

Press Release

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TRIS Rating Sees No Immediate Impact on RATCH's Rating after the Xe-Pian Xe-Namnoy Dam Collapsed

TRIS Rating sees no immediate impact on the credit rating of Ratchaburi Electricity Generating Holding PLC (RATCH) after a collapse of the dam at the Xe-Pian Xe-Namnoy hydroelectric power project in the Lao People's Democratic Republic (Lao PDR).

On 24 July 2018, RATCH reported that one of the saddle dams at the project was collapsed. As a result, the saddle dam was fractured, the water had leaked and flooded to the seven villages at downstream areas.

The Xe-Pian Xe-Namnoy is a 410-megawatt (MW) hydroelectric power project in the Lao PDR. The project budget is US\$1,020 million. The Xe-Pian Xe-Namnoy is structured as a project-financed. RATCH holds a 25% stake in the project. Given its ownership stake, RATCH has made an equity injection of about US\$76 million (approximately Bt2,500 million) to complete the project. The project is currently under construction with a 90% progress and is expected to commence an operation in February 2019.

TRIS Rating holds the view that this incident will have a minimal impact on RATCH's financial position. The Bt2,500 million investment in this project is 2.5% of RATCH's total assets. Our forecast assumes this project will contribute about Bt200 million in profits per year, or about 2.0% of our estimated earnings before interest, tax, depreciation, and amortization (EBITDA) for about Bt11-Bt13 billion per year.

The costs incurred as a result of the collapse are primarily the responsibility of the contractor in charge of engineering, procurement and construction (EPC). The project also has a standard insurance package including all-risk insurance for construction, third-party liability insurance, and delay start-up insurance. However, the cost associated with the compensation to affected people and the restoration of the environment in the flooded areas has to be assessed. TRIS Rating will closely monitor the damage of this incident and its full impact on RATCH's creditworthiness.

Currently, RATCH has been rated "AAA" with "Stable" outlook by TRIS Rating.

TRIS Rating Co., Ltd./www.trisrating.com

Contact: santaya@trisrating.com, Tel: 0-2098-3000/Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand

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