

Ratchaburi Electricity Generating Holding Public Company Limited

Company Rating:
Rating Outlook:

AA-
Stable

Rating History:	Company Rating	Issue Rating	
		Secured	Unsecured
15 Jun 2005	AA-	-	-
26 Jun 2003	A+	-	-

Rating Rationale

TRIS Rating affirms the company rating of Ratchaburi Electricity Generating Holding PLC (RATCH) at "AA-". The rating reflects reliable dividends from RATCH's wholly-owned operating subsidiary, Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN), a good quality power plant portfolio and a conservative investment policy. The rating also takes into consideration its potential investments in hydroelectric power projects in Laos and in new independent power producer (IPP) projects in Thailand.

RATCH was established in 2000 as a holding company to purchase the Ratchaburi power plant from the Electricity Generating Authority of Thailand (EGAT). As of May 2007, EGAT held a 45% stake in RATCH, followed by the BANPU Group (14.99%), and the Social Security Office (4.91%). Currently, RATCH's power portfolio comprised five power plants with total electricity generating capacity of 4,501 megawatts (MW). As of September 2007, RATCH's investments in its five plants totaled Bt22,033 million.

In 2006, RATCH received dividend income of Bt5,353 million from its two power plants, RATCHGEN and Tri Energy Co., Ltd. (TECO). RATCHGEN continues to be the major contributor, constituting 81% of RATCH's total capacity and generating 96% of RATCH's dividend income.

RATCH's investment policy has been conservative. All power plants in its portfolio have long-term power purchase agreements (PPAs) with EGAT. In addition to the 1,400 MW IPP project in Thailand (Ratchaburi Power Co., Ltd.), which will begin operations very soon, and the hydroelectric power projects in Laos, RATCH also submitted two proposals for the 2007 IPP bidding, with the aggregate installed capacity of 1,600 MW. The preferred bidders are expected to be announced by the end of 2007 and the new PPAs are expected to be signed by June 2008.

Rating Outlook

The "stable" outlook reflects the expectation that RATCH will receive reliable dividend income from RATCHGEN and its power plant investments. With Bt5,000-Bt6,000 million in dividends received per annum, RATCH should be able to fund most of its investments with internal cash flow.

Key Rating Considerations

Strengths/Opportunities

- Stable dividend income from RATCHGEN and TECO
- Long experience in the power industry
- Strong relationship with major shareholder, EGAT
- Potential dividend income from Ratchaburi Power Co., Ltd.

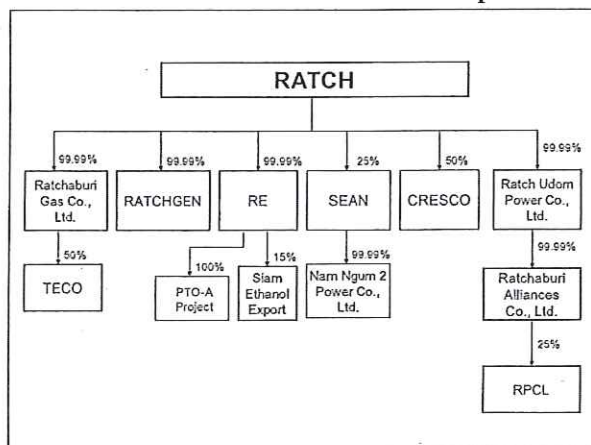
Weaknesses/Threats

- Political uncertainty in Myanmar may impair gas supply to RATCHGEN

Corporate Overview

RATCH was established and listed on the Stock Exchange of Thailand in 2000 to purchase the Ratchaburi power plants from EGAT. EGAT has a strong interest in RATCH in terms of dividend received and operation provided. As of May 2007, EGAT held a 45% stake in RATCH, followed by the BANPU Group (14.99%), and the Social Security Office (4.91%).

Chart 1: RATCH's Structure as of Sep 2007



RE = Ratchaburi Energy Co., Ltd.
 SEAN = Southeast Asia Energy Co., Ltd.
 CRESCO = Chubu Ratchaburi Electric Power Services Co., Ltd.
 TECO = Tri Energy Co., Ltd.
 RPCL = Ratchaburi Power Co., Ltd.
 PTO-A = Pratutao-A Project

Source: RATCH

RATCH holds 99.99% of RATCHGEN, the largest private power producer in Thailand. As of April 2007, RATCHGEN had total installed capacity of 3,645 MW, representing 13% of Thailand's and 31% of the private sector's installed capacity. RATCH has expanded its power generating capacity by investing in five power plants with a combined capacity (for RATCH's portion) of 4,501 MW.

Out of its 4,501 MW portfolio, only 154 MW (3.4% of total RATCH's capacity) is from an investment in a hydroelectric power project in Laos; the majority is from IPP projects in Thailand.

Table 1: RATCH's Power Plant Portfolio as of Sep 2007

Project Name	100% Capacity (MW)	Holding (%)	RATCH Capacity (MW)	Equity Investment (Bt million)
1. RATCHGEN	3,645	99.99	3,645	18,275
2. TECO	700	50	350	1,809
3. RPCL*	1,400	25	350	1,003
4. SEAN**	615	25	154	891
5. PTO-A***	2	100	2	55
Total	6,362		4,501	22,033

Source: RATCH

* Commercial operation will start in 2008

** Initial operation will start in 2010

*** Commercial operation started in June 2007

Recent Developments

- **PPA and loan agreement signed for Nam Ngum 2 project**

Southeast Asia Energy Co., Ltd. (SEAN) is developing Nam Ngum 2, a 615 MW hydroelectric power plant project. The project is located 35 kilometers north of Nam Ngum 1 Dam in Laos. In May 2006, SEAN signed a 27-year PPA with EGAT and a loan agreement with Thai financial institutions to provide loans for Bt22,023 million of the total investment cost of Bt30,832 million. The project plans to commence its initial operations in 2010. As of August 2007, the construction was 37% complete, which was in line with the original plan.

- **Investment in Nam Ngum 3 project**

In 2006, RATCH participated in the development of Nam Ngum 3, a 440 MW hydroelectric power plant project in Laos. The project shareholders consist of MDX Laos Co., Ltd. (27%), RATCH (25%), Marubeni Corporation (25%) and the Government of Laos (23%). In December 2006, EGAT signed a Memorandum of Understanding (MOU) to purchase electricity from this project for 27 years and the final PPA is expected to be concluded by the end of 2007. The project cost was approximately Bt27,000 million.

- **Signed Joint Development Agreement for Xe Pian – Xe Namnoy project**

In August 2007, RATCH signed a Joint Development Agreement with SK Engineering & Construction Co., Ltd. and the Government of Laos for Xe Pian – Xe Namnoy, a 372 MW hydroelectric power project. The project cost is approximately US\$668 million and RATCH plans to make a 25% investment in this project.

▪ **Commercial operation for associated gas power plant**

Ratchaburi Energy Co., Ltd. (RE) signed a Gas Sale Agreement with PTT Exploration and Production PLC (PTTEP) and PTTEP Siam Ltd. in January 2006 to buy associated gas, a by-product of crude oil production from the Sirikit oil field in Sukhothai province. The gas, in the amount of 480,000 standard cubic feet per day (scfd), will be used as fuel in the 1.75 MW Pratutao-A (PTO-A) power plant. The electricity produced will be sold to EGAT under non-firm small power producer (SPP) scheme. Total project cost was Bt55 million and commercial operation commenced in June 2007.

▪ **Submit two proposals for 2007 IPP bidding**

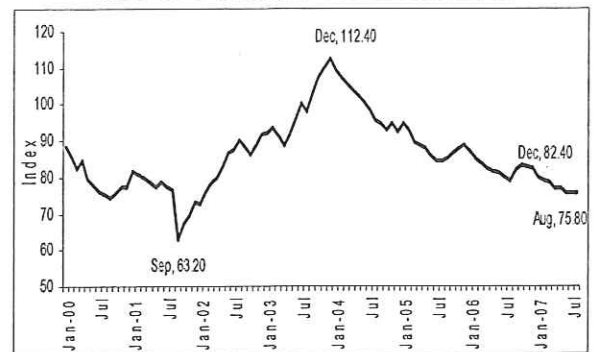
RATCH submitted two proposals for 2007 IPP bidding with total installed capacity of 1,600 MW; 800 MW at RATCHGEN site, and 800 MW for a joint venture with Rojana Industrial Park PLC, KPIC Netherlands B.V., and Sumikin Bussan Corporation in Ayudhya. The preferred bidders are expected to be announced by the Ministry of Energy by the end of 2007 and PPAs are expected to be signed by June 2008.

INDUSTRY ANALYSIS

For several decades, Thailand's electricity sector has been dominated by three state-owned enterprises involved in the generation, transmission, and distribution of power. EGAT has dominated electricity generation and transmission, while the Metropolitan Electricity Authority (MEA) and the Provincial Electricity Authority (PEA) have been responsible for distribution. The MEA and the PEA are obligated to purchase electricity from EGAT. Since the planned privatization of EGAT was cancelled in March 2006, EGAT continues to play a key role in the development of the power industry for the medium term.

The supply of electricity in Thailand is set to grow over the medium term since the new power plan was officially endorsed and a new round of IPP bidding has been launched. After experiencing softer demand in 2006, electricity demand improved in 2007. Peak demand during the first eight months of 2007 was 22,586 MW, a 7.23% increase from 2006. Nonetheless, the unstable political climate, weaker economic environment and enduring problems in the southern provinces continue to erode consumer confidences. The Consumer Confidence Index (CCI), reported by the University of the Thai Chamber of Commerce, had remained below 80 since January until August 2007, reflecting consumers' concerns about political and economic volatility.

Chart 2: Consumer Confidence Index



Sources: University of the Thai Chamber of Commerce

▪ **Thailand's energy policy is changing after the 2006 coup d'etat**

Following the 2006 coup d'etat, the interim government nominated by the Administrative Reform Council included a new Minister of Energy, Dr. Piyasvasti Amranand, who was formerly Director General of the Energy Policy and Planning Office (EPPO). Thai energy policy has changed under the new government. On 6 November 2006, the National Energy Policy Council (NEPC) endorsed the new national energy policy and plan. The drafted Energy Industry Act was endorsed by the NEPC on 2 March 2007 and is currently under consideration by the Office of The Council of State. The Act covers both the natural gas and electricity supply industries. Energy policy will focus more on private sector participation and will try to separate regulators and policymakers. A natural gas regulatory committee has been established to take over any authority currently under the control of PTT PLC, the former national oil and gas state enterprise.

▪ **New government encourages increasing role of private producers**

Privatization of the electricity generating sector started in 1992 by encouraging private companies to produce and sell electricity to EGAT. The SPP scheme was introduced in 1992, followed by the IPP scheme in 1994. Both IPPs and SPPs have 20- to 25-year PPAs with EGAT. The PPAs are designed to mitigate the market risk of the operators, leaving mainly operating risk to be managed. Private producers under the IPP scheme are obligated to sell all their electricity output to EGAT, while private power producers under the SPP scheme can sell electricity to EGAT and/or to industrial users. EGAT has signed PPAs with seven IPPs and 92 SPPs.

As of March 2007, Thailand had combined installed electricity generating capacity of 27,788 MW. EGAT accounted for 58% of the total, followed by IPPs (32%), SPPs (8%), and power imported from Laos (2%). EGAT's share of power

generation capacity decreased from 100% before 1995 to 92% in 1999 and to 58% at the end of March 2007. Electricity generation from private producers sharply increased by 2,870 MW in 2000 when the first two IPPs, TECO and Independent Power (Thailand) Co., Ltd., began commercial operations. The first two units of the Ratchaburi power plant started operations in the same year.

EGAT sold two of its power plants to Electricity Generating PLC (EGCO) in 1995 and 1996, and then sold the Ratchaburi power plant to RATCHGEN in 2000. EGAT has been relieved of its burden to develop and operate power plants, but remains the nation's sole electricity provider.

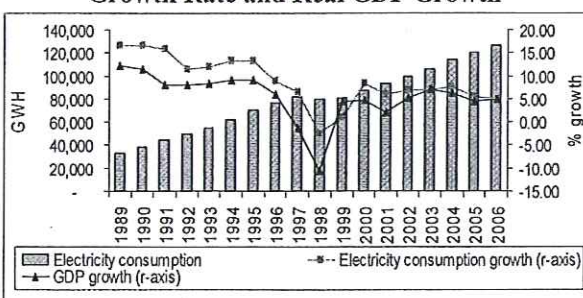
▪ **PDP 2007 aims for fuel diversification**

On 19 June 2007, the Cabinet approved the Power Development Plan 2007 (PDP 2007) covering power plans for the 15-year period. According to the new PDP, between 2007 and 2010 electricity will be generated by power plants under construction, which will add 7,885 MW of total new installed capacity. During this period, some existing power plants, with total capacity of 1,483 MW, will be retired. From 2011 to 2021, an estimated 31,791 MW in new capacity will be added by EGAT, IPPs, SPPs and power purchased from neighboring countries. Future sources of energy are planned to be more balanced between natural gas, coal, ethanol, nuclear and other renewable fuels. In the first quarter of 2007, 65% of energy was from natural gas, 22% from coal, 7% from hydro power, 1% from fuel oil and 5% from imports and others.

▪ **Slower electricity demand growth reflects moderately growing economy**

Electricity demand generally moves in tandem with the domestic economy. According to the EPPO, electricity consumption during the first quarter of 2007 was 31,321 gigawatt hours (GWh), representing 3.5% year-on-year growth, lower than in 2006 (4.9%) and 2005 (5.5%).

Chart 3: Electricity Consumption, Growth Rate and Real GDP Growth



Sources: NESDB and EPPO

Except during the 1997/1998 economic crisis, electricity demand in Thailand had been very strong

and relatively stable. Electricity consumption grew by approximately 7% per annum from 2000 to 2005. According to the PDP 2007, Thailand's peak electricity consumption will grow at an average rate of 5.85% per annum from 2007 to 2011.

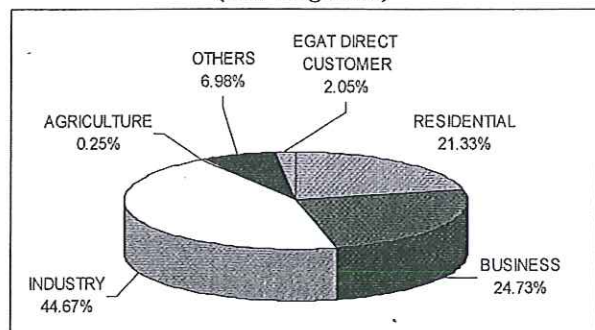
Table 2: Electricity Demand Forecasts (Base Case)

NESDB Plan	Year	Annual Growth (%)	
		Peak Generation	Energy Generation
10 th	2007-2011	5.85	5.55
11 th	2012-2016	5.95	5.98
12 th	2017-2021	5.54	5.55

Source: PDP 2007, EPPO

The industrial sector is still the largest electricity consumer, accounting for 44.67% of total consumption, followed by the business sector (24.73%), residential customers (21.33%), EGAT's direct customers (2.05%), agriculture sector (0.25%), and others (6.98%).

Chart 4: Electricity Consumption by Sector (Jan-Aug 2007)



Source: EPPO

The reserve margin in 2005 was 24.7%, higher than the target of 15% to 20%. In 2006, the reserve margin dropped slightly to 22.1%. Under PDP 2007, the reserve margin will remain over 20% between 2007 and 2010, but will decline afterward.

▪ **The beginning of new round of IPP bidding**

The new round of IPP bidding started when a Request for Proposal (RFP) was issued to 60 bidders in June 2007. Preferred bidders are scheduled to be announced by the end of 2007 and PPAs are expected to be finalized in June 2008. According to the new policy, the electricity price will be more focused.

▪ **Power industry liberalization plan held over for new government's action**

The power pool system, which aims to promote competition in electricity supply, was officially cancelled by Cabinet resolution on 9 September 2003. The new power industry model, namely the Enhanced Single Buyer or ESB system, was approved under a Cabinet resolution on 9 December

2003. Under the new structure, EGAT's role as the country's sole electricity buyer, transmitter, and wholesaler will be maintained, and EGAT will continue as the operator of the country's power grid.

On 23 March 2006, the Supreme Administrative Court blocked the previous government's attempt to list EGAT's shares on the Stock Exchange of Thailand. Further power industry liberalization has been stalled, as the interim government has no plans to consider the liberalization issue.

BUSINESS ANALYSIS

RATCH's business profile is above average. Its current performance continues to be dominated by its largest subsidiary, RATCHGEN. As of December 2006, RATCHGEN's investment represented approximately 87% of RATCH's total investments, while dividends received from RATCHGEN contributed 96% of RATCH's total dividend income.

▪ *Investments focused on power-related businesses*

RATCH has a policy to invest in power and power related businesses in Thailand and in the Southeast Asian region. The company's investment policy is moderately conservative, with first priority given to existing power projects holding long-term PPAs with EGAT, followed by brownfield and greenfield projects. Currently, RATCH has three power plants in operation - RATCHGEN, TECO, and PTO-A. In addition, the company has invested in another IPP project in Thailand (RPCL), and a hydroelectric project in Laos (SEAN). RATCH also invested in Siam Ethanol Exports Co., Ltd. (SEEC) to produce 100,000 liters per day of ethanol, which RATCH has the right to use the waste from ethanol production process as the fuel for its biogas power plant project in the future.

▪ *Reliable dividends from RATCHGEN*

RATCH's cash flow is highly dependent on dividend income from RATCHGEN. This income source is relatively stable as a result of RATCHGEN's well-designed project structures, state-of-the-art power plants, and the operator's long experience in the power sector.

RATCHGEN has 25-year PPAs with EGAT that are well structured to protect RATCHGEN from fluctuations in power demand and supply. The pay-if-available payment structure of the PPAs provides stable cash flow to RATCHGEN, while the revenue adjustment mechanism limits foreign exchange rate risk and inflation rate risk. Fuel risk is limited through the structure of the energy payments specified in the PPAs and through a 25-year gas sale agreement (GSA) with PTT. EGAT has an

obligation to take a minimum level of gas under the take-or-pay GSA.

Technology and operating risks are mitigated by the operation and maintenance agreement (OMA) with EGAT. With over 30 years of operating experience, EGAT has developed a strong reputation for efficiently running its power plants. EGAT has a nine-year contract to operate and maintain RATCHGEN's entire plant on a daily basis. The Contractual Service Agreement (CSA) is a supply contract with GE for major gas turbine parts, which helps minimize operational risk as it mitigates price risk and major parts availability risk.

RATCHGEN's operation in 2006 was satisfactory. The equivalent availability factor (EAF) of the thermal units increased slightly from 86.1% in 2005 to 95.5% in 2006, which was in line with the target. The EAF of the combined cycle units decreased slightly from 90.5% in 2005 to 88.6% in 2006, but was better than the target. Since there will be major overhauls for RATCHGEN's plant in the second half of 2007, it is expected that the 2007 EAF will decrease from 2006, as planned.

▪ *Dividends from TECO declined in 2006*

TECO is a 700 MW gas-fired combined cycle IPP located in Ratchaburi province. Its shareholders comprise Ratchaburi Gas Co., Ltd. (50%), which is RATCH's wholly-owned subsidiary, and Chevron Thailand Energy Company I (50%). The plant location, adjacent to RATCHGEN's power plant, benefits both plants through cooperation. TECO commenced commercial operations in July 2000 under 20-year PPAs with EGAT. In 2006, TECO's actual planned outages were longer than targeted due to a technical problem in the gas turbine that was found during the combustion inspection period, resulting in a low EAF of 80.6%. As a result, TECO's availability payment in 2006 was below target, and RATCH received dividend income of only Bt218 million in 2006 from TECO, 55% less than in 2005.

▪ *RPCL project on track*

RATCH holds a 25% stake in Ratchaburi Power Co., Ltd. (RPCL), with an investment of Bt1,003 million as of September 2007. RPCL, a two-block combined cycle power plant using turbine technology from Mitsubishi Heavy Industries (MHI), has total generating capacity of 1,400 MW. Mitsubishi Corporation and Sino-Thai Engineering & Construction PLC (STECON) were awarded contracts for engineering, procurement and construction. The total project cost is approximately US\$904 million and is 72% debt financed. As of August 2007, construction was 93% complete, and was relatively on plan. The plant is scheduled to

commence commercial operations in March 2008 for block 1 and in June 2008 for block 2.

FINANCIAL ANALYSIS

RATCH's financial position has been very strong. The dividends received from its power plant portfolio have been sufficient to fund its existing investments.

▪ *Reliable dividend income from RATCHGEN and TECO*

With an investment of approximately Bt18,275 million in RATCHGEN, RATCH received Bt5,135 million in dividend income in 2006. RATCHGEN has a clear policy to pay out 100% of its net profit after the company fulfils its internal policy of debt service reserve requirement. Dividends from RATCHGEN will remain a dependable source of cash flow to RATCH given its solid structure and performance.

An investment of Bt1,809 million in TECO was funded through RATCH's internal cash flow. RATCH received dividend payments of Bt483 million in 2005 and Bt218 million in 2006. Given its much smaller size relative to RATCHGEN, the dividend contribution from TECO accounts for only 4%-6% of the total amount of dividends RATCH receives.

Since several of RATCH's investments are under development phase, it will take at least 2-3 years before RATCH receives dividends from these investments. Due to its large size, RATCHGEN will continue to be the major source of income for RATCH for several years to come.

▪ *Profitability in 2007 expected to decrease*

RATCH's revenues increased 14.4% to Bt50,373 million in 2006. Energy payments (EP) were up by 20%, while availability payments (AP) decreased slightly by 1%. RATCH's operating income in 2006 remained relatively stable at Bt6,900 million, while the operating profit margin before depreciation and amortization declined to 19.3%, from 21.7% in 2005. Since three of RATCHGEN's five power plants will shut down for major maintenances in the second half of 2007, it is expected that RATCH's operating income in 2007 will be lower than in 2006.

▪ *Capital structure improved*

The company's leverage improved as long-term debt was repaid, with the debt to capitalization ratio standing at 43.0% at the end of September 2007. The earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage ratio declined from 8.6 times in 2005 to 7.2 times in 2006 as a result of higher interest rates, and slightly increased to 7.7 times during the first nine months of 2007.

▪ *Future projects in pipeline*

RATCH plans to invest in several power projects, both in Thailand and Laos. Its projects in Laos, Nam Ngum 3 and Xe Pian – Xe Namnoy, are hydroelectric power projects, while the projects in Thailand are under the 2007 round of IPP bidding.

**Table 3: RATCH's Future Projects
as of Oct 2007**

Project	Fuel Type	Capacity (MW)	% Holding	Status
1. Nam Ngum 3	Hydro	440	25	Negotiation
2. Xe Pian – Xe Namnoy	Hydro	372	25	Negotiation
3. IPP (Ratchaburi)	Gas	800	100	Bidding Process
4. IPP (Ayudhya)	Gas	800	30	Bidding Process

Source: RATCH

▪ *Sufficient cash flow to fund future investments*

RATCH receives approximately Bt5,000-Bt6,000 million a year in dividends, which is sufficient to fund the company's planned and announced investments of approximately Bt11,000 million during 2008-2011. However, the company may need external financing for any new equity investments.

Financial Statistics and Key Financial Ratios*
Unit: Bt million

	9/2007	2006	2005	2004	2003	2002
Electricity sales	32,856	50,373	44,035	39,714	35,528	27,493
Total operating costs	28,662	43,474	37,472	32,668	28,634	21,256
Operating profit	4,194	6,900	6,563	7,046	6,894	6,237
Interest expense	1,029	1,444	1,209	1,225	1,703	1,967
Net profit	4,750	6,106	6,066	6,487	5,424	4,729
Funds from operations (FFO)	6,291	8,922	8,670	8,750	7,892	6,573
Capital expenditures	369	40	790	125	2,401	27,050
Total assets	70,046	72,105	69,941	69,494	67,144	67,784
Total debt	27,442	29,743	32,586	35,765	38,652	40,896
Shareholders' equity	36,400	34,695	31,489	28,468	24,736	22,574
Operating income before depre. and amort. as % of sales	19.1	19.3	21.7	24.5	26.7	29.5
Pretax return on permanent capital (%)	9.1 **	11.9	11.5	12.1	11.3	13.7
Earnings before interest, tax, depre. and amort. (EBITDA)	7.7	7.2	8.6	8.5	5.7	4.5
interest coverage (times)						
FFO/total debt (%)	22.9 **	30.0	26.6	24.5	20.4	16.1
Total debt/capitalization (%)	43.0	46.2	50.9	55.7	61.0	64.4

* Consolidated financial statements

** Non-annualized

RATCH's Power Generation Portfolio*
Unit: Bt million

	2006	2005	2004	2003	2002	2001
Electricity Generation Capacity (MW)						
RATCHGEN**	3,645	3,645	3,645	3,645	3,645	1,470
TECO (RATCH portion)	350	350	263	263	-	-
RPC (RATCH portion)***	350	350	350	-	-	-
SEAN (RATCH portion) ****	154	154	-	-	-	-
PTO-A *****	2	-	-	-	-	-
Total	4,501	4,499	4,258	3,908	3,645	1,470
Investment (cost method)						
RATCHGEN**	18,275	18,275	18,275	18,275	18,275	16,000
TECO	1,809	1,809	1,284	1,284	-	-
RPC***	563	416	416	-	-	-
SEAN ****	325	44	-	-	-	-
PTO-A *****	55	-	-	-	-	-
Total	21,027	20,544	19,975	19,559	18,275	16,000
Investment (equity method)						
RATCHGEN**	22,497	22,472	22,244	21,780	21,891	18,829
TECO	3,292	2,676	2,166	1,965	-	-
RPC***	341	291	381	-	-	-
SEAN ****	310	43	-	-	-	-
PTO-A *****	55	-	-	-	-	-
Total	26,495	25,482	24,791	23,745	21,891	18,829
Dividend received						
RATCHGEN**	5,135	5,563	5,796	5,615	3,888	-
TECO	218	483	241	220	-	-
RPC***	-	-	-	-	-	-
SEAN ****	-	-	-	-	-	-
PTO-A *****	-	-	-	-	-	-
Total	5,353	6,046	6,037	5,835	3,888	-

* Consolidated financial statements

** Based on stand-alone financial statements

*** Commercial operation will start in 2008

**** Initial operation will start in 2010

***** Commercial operation started in June 2007

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

- AAA** The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.
- AA** The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.
- A** The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.
- BBB** The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.
- BB** The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.
- B** The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.
- C** The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.
- D** The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year. The symbols and definitions for short-term ratings are as follows:

- T1** Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.
- T2** Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.
- T3** Issuer has acceptable capacity for meeting its short-term obligations.
- T4** Issuer has weak capacity for meeting its short-term obligations.
- D** The rating for an issuer for which payment is in default.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating also assigns a "Rating Outlook" that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on its fundamental creditworthiness. The rating outlook will be announced in conjunction with the credit rating. In all cases, the outlook assigned to a company will apply to all debt obligations issued by the company. The categories for "Rating Outlook" are as follows:

- Positive** The rating may be raised.
- Stable** The rating is not likely to change.
- Negative** The rating may be lowered.
- Developing** The rating may be raised, lowered or remain unchanged.

For subscription information, contact

TRIS Rating Co., Ltd., Office of the President, Tel: 0-2231-3011 ext 500

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand, www.trisrating.com

© Copyright 2007, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information.