

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

PTT (security code: -)

<Outlook Change>

Foreign Currency Long-term Issuer Rating:	A-
Outlook:	from Negative to Stable
Local Currency Long-term Issuer Rating:	A
Outlook:	from Negative to Stable

<Affirmation>

Bonds:	A-
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Rationale

- (1) The ratings on PTT Public Company Limited (PTT) strongly reflect those on the Government of Thailand (GOT) (Long-term Issuer Ratings; Foreign Currency: A-/Stable and Local Currency: A/Stable), due to its strategic importance in GOT's energy policy and their strong relationship evident in PTT's legal status, capital sources and board members. The ratings also mirror its strong cash flow and sound financial position backed by these factors. The "Stable" outlook for PTT reflects the change of those for GOT made public by JCR on April 2, 2015.
- (2) PTT is a joint-stock company corporatized and listed in 2001 from Petroleum Authority of Thailand. PTT is an integrated oil and gas company, undertaking a wide range of businesses primarily in Thailand, such as E&P, transmission, refinery and distribution – both on its own and through its subsidiaries and associated companies. PTT plays a highly public policy-oriented role and is a vital entity for GOT. The Thai Ministry of Finance (MOF) directly holds 51% of its shares. Another 15% stake is held by Vayupak Fund 1 which was established by GOT in 2003. Nine of its 13 board members are either incumbent or former government officials. PTT assumes the status of a State Enterprise under the Budget Procedure Act BE2502 and the Public Debt Management Act BE2548. Its debt, therefore, constitutes a part of the country's public debt and its financial conditions are overseen by MOF.
- (3) PTT's core operations are E&P and natural gas business, which earned 70% and 22%, respectively, of the group's EBITDA in 2014. PTT Exploration and Production Public Company Limited (PTTEP), a subsidiary of PTT (whose shareholding is 65%) in the field of E&P of oil and gas, possessed 777 million BOE (barrel of oil equivalent) of proved reserves with a reserves life index of six years as of the end of 2014. PTTEP's reserve replacement ratio was 0.45 (five-year average) and its drilling success ratio was 58% in 2014. The ratio of oil (including condensate) to gas was 33 to 67 in sales volume and 24 to 76 in proved reserves. Natural gas demand in Thailand has been constantly growing. In 2014, power generated on natural gas solely supplied by PTT accounted for 67% of the country's total, making it an indispensable existence in securing the country's stable power supply. In its natural gas business, PTT usually makes long-term purchase and sale agreements in advance. While the purchase prices fluctuate in keeping with oil prices, its sales prices are determined by the sum of the average gas purchase price in a given period, pipeline tariffs and supply margins. Thus the impact from purchase price fluctuations is basically passed onto end users. PTT should also be able to accommodate a possible demand fall to a certain extent by reducing new investments, putting off the start-up of new projects and exercising carry-forward clauses in the long-term gas purchase contracts.
- (4) Revenue in 2014 fell just 0.3% year-on-year to THB2.8 trillion. Net income plunged 40% to THB55.8 billion as PTT booked an impairment loss of THB36.7 billion mainly from PTTEP's Montara Field and Mariana Oil Sands Project caused by fallen oil prices. In addition, the depreciation expense expanded following the restart of a full-year operation in Montara Field. However, its cash flow stayed well-positioned as EBITDA grew 10% to THB251 billion and EBITDA margin stood at 8.9%. The fall of oil prices which began in the latter half of 2014 may put downward pressure on PTT's profit performance in the years ahead. However, it should be able to retain a reasonable amount of margin given its subdued cost. PTT has accumulated much of its profit as reserves, boosting its consolidated capital/asset ratio to 48.7% at the end of 2014. PTT's ratios of net debt to equity and EBITDA, at 0.3 and 1.0, respectively, were still below its 1.0 and 2.0

targets. PTT has a massive capital investment plan for an expanded production, planning to spend USD24.8 billion over five years from 2015. PTT's gearing ratio will resultantly see a temporary rise, but it may well keep a solid financial position with its adequate cash flow from operation and ample liquidity at hand.

Yoshihiko Tamura, Hiroshi Tonegawa

Rating

Issuer: PTT Public Company Limited

<Outlook Change>

	Rating	Outlook
Foreign Currency Long-term Issuer Rating	A-	Stable
Local Currency Long-term Issuer Rating	A	Stable

<Affirmation>

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Japanese Yen Bonds -First Series (2007)	JPY 36.0	Jun. 29, 2007	Jun. 29, 2017	2.71%	A-

Rating Assignment Date: March 30, 2015

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Rating Policies on JCR's website (<http://www.jcr.co.jp/english/>).

Outline of methodology for determination of the credit rating is shown as "JCR's Rating Methodology" (November 7, 2014), "City Gas" (December 7, 2011) and "Petroleum" (May 21, 2013) in Rating Policies on JCR's website (<http://www.jcr.co.jp/english/>).

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