

projected revenue and risk from noncompliance with the relevant agreements by contractual party. The Company has arranged for preventative measures to deal with any such possible issues. Through feasibility study for the operations, good cooperation with the relevant authorities and good management, the Company remains confident to maintain its standard services with good quality alongside its proper financial position.

In view of the corporate governance, the Company has realized the significance and responsibility towards the Company's shareholders and stakeholders. In the year 2005, the Company was ranked by the National Corporate Governance Committee as one of top hundred companies with the highest scores in the corporate governance evaluation.

Risk Factors

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

(1) 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. However, the Second Stage Expressway Agreement provides a dispute settlement procedure in case of any disagreement on interpretation or noncompliance with the Agreement.

In respect of traffic volume, changes in policies, laws or regulations by the government may give rise to impact of competitors; for example, in case that the government requests Don Muang Tollway to reduce toll fees, the construction of flyovers across intersections in Bangkok and its surrounding areas, the construction of additional roads on the outskirts of Bangkok so as to connect with a range of networks which may render motorists to change their commuting behavior. In this respect, some projects would increasingly facilitate the expressway motorists, while certain projects may be competing roads which would affect the number of service users. With respect to the country's economic problems, the continued increase in oil prices resulted in a slightly lower volume of vehicles using the Expressways. As for the years 2003-2004, the actual volume of vehicles using the Chalerm Mahanakorn Expressway and the Si Rat Expressway was higher than the forecast volume by approximately 3 percent based on the study which was conducted by M.V.A. (Asia) Ltd. and examined by Chula Unisearch of Chulalongkorn University. In the year 2005, despite the construction of flyovers across intersections in Bangkok and its surrounding areas, the construction of additional roads on the outskirts of Bangkok and the increasing oil price circumstances, the average traffic volume in the year 2005 remained close to the forecast volume.

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, as well as continually following up on the government's traffic-related policies and plans, for planning and improvement to regularly

keep the strategy appropriate. In addition, the Company also provided additional facilitation to the on- and off-ramps of the Expressway Systems so as to alleviate the traffic problem and increase the volume of motorists. In October 2005, the Company completed the construction of a flyover across Prachachuen Road, which served to resolve the traffic congestion on Prachachuen Road, and also added toll booths at Prachachuen 2 Toll Plaza, facilitating the traffic flow at such off-ramp. In this regard, the traffic volume at Prachachuen 2 Toll Plaza increased by approximately 3,000 cars per day, representing approximately 27 percent. 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 2005, giving rise to an increase in the average traffic volume in the year 2005 by approximately 3 percent from the year 2004.

As for the provision of mass transit services, such as, the BTS, which was opened for public service in December 1999, and the subway, which was opened for service in July 2004, 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 since 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 affected.

The Udon Rattaya Expressway has been affected by the government policies on the reduction of Don Muang Tollway toll fees from Baht 53 to Baht 20 throughout the entire route since December 2004, resulting in a decline in the traffic volume on the Udon Rattaya Expressway in 2005 to be lower than the estimated volume by approximately 9 percent and lower than that in 2004 by approximately 2 percent. However, such toll fee reduction is the government's temporary policy, the impact of which has been closely monitored and analyzed by the Company.

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

Due to the fact that the Company has been doing business with the Expressway and Rapid Transit Authority of Thailand under the Second Stage Expressway Agreement, different interpretation of the contents and conditions of the Agreement between contractual parties may occur during the business operations. In order to resolve any possible dispute or disagreement, 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 37 to 42.

(3) 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 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 well as the loss of toll revenue if the construction would have been completed as scheduled. As at 31 December 2005, 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.

(4) Risk from Interest Rate Fluctuation

As at 31 December 2005, the Company had long term loans from financial institutions in the amount of Baht 29,963 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 300 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. In the year 2005, the Company continued its debt payment with the fixed interest rate of 4 percent for the credit provided by the existing creditors and the fixed interest rate of 3.25 percent for the new credit. Meanwhile, BECL's repayment of loan in the year 2005 in the amount of Baht 2,193 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.

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

The impact from the government policy on the construction of the competing roads resulted in the substantially lower volume of vehicles using the Udon Rattaya Expressway than projected. The Subsidiary's operational results are below that projected and remained at a loss, affecting the Company's investment funds and assets. However, the Company still plans to improve the return on such investment. The 2001 Annual Ordinary General 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 Investment in Companies

Due to the fact that the Company has invested in the construction and management of the Second Stage Expressway System, for a project period of 30 years which would end on 28 February 2020, with the remaining concession period of 14 years, and that the Company derives a high volume of net cash inflow each year, in order to establish long-term return and increase business value to its shareholders so as to enable the Company to continue as a going concern despite the termination of the Concession Agreement, the Company therefore considered investing in the public utility infrastructure business or in supporting business. In the year 2001, the Company invested in Bangkok Metro Public Company Limited, a company awarded concession from the Mass Rapid Transit Authority of Thailand (MRTA), in respect of investment in the M&E Equipment, together with management and maintenance of the MRTA Initial System, for a period of 25 years, and currently, the Company holds shares representing 19.65 percent. Furthermore, in the year 2005, the Company invested in SouthEast Asia Energy Limited, a company awarded concession from the Lao government to carry out design, development, construction and operation of the Nam Ngum 2 Hydroelectric Power Plant Project, for a period of 25 years, with an investment proportion of 12.5 percent; and also invested in Thai Tap Water Supply Co., Ltd., representing 4.83 percent, in the business of production and distribution of tap water to the Provincial Waterworks Authority, for a concession period of 30 years.

Although the Company has considered that the investment in such companies would derive a favorable return on investment in the long run, the uncertainty of such return on investment may occur from any change of substantial factors from anticipation, which may affect the said companies' revenue and operations.

In respect of Bangkok Metro Public Company Limited, fare revenue is its main revenue. The Company may be affected by any change of external factors, which have material impact on the fare rate and the volume of passengers. Due to the fact that Bangkok Metro Public Company Limited opened its subway for service in July 2004, it would therefore require some time for the public transport passengers' behavior to change. Additionally, the route network has not reached suburban areas, thereby rendering it inconvenient for passengers. Furthermore, revenue from the development of areas in the stations is still in the initial phase, in respect of which Bangkok Metro Public Company Limited is currently accelerating its operation, and such areas in several stations, such as, Sukhumvit Station and Lat Phrao Station have currently been opened for services.

As for SouthEast Asia Energy Limited, the Company executed a Memorandum of Understanding (MOU) with the Electricity Generating Authority of Thailand for sale of all electrical energy to the Electricity Generating Authority of Thailand throughout the concession period, whereby the sale price has been agreed upon in advance in order to minimize marketing risks. However, it would be possible that the power production may be lower than the required volume, which would cause the Company to pay penalty due to its inability to produce electrical energy as agreed, which may affect revenue. The electricity production in the Nam Ngum 2 Dam Project would mainly rely on hydroelectric power and in case of less quantity of inflowing water into the system, it may affect the production process. Nevertheless, according to a study of data on the quantity of water in such area during the years 1949-2003, the quantity of water should be sufficient to accommodate the requirement.

Thai Tap Water Supply Co., Ltd., is a company undertaking a Build-Own-Operate (BOO) concession, in other words, investing in construction of tap water production system and supply system without transfer of ownership in the tap water production system and supply system to the Provincial Waterworks Authority at the end of the Concession Contract. The uncertainty in investment may arise from breach of the Concession Contract, which would cause the company to be fined or such Concession Contract to be terminated. For example, in the case where the company would be unable to produce and supply tap water to meet 70 percent of the required minimum quantity for more than 90 consecutive days or unable to produce water to meet the required standard for more than 60 consecutive days due to defect of machinery or failure in operation. Major shareholders of Thai Tap Water Supply Co., Ltd. have experience in management of Pathum Thani Tap Water Co., Ltd., a company awarded concession from the Provincial Waterworks Authority. Experience, knowledge and technology in management as transferred from Pathum Thani Tap Water Co., Ltd. would be able to help minimize risks possibly arising from defect of machinery and failure in operation. The company commenced the tap water production and distribution since January 2004, and its production capacity for tap water and the water standard comply with the specified plan. It is deemed that Thai Tap Water Supply Co., Ltd. is the largest private tap water producer in Thailand and South East Asia.

(7) Risk from Work Operations

Risk from operations may be resulted from error 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.

Regarding the collection of toll in the form of Expressway TAG for toll booths equipped with automatic toll collection system in the Chalerm Mahanakorn Expressway, which has a risk in obsolete technology, makes it difficult to procure spare equipment, the Company has thus conducted a study on new technology of automatic toll collection system, which is available from several manufactures. Furthermore, the Company also employed specialists to give advice on technology to ensure modern and quality equipment and system, which would build up all relevant parties' confidence. The study results will be used in the Chalerm Mahanakorn Expressway, the Si Rat Expressway and the Chalong Rat Expressway, which would result in extensive use of such system to alleviate traffic problems at the front of the toll plazas, and encourage more motorists to use the Expressways.

In order to prevent error from work process, 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, as well as arranging for staff training 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 on a yearly basis.