

PTTEP TREASURY CENTER CO., LTD.

No. 76/2019
24 May 2019

CORPORATES

Issue Rating:

Guaranteed

AAA

Outlook:

Stable

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RATIONALE

TRIS Rating assigns the rating of “AAA” to the proposed issue of up to Bt10,000 million in guaranteed debentures offered by PTTEP Treasury Center Co., Ltd. (PTTEPTC). The debentures are fully guaranteed by PTT Exploration and Production PLC (PTTEP). PTTEP is rated “AAA” by TRIS Rating. Therefore, the issue rating reflects the creditworthiness of PTTEP as the guarantor of the guaranteed debentures.

KEY RATING CONSIDERATIONS

Unconditional and irrevocable guarantee

The rating on PTTEPTC’s guaranteed debentures is equal to the rating of PTTEP. Under the guarantee terms, PTTEP provides an irrevocable and unconditional guarantee to covers all amounts due under the terms of the debentures up to Bt11,250 million (112.5% of face value), including the principal, plus any accrued interest, and other related expenses.

The guaranteed debentures is ranked *pari passu* with all other present and future unsecured and unsubordinated indebtedness of PTTEP. The guarantee agreement is governed by the laws of the Kingdom of Thailand.

Strong credits of the guarantor

PTTEP’s creditworthiness reflects its leading position in the petroleum exploration and production (E&P) industry in Thailand, low market risk due to a long-term gas sale agreement with PTT PLC (PTT), low cost of production from legacy assets, conservative financial policies, and a strong financial profile.

PTTEP is a core subsidiary of PTT. PTT owns 65.3% shareholding of PTTEP. Both PTT and PTTEP are state-owned enterprises under the Thai law.

Financing center of PTTEP

PTTEPTC is a financing subsidiary set up by PTTEP. PTTEPTC serves as the financing center for PTTEP and its subsidiaries/affiliates. PTTEPTC manages liquidity for the PTTEP group of companies through cash pooling and intercompany loans. PTTEPTC also seeks funding sources for PTTEP and its subsidiaries/affiliates.

RATING OUTLOOK

The “stable” outlook reflects the creditworthiness of the guarantor, PTTEP. TRIS Rating expects that PTTEP could maintain its leading position in the E&P industry in Thailand and strong financial profile.

RATING SENSITIVITIES

The rating of PTTEPTC’s guaranteed debentures may change if the rating of its guarantor changes.

COMPANY OVERVIEW

PTTEPTC was established on 27 May 2015 by PTTEP, to serve as a financial center for PTTEP and its affiliated companies. PTTEP owns, directly and indirectly, all of the shares of PTTEPTC.

PTTEPTC acts as a financial management company and financial advisor for PTTEP and its affiliates. Its main role is managing the liquidity and funding

structure for the Group. PTTEPTC's main source of revenue is interest income from intercompany loans. As of December 2018, PTTEPTC's total assets amounted to US\$8,476 million, of which US\$1,830 million was cash and cash equivalents. PTTEPTC's total equity was US\$1,113 million.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS OF THE GUARANTOR (PTTEP)

Unit: US\$ million

	Jan-Mar 2019	-----Year Ended 31 December -----			
		2018	2017	2016	2015
Total operating revenues	1,369	5,361	4,412	4,298	5,450
Operating income	963	3,962	3,147	3,016	4,246
Earnings before interest and taxes (EBIT)	561	2,100	1,567	930	1,288
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,023	3,975	3,264	3,063	4,213
Funds from operations (FFO)	849	2,965	2,822	2,499	3,419
Adjusted interest expense	66	277	262	279	298
Capital expenditures	359	1,154	1,361	1,023	1,876
Total assets	20,150	19,571	19,220	18,891	19,642
Adjusted debt	808	1,364	2,451	2,372	3,040
Adjusted equity	11,418	11,443	10,939	10,810	10,752
Adjusted Ratios					
Operating income as % of total operating revenues (%)	70.39	73.91	71.33	70.18	77.90
Pretax return on permanent capital (%)	12.70	12.43	9.27	5.52	7.01
EBITDA interest coverage (times)	15.51	14.36	12.45	10.99	14.14
Debt to EBITDA (times)	0.20	0.34	0.75	0.77	0.72
FFO to debt (%)	369.85	217.42	115.14	105.32	112.47
Debt to capitalization (%)	6.61	10.65	18.30	18.00	22.04

* Consolidated Financial Statement

RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015
- Rating Methodology – Corporate, 31 October 2007

PTTEP Treasury Center Co., Ltd. (PTTEPTC)

Issue Rating:

Up to Bt10,000 million guaranteed debentures due within 5 years

AAA

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

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