

2.4 Goals of Operations

The Company set its goals of becoming a leading private company in provision of the Expressway services in Thailand, subject to good management systems to facilitate the public transport in accordance with the good corporate governance principles and the corporate social responsibility. In 2009, the Company has four main policies as follows:

- 1) Promoting social recognition of our good corporate image;
- 2) Alleviating traffic problems in Bangkok;
- 3) Securing our good financial standing;
- 4) Improving the efficiency and work quality subject to good corporate governance principles and proper risk management.

Action Plans

- 1) To organize public relations in respect of the Company's commitments to providing quality services and accountability towards all parties concerned to ensure our good corporate image towards consumers and society as a whole;
- 2) To introduce the Electronic Toll Collection system for service and upgrade various systems and equipment ready for use, including improvements on- and off-ramps and main routes to enhance the efficiency of the Second Stage Expressway;
- 3) To cooperate with EXAT in the management and maintenance of the Second Stage Expressway to optimize its efficiency to the satisfaction of motorists;
- 4) To maintain the liquidity, and efficiently manage short- and long-term investments to generate more revenues, and apply various financial instruments for risk management and reduction of financial costs;
- 5) To follow up and accelerate the settlement of disputes with EXAT to minimize impacts on the operations;
- 6) To maintain an efficient, transparent, and auditable management system subject to the good corporate governance principles and publicize it for public recognition nationwide;
- 7) To develop personnel and management system by applying the ISO 9001:2000 Quality Management System, and ISO 14001:2004 Environmental Management System to improve the performance and introduce the Performance Management System (PMS).

In 2009, the Company has started the installation of the Electronic Toll Collection system, scheduled to be opened for service by 2010, which can be applicable with the Chalerm Mahanakorn Expressway (First Stage Expressway) and the Chalong Rat Expressway (Ramindra - At Narong - Outer Bangkok Ring Road) as well as the Bang Pli - Suksawad Expressway (Southern Outer Bangkok Ring Road), to improve the efficiency of the Second Stage Expressway Project. This will not only save time in paying tolls for Expressway users, but also ensure convenience at Toll Plazas through the Electronic Toll Collection system. The Company foresees that this system will improve the efficiency of the service with convenience and rapidity, as well as energy saving and environmental-friendly. The Company thus manages to develop such system for the service, subject to technological feasibility and rules and regulations of EXAT. The Company is willing to invest and provide such quality service which is compatible with the toll collection systems of various projects in the future.

3 Business Operations of the Company

3.1 Nature of Services

Bangkok Expressway Public Company Limited and Northern Bangkok Expressway Company Limited provide Expressway services, namely, the Si Rat Expressway (Second Stage Expressway) and the Udon Rattaya Expressway (Bang Pa-in - Pak Kret Expressway) which connect to the Expressway network covering major areas in Bangkok and the surrounding provinces, rendering it convenient for motorists to travel from the North of Bangkok and the surrounding provinces to the South and the East without being required to pass through the congested traffic in the downtown and also ensuring that motorists can reach their destinations faster than using normal routes. The details of the Expressway network connections are as follows:

Description	Length (km.)	Constructed and Operated by
1. Chalem Mahanakorn Expressway (First Stage Expressway) (Bang Na - Din Daeng - Dao Khanong)	27.1	Expressway Authority of Thailand
2. Si Rat Expressway (Second Stage Expressway) 2.1 Urban Network (Prachachuen-Phayathai-Bangkhlo-Asoke) 2.2 Suburban Network (Prachacheun-Chaeng Watthana and Asoke-Srinagarindra)	38.5	Bangkok Expressway Public Company Limited
3. Udon Rattaya Expressway (Bang Pa-in - Pak Kret Expressway)	32.0	Northern Bangkok Expressway Company Limited
4. Uttaraphimuk Elevated Way (Don Muang Tollway)	28.1	Don Muang Tollway Public Company Limited
5. Chalong Rat Expressway (Ramindra - At Narong Expressway)	18.7	Expressway Authority of Thailand
6. Ramindra - Outer Bangkok Ring Road Expressway	9.5	Expressway Authority of Thailand
7. Burapha Withi Expressway (Bang Na - Chonburi Expressway)	55.0	Expressway Authority of Thailand
8. Bang Pli - Suksawad Expressway (Southern Outer Bangkok Ring Road) and Highway No. 37 (Suksawad- Bang Khun Thien Section)	35.1	Expressway Authority of Thailand
Total length	244.0	

3.2 Marketing and Competition

Target Customers and Characteristics

Target customers of the Chalem Mahanakorn Expressway and the Si Rat Expressway refer to those motorists who desire a convenient and rapid transportation or who desire to shorten the traveling distance to their destinations as well as to avoid the traffic congestion along the normal roads, which is a major problem in Bangkok. Target customers by the types of vehicles using the Expressways in 2009 may be divided into three categories, namely, four-wheeled vehicles; six- to ten-wheeled vehicles; and more than ten-wheeled vehicles. The four-wheeled vehicle customers accounted for the highest ratio of 97.64 percent, while the six- to ten-wheeled vehicle customers and more than ten-wheeled vehicle customers represented 2.07 percent and 0.29 percent, respectively. Revenue was mainly derived from cash representing 85.75 percent, from coupons representing 13.57 percent and from Expressway TAG representing 0.68 percent. In this regard, EXAT has cancelled the existing Electronic Toll Collection system (TAG) since 7 May 2009 to accommodate the installation of the new Electronic Toll Collection system (Easy Pass). The most popular Expressway routes are the urban network in both the First and Second Stage Expressways as they pass through downtown, which may be described by areas as follows:

Description	Average Traffic Volume (vehicles/day)	%
1. Chalem Mahanakorn Expressway (First Stage Expressway) (Bang Na - Din Daeng - Dao Khanong)	335,223	24.83%
2. Si Rat Expressway (Second Stage Expressway) 2.1 Urban Network (Prachachuen-Phayathai-Bangkhlo-Asoke) 2.2 Suburban Network (Prachacheun-Chaeng Watthana and Asoke-Srinagarindra)	286,280 278,614	21.21% 20.64%
3. Udon Rattaya Expressway (Bang Pa-in - Pak Kret Expressway)	52,391	3.88%
4. Uttaraphimuk Elevated Way (Don Muang Tollway)	Before toll revision: 77,000 ⁽¹⁾ After toll revision: 50,300 ⁽¹⁾	5.70%
5. Chalong Rat Expressway (Ramindra - At Narong Expressway)	111,937 ⁽²⁾	8.29%
6. Ramindra - Outer Bangkok Ring Road Expressway	19,316 ⁽³⁾	1.43%
7. Burapha Withi Expressway (Bang Na - Chonburi Expressway)	71,108 ⁽²⁾	5.27%
8. Bang Pli - Suksawad Expressway (Southern Outer Bangkok Ring Road) and Highway No. 37 (Suksawad- Bang Khun Thien Section)	118,036 ⁽³⁾	8.74%
Total Traffic Volume	1,349,905	100.00%

⁽¹⁾ Source (approximate figures): Thansettakij Newspaper, Issue for 17 - 20 January 2010 (Don Muang Tollway increases tolls effective on 22 December 2009).

⁽²⁾ Source: Expressway Authority of Thailand as at 1 January - 31 December 2009.

⁽³⁾ Source: Expressway Authority of Thailand as at 23 March - 31 December 2009.

Given the fact that the provision of Expressway services is considered a form of public service, target customers of the Expressway Systems are broad depending on their transportation purposes. In this respect, the revenue of the Expressway Systems will not rely on any particular group of customers.

3.2.1 Marketing Policy and Circumstances

Marketing Strategies

The marketing highlight is that the Si Rat Expressway is designed to respond to the transportation needs through the Expressway network which connects to and covers major areas in Bangkok, whether from the Chalm Mahanakorn Expressway and the Si Rat Expressway, as well as the Chalong Rat Expressway (Ramindra - At Narong) which cover the areas from the North to the South and from the West to the East of Bangkok. In addition, the Third Stage Expressway, Southern Route S1 (Bang Na - At Narong), connecting to the Burapha Withi Expressway (Bang Na - Chonburi), and the Chalm Mahanakorn Expressway and the Chalong Rat Expressway, renders the service of the Expressway Systems to become more complete for users to reach their destinations more conveniently and rapidly than using at-grade roads.

The marketing disadvantage is the physical limitation which prevents the release of traffic around the Expressway exits during rush hours, which depends on the traffic on at-grade roads, representing an uncertain factor beyond the Company's control. However, the Company continuously cooperates with traffic police in police stations of such areas to provide assistance in releasing traffic flow, and secures the flow of the traffic volume in the Expressway Systems by improving various on- and off-ramps to facilitate customers with more convenience, time-saving and better quality of living in their commute in the downtown. Customers should then appreciate these benefits over price factor.

In view of various marketing strategies, the Company has proceeded as follows:

1) Expressway Route and Network for Service (Products)

1. The prime location and connections to major roads in the city allow the Expressway network to respond to the transportation needs of motorists to reach their desired destinations. In this regard, the Company has improved the quality of the routes and its services and given priority to the customers' needs, which will be integrated as key strategies to efficiently accommodate the traffic volume flowing in the system.

2. The feasibility study on improvement of the on- and off-ramps of the Expressways serves as another measure to facilitate the traveling and to continually maintain the quality of the Expressways in terms of engineering safety to meet international standards.

3. In order to improve the services to accommodate more motorists, the Company carried out improvement of road surface at the area of Sector A of the Si Rat Expressway (Second Stage Expressway), Phayathai - Asoke Interchange, as well as construction of road surface expansion and additional toll booths at Khlong Prapa 1 Toll Plaza, Ngam Wong Wan 2 Toll Plaza and Prachachuen 1 Toll Plaza, which were completed and will be opened for service in 2010. In addition, the Company has also started to improve the toll collection system of Sectors A and C of the Si Rat Expressway (Second Stage Expressway) for improved efficiency and continued service.

4. The study on new routes in response to the growing urbanization in the future, particularly in Bangkok, as well as the study on traveling behavior of motorists are conducted to prepare for the expansion of the scope of the Expressway services, and serve well as additional channels of services in response to needs of the motorists in the future.

The Company also plans to improve signboards regarding the Expressway usage on the at-grade main road and various alleys in Bangkok and its surrounding provinces so as to facilitate motorists to have confidence to access the Expressways. To this effect, the Company focuses on introducing such landmarks adjacent to the on- and off-ramps of the Expressways on the website and various public relations media to confirm the features of the Projects, prime locations and accessibility to motorists.

2) Toll Rates (Price)

1. Price or toll rates are agreed upon and specified in the Agreements, including the calculation for revisions of toll rates ahead of time between the contractual parties since the execution of the Agreements for the respective Projects. The rates are considered reasonable and based on the feasibility study for investment of each Project. Under the Second Stage Expressway Agreement and the Bang Pa-in - Pak Kret Agreement, toll rates shall be revised at every five years interval in accordance with changes in Consumer Price Index for Bangkok as announced by the Ministry of Commerce, which serves as the basis of calculation for the intrinsic value of the toll rates during the given periods under the Agreements.

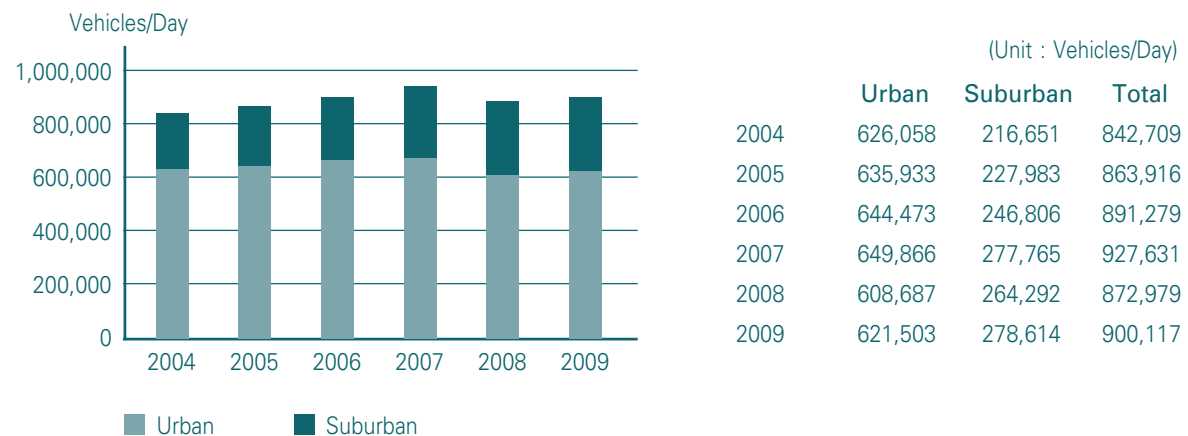
2. The Company continues to provide discount on tolls in 2009 on certain routes for a limited period of time to attract motorists to increasingly use the Expressway services, especially such routes with connections between the Expressway Systems, e.g., Rama 9-1 Toll Plaza (from the Chalong Rat Expressway to enter Sector D of the Second Stage Expressway) and At Narong 1 Toll Plaza (to Bang Na), as well as the entire route of the Udon Rattaya Expressway. This should facilitate motorists who travel a long distance to enjoy more discount than general motorists.

3) Distribution Channels (Place)

1. Users of the Chalerm Mahanakorn Expressway and the Si Rat Expressway may choose to use the Expressway services from various on- and off-ramps covering major areas in Bangkok throughout the total distance of 65.6 kilometers, both urban and suburban. Expressway users shall pay tolls at the on-ramps of toll plazas, totaling 48 locations, 18 toll plazas of the Chalerm Mahanakorn Expressway (e.g., Din Daeng, Bang Na, Dao Khanong, Sukhumvit, Rama 4 Toll Plazas, etc.) and 30 toll plazas of the Si Rat Expressway (e.g., Asoke, Rama 9, Srinagarindra, Yommaraj, Surawong, Hua Lamphong, Khlong Prapa, Yan Phahon Yothin, Prachachuen, Rama 3, etc.).

2. Traffic volume in the Chalerm Mahanakorn Expressway (First Stage Expressway) and the Si Rat Expressway (Second Stage Expressway) in 2009 may be categorized by urban and suburban, which equals 70:30.

Traffic Volume of the First and the Second Stage Expressway Systems Average Daily Traffic Volume for Urban and Suburban



3. Payment of Tolls for 2009

- Users of the Chalerm Mahanakorn Expressway may pay tolls in cash, coupon or Expressway TAG for toll booths equipped with the Electronic Toll Collection system.
- Users of the Si Rat Expressway may pay tolls in cash and coupon at all toll plazas, except Sectors C and D which accept cash only.
- Users of the Udon Rattaya Expressway shall pay tolls at the on-ramps for the inbound direction and at the off-ramps for the outbound direction. There are five on-ramps and five off-ramps, and tolls must be paid in cash only.

4. The Electronic Toll Collection system, in association with the Expressway Authority of Thailand, serves as a new channel for motorists and facilitates and speeds up the toll payment at the front of the Toll Plazas during rush hours, as well as accommodating the increasing traffic volume in the future. In 2009, EXAT has cancelled the existing Electronic Toll Collection system (TAG) since May 2009, and it is expected to launch the new Electronic Toll Collection system (Easy Pass) in early 2010 for the Chalerm Mahanakorn Expressway (First Stage Expressway) and the Chalong Rat Expressway (Ramindra - At Narong - Outer Bangkok Ring Road), which the Company expects to complete the installation of the system to be ready for service by 2010. Furthermore, the Company continuously and regularly cooperates with the Expressway Authority of Thailand to enhance the efficiency of the toll collection during rush hours.

4) Sales Promotion and Public Relations (Promotion)

In the sales promotion activities, the Company provides discount on tolls on certain routes within a limited period of time, aimed at attracting target customers to continue to use the Expressway services and eventually become regular customers. In 2009, the Company provided discount at the connection from the Chalong Rat Expressway to Sector D of the Si Rat Expressway at Rama 9-1 Toll Plaza (Si Rat) and at the connection from the Chalong Rat Expressway to the Chalerm Mahanakorn Expressway at At Narong 1 Toll Plaza only on the route to Bang Na, including the Udon Rattaya Expressway of the Subsidiary, which continued to provide discount at the rates between 11 to 44 percent to motorists.

Furthermore, during the remarkable festivals, such as, Songkran Festival and New Year's Festival, the Company also holds activities promoting the use of the Expressways for motorists by cooperating with the Expressway Authority of Thailand to distribute souvenirs to motorists, including arranging for motorist service points at the destination toll plazas, which demonstrated our positive image and relationship with motorists under the theme that we provide the best services to customers throughout the routes.

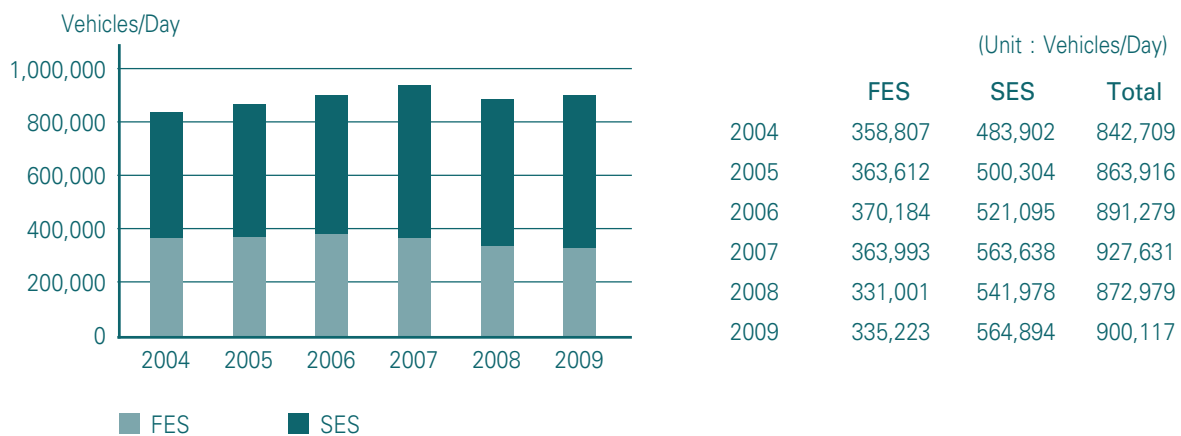
The Company, as a private company that provides the Expressway services, responds to the government policy to promote the "No Phone While Driving" and "No Drunk Driving" campaigns through the "Drive Safety" activities, as well as raising an awareness of energy concerns in traveling under the high-priced oil circumstances. The Company also implemented public relations to convince target customers of the convenient, rapid, economical and safe usage of the Expressways; various quality services on the Expressways; and various sales promotion of the Company, such as, discount on tolls, connections between the Expressways and various routes to facilitate motorists.

The channels of public relations used by the Company to introduce new on- and off-ramps, and to disseminate information, news, discount on tolls, and activities comprise documentary programs on radio and television, radio spot, leaflets, signboards on the Expressway, and our website to introduce Expressway routes to various destinations, including Si Rat bimonthly newsletters as a medium for sharing information and news between the Company and motorists. In 2009, the Company improves the frequency of our customer relations activities with the existing customers to educate, satisfy and attract new customers to use the services more, as well as organizing various social activities throughout the year to ensure the positive attitude of our services towards customers and society.

3.2.2 Industry and Competition

In 2009, the global economic crisis, including the H1N1 flu pandemic concerns resulted in the national economic recession, as evidenced by the continuously declining number of foreign tourists visiting Thailand. However, the declining oil prices in the market, resulting from tax measures and decreased global oil price, as well as the gradual opening of the Government Complex Commemorating His Majesty the King's 80th Birthday Anniversary on Chaeng Watthana Road, part of the impact from the commencement of toll collection of the Bang Pli - Suksawad Expressway (Southern Outer Bangkok Ring Road) since March 2009, and the opening of the Ramindra - Eastern Outer Bangkok Ring Road Expressway, rendered the traffic volume of the Expressway Systems to increase from that of the previous year. In addition, there was an impact from the closing of flyovers across several intersections in Bangkok for repair and maintenance from late 2009 to 2010. These events have caused the overall traffic volume of the Chalem Mahanakorn Expressway and the Si Rat Expressway in 2009 to continuously increase by 3.11 percent as compared to 2008.

Traffic Volume of the First and the Second Stage Expressway Systems Average Daily Traffic Volume by Systems



In view of the indirect competition through other public transport systems, despite the services of the Bangkok Transit System of the Bangkok Metropolitan Administration (BTS) and the metro of the Mass Rapid Transit Authority of Thailand (MRTA), the volume of vehicles using the Expressways did not reduce because the majority of customers of these transportation systems previously used the public transport systems and they are in a different group to those using the Expressway Systems.

The Suvarnabhumi Airport Rail Link is expected to be opened for full service by 2010, comprising a route running parallel to Sector D of the Si Rat Expressway (Second Stage Expressway), may slightly affect the traffic volume on the said Expressway route. However, when passengers get off at Makkasan Terminal Station or City Airport Terminal (CAT) near the on-ramps of Sector A of the Si Rat Expressway (Second Stage Expressway) around Asoke 2 Toll Plaza, such Toll Plaza would serve to accommodate the traffic volume from CAT for more convenient commute.

3.3 Procurement of Products and Services

3.3.1 Nature of Procurement of Products

The Expressway Authority of Thailand is an authority responsible for the construction of expressways to provide facilities and rapid traffic and transport in respect of projects in Bangkok and its surrounding provinces. The Expressway Authority of Thailand invites interested parties to participate in the preparation of proposals or accepts bids, in which the Company conducts a project feasibility study and submits proposals or bids to be awarded the project, subject to appropriate return and conditions.

The Expressway Projects under the Second Stage Expressway Agreement, the Bang Pa-in - Pak Kret Expressway Agreement and the Agreement for Extension of the Second Stage Expressway (Sector D) are implemented on a BTO basis. According to the essence of the Agreements, the Expressway Authority of Thailand shall have the duty to determine the

characteristics of the Expressways, Expressway routes and areas to be used for construction and arrange for land expropriation for delivery to the Company for construction within the time specified in the Agreements. Thereafter, the Company would carry out construction in accordance with the designs approved by the Expressway Authority of Thailand, subject to the supervision of the quality of construction work by the Expressway Authority of Thailand's Consulting Engineer, Independent Certification Engineer and Independent Design Checker. Upon completion of the construction, the Independent Certification Engineer shall inspect the work and issue Certificate of Completion to evidence that the construction work is complete in accordance with the specified standards and is ready for service, at which time, the Company shall be entitled to obtain toll revenue under the conditions of the Agreements.

In the previous constructions, the Company engaged project managers to carry out construction and operate the Expressway Projects on a lump sum turnkey basis and on a subcontract basis. This was due to the fact that the Expressway Projects are large scale projects which may sustain cost overrun issues and delayed completion of the construction. The lump sum turnkey engagement is intended to prevent such risk. In the engagement of project managers, the Company will select specialists with experience to act as project managers and construction contractor to ensure the accomplishment of quality work on time.

3.3.2 Environmental Impact

The Company is always environmentally aware. In the construction of the Expressways under the Second Stage Expressway Agreement and the Bang Pa-in - Pak Kret Expressway Agreement, the Company and the Subsidiary shall comply with the measures to prevent pollutions in accordance with the regulations of the National Environment Committee and other relevant laws, which form an integral part of the Agreements. The Company and the Subsidiary implemented the measures and procedures as appropriate for the construction carried out in the urban areas with high populations. In so doing, the Company employs the Segmental Box Girder construction technique which allows it to complete the construction faster than other techniques in those days, so as to prevent any impact to nearby communities and affect the at-grade traffic at the least possible extent during the construction. Furthermore, the Company has no records of committing any environment related offenses.

Even during the course of the current operation of the Expressway Systems, the Company remains concerned about the quality of life of staff, motorists and communities surrounding the Expressways. In 2008, the Company improved its internal procedures to conform to the environmental requirements to apply for the certification of ISO 14001:2004 Environmental Management System, and eventually obtained such certification from SGS (Thailand) Co., Ltd. on 14 November 2008. The Company's environmental policy is to become a leading company in Thailand which provides the Expressway services and has the management system to facilitate the public transport, subject to good corporate governance principles and corporate social responsibility. The Company is committed to ensuring the environmental management in line with the following guidelines:

1. To give priority to pollution prevention and control by managing and maintaining the Expressways to meet international standards and keeping in mind the environmental impact on motorists, staff and communities;
2. To instill and encourage our staff with an awareness of efficient use of energy and natural resources;
3. To comply with the environment-related laws and regulations;
4. To review the purposes and goals for continued improvement of the environmental management system;
5. To communicate our environmental policy to the public and all parties concerned.

In 2009, the Company has continued to maintain the ISO 14001:2004 Environmental Management System, by arranging for monitoring of possible environmental issues, as well as optimizing the use of natural resources through energy management measures. In 2009, the GPS (Global Positioning System) has been installed in all operation vehicles for fuel saving, as well as improving the vehicle time management in order to enhance the efficiency and quality of service for motorists.

As for the reduction of paper usage in office, other than the improvement of internal communication system and data storage via electronic media which such arrangement has continued from the previous year. As for this year, the improvement has been continuously made by introducing a work flow for leave and overtime request forms.

In terms of environmental management, especially the quality of effluent from the Expressway Control Center Building, the Company has changed from the chlorination system to the microorganism system instead, in order to cause the quality of

wastewater to meet the standards as required by law, as well as minimizing the contamination of chemicals prior to emission to the public drain.

For the purpose of safety, the Company has introduced the remote lighting control system for installation on the Expressways to ensure more safety for motorists in case of bad weather, such as, heavy fog and while the automatic lighting system has not yet activated, the lighting system can be controlled remotely from the Second Stage Expressway Control Center as necessary.

In 2009, the Company has continued to provide training for staff, as well as executives, on knowledge and techniques for environmental management in accordance with the ISO 14001:2004 Environmental Management System, as well as arranging for various activities to raise an awareness of environmental protection in our organization and participating in social contributions with the communities nearby.

4 Research and Development

Bangkok Expressway Public Company Limited, as a private company providing the Expressway services, has given priority to the continued study, survey and improvement of expressway routes, under the concept that traveling by the Expressways is part of motorists' daily life. It is thus necessary to improve and develop its services and study the project developments, in support of the Company's investment decision to satisfy the needs of all customer groups, in order to facilitate and accommodate motorists' traveling needs to the utmost satisfaction and benefits.

With such intention in mind, the Company has allocated resources and budget for our research and development team, comprising specialists in the fields of traffic engineering, marketing and finance, to conduct study on new projects, both in respect of return on investment and potential impact, by having a special unit responsible to conduct project feasibility study, follow up on movement of traffic volume, as well as conducting assessment of its investment status in various projects, so as to increase the efficiency of its services and generate more revenue to the Company, such as, construction of new expressway, construction of additional on- and off-ramps, and improvement of on- and off-ramps, etc. Moreover, the Company also engaged external specialists to conduct various studies, such as, traffic and construction for each respective project, in order to ensure that the study would be more appropriate and correct and minimize investment risk.

At present, projects which the Company is conducting the feasibility study are:

1. Si Rat - Outer Bangkok Ring Road Expressway Project; and
2. Srinagarindra - Bang Na - Samut Prakan Expressway Project.

5 Property Used in Business Operations

5.1 Right to Operate Completed Expressway Sectors as at 31 December 2009

Class of Assets	Net Book Value (Million Baht)
Si Rat Expressway, Sectors A, B and C	19,063.99
Si Rat Expressway, Sector D	6,251.99
Udon Rattaya Expressway	10,027.06
Total	35,343.04

Given that the Expressway Agreements of the two Projects are on a BTO (Build, Transfer and Operate) basis, the title to all Expressways, including various permanent constructions in relation to or used in connection with the Expressway Systems, shall be vested in the Expressway Authority of Thailand immediately upon completion of construction and opening for service. The Company is entitled to utilize such property with the duty to keep such property maintained throughout the term of the Agreements. The Second Stage Expressway Agreement (Si Rat Expressway) has a term of 30 years from 1 March 1990 and may be renewed for two times of 10 years each, subject to the conditions to be agreed upon between the Company and the