



## 1. Risk Factors

Factors which may give rise to risks towards investment by investors are as follows:

### (1) Risk from Interest Rate Fluctuation

As at 31 December 2004, the Company and the Subsidiary had long term loans from financial institutions in the amount of Baht 32,156 Million. The interest expenses on said loans were material to the Company's operations and 1 percent change in the interest rate would affect the Company's expenses by about Baht 320 Million.

In 2003, the Company entered into an amendment to the existing Credit Facility Agreement and a new Credit Facility Agreement with another commercial bank. The credit provided by the existing creditors is in the amount of Baht 34,886 Million with fixed interest rate of 4 percent per annum for the first three years, 5 percent per annum for the following two years and the floating rate of MLR - 2.0% for the sixth year onwards. The new credit facility amounting to Baht 1,000 Million bears interest at the rate of 2.50 percent per annum for the first year, 3.25 percent per annum for the following two years and 5.0 percent per annum for the fourth and fifth years, and, subsequently, the interest rate would become the floating rate of MLR - 2.0%.

The conditions of the amendment to the Credit Facility Agreement caused the interest expenses to be lower than those of the existing credit facility and also prevented risk from the increased interest rate during this five year period. Meanwhile, BECL's repayment of loan in the year 2004 in the amount of Baht 2,579 Million reduced interest obligation. However, the Company's executives have been closely monitoring circumstances of interest rates and are studying to implement financial tools so as to minimize risks in the case where interest rates may be higher in the future.

### (2) Risk Relating to Business Operations under Agreements with Government Sector

Different interpretation of the contents and conditions of the Second Stage Expressway Agreement between the contractual parties, namely the Company and the Expressway and Rapid Transit Authority of Thailand, may occur during the business operations. With an aim to resolving any dispute or disagreement which may arise, the Agreement provides a dispute settlement procedure. Should the Company and the Expressway and Rapid Transit Authority of Thailand be unable to settle any dispute, either party may refer such dispute to the Panel for settlement pursuant to the Agreement. If such dispute cannot be settled through the mediation by the Panel, or the decision of the Panel is not unanimous, or the parties fail to comply with such decision, the dispute shall be further referred to arbitration pursuant to the Agreement. Currently, there is disagreement on different interpretation of several matters, namely 1. adjustment of toll rates for the suburban



expressway and toll rates for 6 or more wheeled vehicles; 2. determination of the Priority Component Opening Date; and 3. adjustment of toll rates for the First and Second Stage Expressway Systems, and the Second Stage Expressway System (Sector D) in accordance with the Ministry of Transport Notification which came into effect on 1 September 2003, as detailed in Disputes with the Expressway and Rapid Transit Authority of Thailand (ETA) on page 7-1 to 7-8

**(3) Risk from Failure to Meet the Projected Revenue**

Due to the fact that toll revenue is the main revenue of the Company, the Company may be affected by any change of external factors having material impact on toll rates and traffic volume.

The toll rates as specified in the relevant Expressway Agreements are to be reviewed every five years in accordance with the increased rate of the consumer price index for Bangkok. Toll review not in compliance with the relevant Agreements may give rise to the Company's failure to meet the projected revenue.

In respect of traffic volume, changes in policies, laws or regulations by the government, impact of competitors, including economic problems of the country, may result in a lower volume of vehicles using the Expressways. Based on the statistical data during the years 1994-1997, the actual volume of vehicles using the Chalem Mahanakorn Expressway and the Si Rat Expressway are higher than the forecast volume based on the study which was conducted by M.V.A. (Asia) Ltd. and examined by Chula Unisearch of Chulalongkorn University. Since the outset of economic crisis of the country in the year 1998, the volume of vehicles using the Chalem Mahanakorn Expressway and the Si Rat Expressway was continually declining to be lower than the forecast volume by approximately 16 percent per year until the year 2002. As for the years 2003-2004, the volume of vehicles in such Expressways is higher than the forecast volume by approximately 3 percent, despite the construction of the Bang Na – At Narong Expressway at Bang Na Toll Plaza and the higher oil price circumstances during the year 2004.

However, the Company estimated that there would still be risk from fluctuation of traffic volume in the Expressways lower than the forecast volume, significantly preventing the Company's revenue from meeting the projected revenue. In this regard, the Company has been closely monitoring the data for planning and improvement to regularly keep the strategy appropriate. Furthermore, the Company improved work efficiency by implementing quality activities and preparing public relations plan to increase the volume of motorists, through television, radio, printed matters and various activities throughout the year 2004. In addition, the Company also provided additional on- and off-ramps of the Expressway Systems, giving rise to an increase in the average traffic volume in the year 2004 by approximately 4 percent from the year 2003.

As for the provision of the same mode of mass transit services, such as, the BTS, which was opened for public service since December 1999 up to the present time, the Company has been continuously collecting information and conducting a survey in this regard, and discovered that such services have no impact upon the traffic volume of the Company. For the subway which was opened for service in



July 2004, it does not have significant impact on the traffic volume of the Company, since the customers of the BTS and the subway mostly use public transportation. Behavior of personal car owners may change to a certain extent, but the information obtained from the survey revealed that the Company's revenue is not significantly affected.

The Udon Rattaya Expressway was affected by the government policies on construction of competing roads, causing the volume of vehicles to be substantially lower than the forecast volume. Traffic engineering experts conducted a new study on the volume of vehicles and found that the traffic volume based on the new study dropped by more than 50 percent during the first 3-5 years and the difference will decrease once the traffic volume of all Expressway Systems becomes more busy.

**(4) Risk from Noncompliance with the Relevant Agreements by Contractual Party**

The Company is obliged to construct collection and distribution roads (CD Roads), provided that the Expressway and Rapid Transit Authority of Thailand is obliged to deliver the sites to the Company by 18 October 2000. Given the failure on the part of the Expressway and Rapid Transit Authority of Thailand to deliver the sites to the Company by the specified time, the Company's obligation in respect of such construction has therefore ceased, but the Company is entitled to claim damages from the Expressway and Rapid Transit Authority of Thailand, such as, the loss of revenue from the relevant Expressways due to the Expressway and Rapid Transit Authority of Thailand's inability to deliver the construction sites to the Company within the specified time. As at 31 December 2004, such dispute has not yet been referred to arbitration proceedings.

However, the cessation of such obligation to construct the collection and distribution roads resulted in failure of the Company's revenue to meet the projected revenue and had an impact on overall traffic system, as such roads might be able to alleviate traffic problems in downtown. Failure in construction of said roads therefore impaired efficiency in provision of overall traffic services.

**(5) Risk from Investment in Northern Bangkok Expressway Company Limited (Subsidiary)**

The Subsidiary's operational results are below that projected and remained at a loss as per the main reasons described in Clause (3), affecting the Company's investment funds and assets. However, the Company still plans to improve the return on such investment. The 2001 Annual Meeting of Shareholders granted approval for the business merger between Bangkok Expressway Public Company Limited and Northern Bangkok Expressway Company Limited. In this regard, the Expressway and Rapid Transit Authority of Thailand, as contractual party, is considering giving consent to the merger.

In order to minimize the risk from investment, in March 2004, the Company sold an additional portion of shares held in Northern Bangkok Expressway Company Limited to other legal entity, namely Cargo Village Co., Ltd., at the book value as at the selling date, in accordance with the resolution of the 2003 Annual Ordinary General Meeting of Shareholders assigning the Company's Board of Directors to



consider and proceed with such matter. As a result, the Company's shareholding percentage in the Subsidiary then decreased from 83.33 percent in 2003 to 53.33 percent of the registered capital in 2004.

**(6) Risk from Work Operations**

Risk from operations may be resulted from fault or insufficiency of work procedures, employees, work system or information technology system, including employees' fraud and events or external factors, which may give rise to monetary and non-monetary damage, namely damage to reputation or security of the Company.

The Company has adopted several quality event systems in its work operations, namely 5S Event, Work Improvement Event, Suggestion Activity, including ISO 9001:2000 Standard Quality Management System, in respect of which the Company has passed the quality surveillance and the accreditation has been renewed until the year 2007, so as to ensure that the Company's work operation system meets standard, and all events which are significant to the provision of service to Expressway users are controlled, monitored and evaluated.

In addition, the Company also requires all units to have emergency plans to respond to any events which may suddenly occur, such as, perils, serious accidents, earthquake and such events which may be caused by terrorism. This is to ensure that the employees in charge would be able immediately take actions to resolve such emergency.

However, the Company and the Subsidiary has insured against the Property Damage and Business Interruption including the Public Liability.