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LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

EDL-Generation Public Company



No. 1234/EDL-Gen

Vientiane Capital, Date 29 JUL 2015

To: Shareholders and prospective investors of EDL-Generation Public Company
Subject: Notification of Company and Issue Rating by TRIS Rating Co., Ltd. as of
29/07/2015

EDL-Generation Public Company ("EDL-Gen") is pleased to inform you about the outcome of our Company and Issue Rating by TRIS Rating Co., Ltd. On 29/07/2015 EDL-Gen is rated at "BBB+" with a "stable" outlook. For details of rating rationale and important financial statistics, please kindly refer to the Rating Rationale report by TRIS Rating Co., Ltd. attached herewith.

Yours sincerely,

<Signature and Company Seal Affixed>

Bounoum Syvanpheng
Managing Director & CEO

EDL-GENERATION PUBLIC COMPANY

No. 67/2015

29 July 2015

Company Rating:	BBB+
Issue Rating:	
Senior unsecured	BBB+
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
15/10/14	BBB+	Stable

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Rating Rationale

TRIS Rating affirms the company rating and the senior unsecured debenture ratings of EDL-Generation Public Company (EDL-Gen) at "BBB+". The ratings reflect the credit profile of the company's major shareholder and sole electricity off-taker, Electricite du Laos (EDL). EDL's credit profile as a state enterprise is underpinned by the sovereign rating of "BBB+" assigned by TRIS Rating to the Lao People's Democratic Republic (Lao PDR). EDL-Gen's ratings take into consideration the company's strong market position in the Lao PDR's power industry and adequate capital structure to support business expansion. The ratings are partially constrained by the sovereign rating of Lao PDR, EDL funding needs for power network investments, and exposure to hydrology risks in the Lao PDR.

EDL-Gen was founded in 2010 and was listed on the Lao Securities Exchange (LSX) in 2011. The incorporation of EDL-Gen was part of the restructuring effort for the power sector in the Lao PDR. EDL-Gen has to purchase existing and future power generation assets from EDL. Before EDL-Gen set up, EDL was the sole domestic power generator, transmission provider, and distributor to end-users in the Lao PDR. EDL also owned shares in several independent power producers (IPPs) operating in the Lao PDR. After the transfer of electricity generation to EDL-Gen, EDL remains the single wholesale electricity buyer and the owner of almost all the power grid in the Lao PDR.

As of March 2015, EDL held a 75% stake in EDL-Gen. EDL-Gen owns and operates hydropower assets developed by EDL, as well as invests in shares of hydropower IPPs previously held by EDL. Each of EDL-Gen's owned assets was granted a power purchase agreement (PPA) and concession for 30 years. As of March 2015, EDL-Gen's total electricity capacity was 899 megawatt (MW), divided into 387 MW from seven assets it owns and 512 MW from its investments in five IPPs.

EDL-Gen's credit profile reflects that of EDL since EDL owns a majority stake in EDL-Gen and is tightly integrated with EDL-Gen in terms of power off-taker, business growth potential, future PPA structure, and dividend policy. EDL is the only power off-taker for and the sole owner of the power grid connected to all of EDL-Gen's existing and future assets.

The credit quality of EDL is underpinned by the very high likelihood that the government of the Lao PDR will provide its full support to EDL in the stress events. This is supported by the critical roles of both EDL and EDL-Gen in Lao PDR's power development plan, and the importance of the power sector in promoting the country's economic and social developments. EDL is wholly-owned by the Ministry of Finance (MOF) of the Lao PDR.

EDL-Gen's ratings also reflect the company's leading role and strong competitive position in the Lao PDR's power industry. The company is the second-largest power generator with a 30% share of total installed capacity and the largest generator with a 50% share in domestic supply capacity. The ratings also consider the potential for EDL-Gen to expand its generating capacity from 899 MW currently to 1,794 MW by 2019.

For 2014, EDL-Gen sold 1,968 Gigawatt-hour (GWh) of electricity to EDL, 3.7% less than the 2,043 GWh sold in 2013. The drop was due to a lower water inflow. EDL-Gen's electricity sales depend mainly on the rainfall in its catchment areas, which flows to its reservoir. EDL-Gen's power plants were designed to generate

1,924 GWh of electricity per year on average. For the first quarter of 2015, electricity sales dropped by 4.5% year-on-year (y-o-y) to 330 GWh. However, for the first five months of 2015, EDL-Gen sold 604 GWh, a 5.9% y-o-y rise.

EDL-Gen's financial profile is strong. The company can increase the electricity tariff by 1% per annum, according to its power purchase agreements (PPA) with EDL. Revenues during 2011-2014 ranged from Bt3-Bt3.5 billion per year. The operating margin (operating income before depreciation and amortization as a percentage of revenue) was higher than 80%. For the first quarter of 2015, the operating margin dropped to 73.6% due to higher maintenance costs from major overhaul. However, TRIS Rating expects that the company's operating margin will stay in the range of 80% during normal years. EDL-Gen issued the baht debentures in December 2014 to refinance some of its existing loans and to fund its investment plan. The company's total debt to capitalization ratio increased to 25.6% at the end of 2014, from 13.5% at the end of 2013.

During 2015-2020, TRIS Rating's base-case scenario expects EDL-Gen's revenue will grow at a compound annual growth rate of about 14%. The operating margin is expected to stay in the range of 80%. According to its investment plans, EDL-Gen's capital expenditures, including the acquisition of EDL's shares in the IPPs, are expected at about Bt7-Bt8 billion per annum. TRIS Rating views that EDL-Gen has adequate borrowing capacity to support its growth plans. In addition, EDL-Gen has a plan to increase its capital of approximately Bt11 billion through a rights offering and a public offering in 2015.

EDL-Gen's liquidity profile is expected to remain moderate. Cash flow protection is expected to stay at a strong level. However, a currency mismatch between the cash inflow EDL-Gen receives and its debt service requirements, as well as limited track record in the capital markets constrained the profile. The FFO to total debt ratio is expected to stay above 10% on average. The EBITDA (earnings before interest, tax, depreciation, and amortization) interest coverage ratio is expected to stay above 3 times.

Rating Outlook

The "stable" outlook reflects the expectation that the business models and the level of integration between EDL and EDL-Gen will remain unchanged. EDL-Gen is expected to expand as planned and generate strong cash flows. EDL is expected to hold a majority stake in EDL-Gen and receive continuing support from the government of the Lao PDR.

The downside factors for EDL-Gen's ratings are the downgrade of the sovereign rating of the Lao PDR or the aggressive investment that causes the company's total debt to capitalization ratio to exceed 65% for a prolonged period. While the upside factor for EDL-Gen's ratings are the upgrade of the sovereign rating of the Lao PDR.

EDL-Generation Public Company (EDL-Gen)

Company Rating:	BBB+
Issue Ratings:	
EDLGEN19DA: Bt1,500 million senior unsecured debentures due 2019	BBB+
EDLGEN21DA: Bt2,000 million senior unsecured debentures due 2021	BBB+
EDLGEN24DA: Bt3,000 million senior unsecured debentures due 2024	BBB+
Rating Outlook:	Stable

Key Financial Statistics*

Unit: Kip million

	Jan-Mar 2015	2014	2013	2012	2011
Revenue	142,282	839,193	862,429	779,887	881,748
Finance cost	18,772	31,722	30,845	35,680	41,278
Net income from operations	80,102	925,782	947,279	579,471	567,463
Funds from operations (FFO)	157,074	826,471	974,030	623,777	699,469
Capital expenditures	504	142,162	168,379	155,428	164,097
Total assets	8,793,202	8,821,261	7,067,171	6,674,224	5,238,572
Total debt	2,161,130	2,174,644	937,298	1,048,356	1,282,197
Total liabilities	2,402,875	2,499,620	1,062,284	1,081,892	1,319,108
Shareholders' equity	6,390,327	6,321,641	6,004,887	5,592,332	3,919,464
Depreciation & amortization	47,389	181,555	167,060	158,579	154,055
Dividends	-	582,453	566,512	486,408	154,581
Operating income before depreciation and amortization as % of sales	73.6	81.2	82.6	88.6	88.8
Pretax return on permanent capital (%)	11.9 **	12.7	14.8	10.8	13.7
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	8.0	36.6	38.0	22.4	19.2
FFO/total debt (%)	39.1 **	38.0	103.9	59.5	54.6
Total debt/capitalization (%)	25.3	25.6	13.5	15.8	24.6

* Consolidated financial statements

** Annualized with trailing 12 months

Key Financial Statistics (translated into Thai baht) *

Unit: Bt million

	Jan-Mar 2015	2014	2013	2012	2011
Revenue	569	3,357	3,450	3,120	3,527
Finance cost	75	127	123	143	165
Net income from operations	320	3,703	3,789	2,318	2,270
Funds from operations (FFO)	628	3,306	3,896	2,495	2,798
Capital expenditures	2	569	674	622	656
Total assets	35,173	35,285	28,269	26,697	20,954
Total debt	8,645	8,699	3,749	4,193	5,129
Total liabilities	9,612	9,998	4,249	4,328	5,276
Shareholders' equity	25,561	25,287	24,020	22,369	15,678
Depreciation & amortization	190	726	668	634	616
Dividends	-	2,330	2,266	1,946	618

* Exchange rate at Kip250 per Bt1

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