Bt10,000 million per year, after the acquisition of RATCH-Australia Corporation Ltd. (RAC) in 2011. In 2013, 72% of RATCH’s EBITDA was from Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) -- rated “AA+” by TRIS Rating, 17% from RAC, and 11% from other projects. In 2013, RATCH received dividends totaling Bt5,726 million mainly from its investment in RATCHGEN, Tri Energy Co., Ltd. (TECO), Ratchaburi Power Co., Ltd. (RPCL), and SouthEast Asia Energy Ltd.

RATCH’s financial profile is sound. The company’s capital structure improved after the repayment of RAC’s bank loan and other shareholder loans. RATCH’s debt outstanding decreased from Bt31,803 million at the end of 2012 to Bt22,465 million at the end of 2013. The debt to capitalization ratio improved from 37.2% at the end of 2012 to 28.8% at the end of 2013. RATCH plans to increase its capacity to 9,700 MW by 2023. The company’s capital expenditures and investment budgets during 2014-2016 are expected at approximately Bt42,800 million. Of the total budgets, RATCH expects to spend Bt14,900 million for committed projects such as the Hongsa Power project and the Xe-Pian Xe-Namnoy project. The remaining Bt27,900 million is reserved for new investments and acquisitions. As of year-end 2013, RATCH had Bt9,404 million in cash on hand and short-term investments. With expected funds from operations (FFO) on average at Bt9,200 million per year during 2014-2016, RATCH may need to raise debt to meet its

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investment plan. However, the debt to capitalization ratio is not expected to rise above 40%, or the interest bearing debt to equity ratio above 0.7 times, during 2014-2016.

Rating Outlook

The “stable” outlook reflects the expectation that RATCH will continue to receive reliable stream of income from its power projects secured with long-term PPAs. The company’s debt to capitalization ratio is not expected to rise above 40%, taken into account the company’s growth strategy and future investments.

Ratchaburi Electricity Generating Holding PLC (RATCH)

Company Rating:

AA+

Rating Outlook:

Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

| | Year Ended 31 December | | | | |
|--|------------------------|--------|--------|--------|--------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Sales | 50,612 | 55,365 | 43,457 | 42,181 | 35,351 |
| Gross interest expense | 1,634 | 2,488 | 1,720 | 677 | 861 |
| Net income from operations | 4,837 | 5,075 | 4,885 | 5,177 | 6,740 |
| Funds from operations (FFO) | 8,881 | 8,308 | 7,824 | 7,862 | 8,324 |
| Earnings before interest, tax, depreciation, and amortization (EBITDA) | 11,529 | 12,555 | 11,720 | 9,830 | 11,286 |
| Capital expenditures | 446 | 938 | 193 | 383 | 140 |
| Total assets | 88,903 | 96,811 | 97,342 | 69,582 | 69,342 |
| Total debts | 22,465 | 31,803 | 39,325 | 16,860 | 19,640 |
| Shareholders' equity | 55,539 | 53,732 | 48,485 | 46,676 | 44,524 |
| Operating income before depreciation and amortization as % of sales | 18.4 | 19.1 | 21.7 | 18.6 | 25.4 |
| Pretax return on permanent capital (%) | 9.5 | 10.0 | 11.0 | 11.1 | 13.2 |
| EBITDA interest coverage (times) | 7.1 | 5.0 | 6.8 | 14.5 | 13.1 |
| FFO/total debt (%) | 39.5 | 26.1 | 19.9 | 46.6 | 42.4 |
| Total debt/capitalization (%) | 28.8 | 37.2 | 44.8 | 26.5 | 30.6 |

* Consolidated financial statements

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