



BALBOA, REPUBLIC OF PANAMA
MARKET VALUE REPORT
AS OF
MARCH 31, 2005
OF POTENCIA Y ENERGIA DEL CANAL
BALBOA, REPUBLIC OF PANAMA

Engagement Number: 50002143

December 21, 2005

Autoridad del Canal de Panamá
Contracting Division
Building 710, Ground Floor
Balboa, Republic of Panamá

Ladies and Gentlemen:

In accordance with your request, Valuation Research Corporation (“VRC”) has made an investigation and valuation of the business enterprise value (“BEV”) of the Potencia y Energía del Canal (“PEC” or the “Unit 26”), as of March 31, 2005 (the “Valuation Date”). PEC is an operating unit of the Autoridad del Canal de Panamá (“ACP” or the “Company”), and generates electricity, primarily, for the core businesses of ACP and, secondarily, for sale (any excess production) to third party electric distribution companies. The ACP, an autonomous entity of the Republic of Panamá Government (the “Government”), has the exclusive charge of the operation, administration, management, preservation, maintenance, and modernization of the Panamá Canal (the “Canal”). VRC submits this letter and report relative to our findings and conclusions.

It is our understanding that our BEV of PEC, in accordance with the original requirements of Additive Number Two¹, will be used to address potential financial reporting requirements pursuant to the sixth edition of the International Financial Reporting Standards (“IFRS”), published by the International Accounting Standards Committee (“IASC”), and for obtaining appropriate credit rating at the U.S. Securities and Exchange Commission (“SEC”). This BEV reflects an update on our previous BEV analysis of PEC, valued as of September 30, 2004, to incorporate the recent spike in fuel costs and spot market rates. No other use of our investigation and valuation is intended or should be inferred.

For purposes of this analysis, our valuation² is based on the application of methodologies that are commonly used and accepted within the financial community for business appraisals. Market and income approaches were considered and used in some fashion.

¹ Defined in the Company’s Request for Proposal Number SAA-220243 (Valuation Services for the ACP Business) and Amendment Number 1, both dated August 2004.

² In accordance with the sixth edition of the International Valuation Standards’ Valuation Guidance Note Number 6.

The BEV, specifically, was derived using (i) a discounted cash flow (“DCF”) analysis³ (derivation of the income approach), which involves developing cash flow projections and determining their present value; and (ii) a market comparable analysis (derivation of the market approach), which involves analyzing market multiples of comparable, publicly traded companies. The income and market approach value indications were then subsequently weighted to determine an overall value conclusion. The weighting may deviate from an equal weighting where income streams of the company are significantly different in terms of annual profitability from those of the public comparable companies. Such instances rely more heavily upon the DCF analysis. All of the derived BEVs represent marketable, control values.

The term "**Market Value**" is defined⁴ as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. This value definition assumes the company continues to operate as a going concern and excludes any synergy adjustments or control premiums that might be associated with an acquisition by another company.

This report provides an explanation of the methodology used in this engagement and outlines the basis upon which our conclusion of value has been developed. The analysis has been made in accordance with the (i) Uniform Standards of Professional Appraisal Practice (“USPAP”) adopted by the Appraisal Standards Board of the Appraisal Foundation and the requirements of the Standards of Professional Practice; (ii) Principles of Appraisal Practice and Code of Ethics, published by the American Society of Appraisers; and (iii) sixth edition of the International Valuation Standards Number 1 (“IVS-1”).

This report is intended to comply with the reporting requirements set forth under (i) International Valuation Standards Number 3 (“IVS-3”); and (ii) IFRS. Supporting documentation concerning the data, reasoning, and analyses utilized in the valuation is retained in our files. The information contained in this report is specific to the needs of the client and for the intended use stated herein. The report comprises of:

1. This letter which identifies the assets appraised, summarizes the methods employed to arrive at our value conclusion, and provides a statement of our findings.

³ In accordance with the sixth edition of the International Valuation Standards' Valuation Guidance Note Number 9.

⁴ Source: International Valuation Standards, published by International Valuation Standards Committee, sixth Edition 2003

2. A narrative report containing a description of Unit 26, a presentation of the valuation approaches used in this appraisal, and the conclusions developed from our analysis.
3. Exhibits, (i) highlighting the consolidated financial statements of Unit 26, which were developed from internal operating unit financial statements for the nine months ending September 30, 2000 (income statement only), fiscal year ending (“FYE”) September 30, 2001 through 2004, and six months ending March 31, 2005 and March 31, 2004 (income statements and balance sheets only); and (ii) summarizing the valuation of Unit 26.

In connection with our valuations, we have reviewed, among other things, the historical and budgeted financial results, and operational data of PEC.

VRC also (i) made site visits⁵ on November 11 and 12, 2004; and (ii) held discussions with the management of ACP and PEC (collectively the “Management”) regarding past and current business operations, market overview, financial condition, and future prospects for Unit 26. We have relied upon the accuracy and completeness of all information provided to us, without independent verification. This information has been accepted without investigation as a correct representation of the operations and conditions of PEC.

VRC does not conduct or provide environmental liability assessments of any kind in performing its valuations so that our opinion of values will not reflect any actual or contingent environmental liabilities except to the extent we are provided with a specific monetary assessment of such liabilities in writing. In any event, VRC will not verify such monetary assessment and will offer no warranty or representation as to its accuracy or completeness. For purposes of this engagement, our opinion of values excludes any actual or contingent environmental liabilities.

Based upon the investigation and analyses described above and detailed in the accompanying report, and subject to the limiting factors and assumptions presented therein, it is our opinion that the BEV of Unit 26, as of the Valuation Date, is:

ONE HUNDRED NINETY-EIGHT MILLION
AND NINE HUNDRED THOUSAND DOLLARS
\$198.9 million

⁵ In accordance with 5.1.2.3 of the sixth edition of the International Valuation Standards Number 3

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VRC has investigated neither the title to nor any liabilities against the property appraised. Neither VRC nor any of its personnel have any material financial interest in the equity appraised, and we certify that the compensation received for this study is not contingent upon the conclusions stated.

This letter and the accompanying report, is intended solely for your benefit and use for the specific purpose as noted herein. This letter and report may not be used by any person or for any purpose other than as specified herein or otherwise reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, without our prior written consent.

Respectfully submitted,

VALUATION RESEARCH CORPORATION

Valuation Research Corporation.

Engagement Number: 50002143

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INTRODUCTION

PURPOSE OF VALUATIONS

The valuation expresses our opinion of the business enterprise value ("BEV") of the Potencia y Energía del Canal ("PEC" or the "Unit 26"), as of March 31, 2005 (the "Valuation Date").

It is our understanding that our BEV of PEC, in accordance with the original requirements of Additive Number Two¹, will be used to address potential financial reporting requirements pursuant to the sixth edition of the International Financial Reporting Standards ("IFRS"), published by the International Accounting Standards Committee ("IASC"), and for obtaining appropriate credit rating at the U.S. Securities and Exchange Commission ("SEC"). This BEV reflects an update on our previous BEV analysis of PEC, valued as of September 30, 2004, to incorporate the recent spike in fuel costs and spot market rates. No other use of our investigation and valuation is intended or should be inferred.

DEFINITION OF MARKET VALUE

The term "**Market Value**" is defined² as the estimated amount for which a property should exchange on the date of the valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. This value definition assumes the company continues to operate as a going concern and excludes any synergy adjustments or control premiums that might be associated with an acquisition by another company.

VALUATION PROCESS

The appraisal process is a systematic and analytical procedure utilized in the valuation. This process begins with the definition of the appraisal objective. Then, the planning of the valuation along with the staffing is done. Next, the data necessary to execute the valuation is gathered, analyzed, and correlated into a final estimate of value.

In connection with our valuations, we have reviewed, among other things, the historical and budgeted financial results, and operational data of Unit 26.

¹ Defined in the Company's Request for Proposal Number SAA-220243 (Valuation Services for the ACP Business) and Amendment Number 1, both dated August 2004.

² Source: International Valuation Standards, published by International Valuation Standards Committee, sixth Edition 2003.

The following summarizes the major information reviewed and analyzed:

1. ACP's Request for Proposal Number SAA-220243 (Valuation Services of the ACP Business) and associated Attachments, dated August 20, 2004;
2. Property Deed between the Republic of Panamá Government (the "Government") and ACP (which transferred all of the real and personal properties necessary for the operation of the Canal to ACP) dated December 30, 1999;
3. Internal financial statements:
 - a. Operating unit financial statements (income statements and balance sheets) of PEC for six months ending March 31, 2004, one month ending October 31, 2004, and six months ending March 31, 2005;
 - b. Operating unit income statements of PEC for nine months ending September 30, 2000 and FYE September 30, 2001 through 2004;
 - c. Operating unit balance sheets of PEC for FYE September 30, 2001 through 2004;
 - d. Unit 26 historical capital expenditures for FYE September 30, 2000 through 2004; and
 - e. Selected FYE September 30, 2000 through 2004 and six months ending March 31, 2005 financial performance results (production, revenue breakdown, and consumption) for Unit 26.
4. Budgeted fiscal year ("FY") 2005 income statement and selected financial performance matrices for Unit 26;
5. Base load generation and peak unit capacities, segregated by generating units, for Unit 26; and
6. Various supporting documents and press releases.

VRC also (i) made site visits³ on November 11, and 12, 2004; and (ii) held discussions with the management of ACP and PEC (collectively the “Management”) regarding past and current business operations, market overview, financial condition, and future prospects for Unit 26. We have relied upon the accuracy and completeness of all information provided to us, without independent verification. This information has been accepted without investigation as a correct representation of the operations and conditions of PEC.

COMPLIANCE

This report provides an explanation of the methodology used in this engagement and outlines the basis upon which our conclusion of value has been developed. The analysis has been made in accordance with the (i) Uniform Standards of Professional Appraisal Practice (“USPAP”) as adopted by the Appraisal Standards Board of the Appraisal Foundation and the requirements of the Standards of Professional Practice; (ii) Principles of Appraisal Practice and Code of Ethics, published by the American Society of Appraisers; and (iii) sixth edition of the International Valuation Standards Number 1 (“IVS-1”).

This report is intended to comply with the reporting requirements set forth under (i) International Valuation Standards Number 3 (“IVS-3”); and (ii) IFRS. Supporting documentation concerning the data, reasoning, and analyses utilized in the valuation is retained in our files. The information contained in this report is specific to the needs of the client and for the intended use stated herein.

³ In accordance with 5.1.2.3 of the sixth edition of the International Valuation Standards Number 3

ECONOMIC REVIEW

Valuation of equity securities and businesses requires a general understanding of current and projected economic conditions that affect the asset analyzed. A strong economic outlook will tend to increase value while a weak economic outlook will typically depress value, and restrict marketability and liquidity. To better understand the future economic trends (which impacts Unit 26), it is appropriate to review the current global and Panamanian economic environment because the excess production of Unit 26 is, ultimately, consumed by the commercial and residential sectors of Panama. The growth and prosperity of the commercial and residential sectors are driven by the country's major industries and global trade.

The following discussion is based on *“Country Forecast - Global Outlook”*: February 2004 by *The Economist Intelligence Unit in the United Kingdom, and Country Analyses conducted by the Energy Information Administration (“EIA”)*, a statistical agency of the U.S. Department of Energy.

GLOBAL MARKET

OVERVIEW

The global economy is growing rapidly and the world gross domestic product (“GDP”) is expected to grow (on a purchasing power parity basis) an average of 4.3% in 2004 before slowing to a still robust four percent in 2005. These figures compare favorably with the estimated 3.5% growth experienced in 2003. Measured using GDP at market exchange rates, world GDP growth will accelerate from 2.5% in 2003 to 3.3% in 2004, before slowing marginally to 3.1% in 2005.

Although growth has slowed from the heady pace seen in the third quarter of 2003, latest data in many of the world's largest economies suggest that the expansion is continuing at a reasonable pace. On a year-on-year basis, the Organization for Economic Co operation and Development (“OECD”) countries⁴ has now returned to a trend pace of expansion for the first time since 2000. But with many of the world's largest economies still nursing significant debt levels or other economic imbalances left over from the boom years of the late 1990s, the recovery carries with it some significant risks. Policy stimulus, particularly, in the US, has much to do with the recent upturn in growth and there are still concerns about how the economy will perform when tax cuts come to an end and interest rates rise. There is also a risk that foreign-exchange movements depress growth prospects in some key markets.

⁴ Includes US, Japan, Germany, France, Italy, UK, Canada, Australia, Austria, Belgium, Czech Republic, Denmark, Finland, Greece, Hungary, Iceland, Ireland, South Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, and Turkey.

UNITED STATES

In the US, economic growth has accelerated markedly as tax cuts feed through into consumer demand. Growth in the third quarter of 2003 was particularly strong, but the pace of expansion in more recent months has remained impressive, buoying sentiment and financial markets. Business investment is rising and job creation, albeit sluggish, has at least resumed. Economic growth, which is already fairly robust, will be further boosted in the months ahead by another round of personal and corporate tax cuts and rebates. This will be reinforced by the continued gradual improvement in the underlying economy, as business investment gradually broadens and the effects of the stronger job market feed through into consumer confidence and spending. But the personal sector is dogged by high debt levels, and companies in many sectors are still laboring under substantial excess capacity. This suggests that the underlying strength of demand will be softer than the headline GDP figures for 2004 suggest, with tax cuts once again providing the extra fillip. In 2005, when there is little scope for further tax cuts, the economy is expected to weaken. Despite the strong growth expected for 2004, there is unlikely to be any significant upward pressure on inflation, given the amount of slack in the economy, and interest rates are thus expected to remain low.

EUROPE

The euro zone also seems to be recovering – third quarter GDP data showed that the recession seen in some countries in the first half of 2003 had come to an end, while more recent monthly figures suggest a continued, albeit gradual, pick-up in economic growth. Business surveys suggest further improvements in the months ahead. But concerns of domestic demand weakness remain. The recent upturn seems to have been driven by exports (despite the strong euro), rather than stronger consumption or investment. The recovery is expected to broaden out into the domestic sector of the euro zone economy, but only slowly. Companies remain financially weak and burdened with spare capacity. This is damaging investment and employment prospects, and has resulted in a knock-on impact on consumer demand. Economic policy, while not an outright drag on demand, is not providing the scale of stimulus seen in the US. Growth is expected to accelerate more significantly from mid-2004 onwards, as capital expenditure starts to rise in the sectors that were least affected by the investment boom of the late 1990s, but performances will remain disappointing compared with the rates seen in late 1990s. The appreciation of the euro suggests that companies will be unable to take full advantage of the strength of demand in the US market, while cautious consumers, faced with rising pension and healthcare costs, will hold back domestically oriented sectors.

JAPAN

The Japanese economy remains far better than expected a year ago. GDP growth is expected to average 2.1% in 2003, but expect a slowdown to 1.3% in 2004 and one percent growth in 2005. Latest data suggest that growth was fuelled mainly by the export sector in the second half of 2003, but for the year as a whole private investment was

surprisingly robust, underpinned by strong profit growth. However, the pace of growth in Japan is expected to decelerate in 2004, as recent improvements in profitability are eroded in continued deflation. Japanese structural difficulties, particularly overcapacity in the private sector and the weakness of the banking sector, have not been addressed. This suggests that, although the outlook for 2004 is reasonable, the long term picture remains one of economic weakness.

EMERGING MARKETS

Emerging market economies are benefiting from the pick-up in OECD demand, and performance will further improve during the rest of 2004. But import growth in the OECD will not match the pace seen in the late 1990s. Consequently, domestic demand will need to play more of a role than in the past in driving emerging world growth, along with export sales into other emerging countries. Interest rate spreads between emerging world and OECD borrowers have narrowed, as OECD investors move cash out of low-yielding assets in the developed world and into higher-yielding securities in the developing world. This is helping fuel government and private sector investment in parts of the emerging world, thereby supporting GDP growth. This suggests that economic growth in the emerging world will be more evenly balanced between exports, public sector demand and private sector demand than in the boom years of the late 1990s.

East European economies will gradually strengthen in 2004. Import demand in the euro zone will improve and this, combined with continued foreign investment by west European companies and continued loose policy, should ensure that performance in many east-central European countries is reasonable in 2004 and 2005. However, weaker oil prices will damage prospects in many countries in the Commonwealth of Independent States ("CIS").

ASIA

Among the economies of emerging Asia, sales into the OECD are rising, but at a far slower pace than in the late 1990s. Many countries are relying instead on exports to China and efforts to boost domestic demand. Strong growth in China is providing a significant boost to growth in the rest of the region, although this of course also makes regional performance vulnerable to any Chinese slowdown. More importantly for the long term, China's competitive advantages mean that other Asian countries are having to undergo a significant economic restructuring in order to be able to benefit fully from their fast-growing neighbor. The region as a whole is also managing to attract slightly more foreign capital than in the last two years, which is helping to underpin domestic demand growth. But trade with China and stronger domestic demand are not sufficient to offset the fact that OECD demand, particularly for technology products, is more sluggish than during the boom years of the late 1990s.

China, the regional growth driver, has problems of its own – there is a risk of an investment bubble in some sectors, which could pose problems for policy makers over the next few years. In other parts of the region, particularly the south-east, security concerns are mounting and this is likely to take its toll on foreign direct investment flows over the forecast period. Growth in India has improved markedly and, like China, the country is making a substantial contribution to the regional growth rate. However, lack of economic integration means that, unlike China, strong Indian growth is not substantially enhancing the performance of other countries in the region.

CENTRAL AMERICA

Central America (including Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Republic of Panamá) is home to some of the world's poorest and most densely populated countries. Nicaragua and Honduras, for example, are considered two of the poorest countries in the Western Hemisphere, with large portions of their population living in poverty. Both of these countries are part of the World Bank and International Monetary Fund ("IMF") led Heavily Indebted Poor Countries ("HIPCs") initiative, which provides comprehensive debt relief to the world's poorest, mostly heavily indebted countries. The economic situation is not as dire in all Central American countries, such as in Costa Rica, where the population enjoys a relatively high standard of living, with the highest per capita income in the region and low unemployment.

Traditionally, Central American countries have been reliant on agricultural exports (coffee, sugar and bananas) to generate a large portion of their GDP. During the past decade, however, most Central American countries have been developing new growth sectors in order to diversify their economies, such as non-traditional exports and so-called maquila industries (assembly of products, mainly textiles and apparel, for re-export). This transition has been particularly evident in El Salvador, where, in 2003, only 3.4% of the country's export earnings came from coffee, compared to more than half in 1988. In place of traditional industries, Costa Rica has been able to attract private investment, including large companies like Intel Corporation and Proctor & Gamble. In addition, remittances from Central Americans working abroad have increasingly contributed to the region's economies. Although most Central American countries have made great strides to diversify, agriculture still plays an important role in their economies.

In 2003, all Central American economies expanded year-on-year, with El Salvador and Guatemala growing at the slowest rates. In the short term, Central America will likely benefit from a resurgent economy in the United States, the region's main trading partner, and from an upswing in world commodity prices. The Dominican Republic-Central American Free Trade Agreement ("DR_CAFTA") with the US, signed on August 5, 2004, will also likely boost the region's economic prospects once it is ratified by participating governments and implemented.

Over the past few years, significant progress has been made in Central American economic integration. In May 2000, after four years of negotiations, the three “northern triangle” countries (El Salvador, Guatemala, and Honduras) signed a free trade agreement with Mexico. Since March 2000, the “northern triangle” countries have been negotiating a trade agreement with the Andean Community (Bolivia, Colombia, Ecuador, Peru, and Venezuela).

REPUBLIC OF PANAMA

Despite its small population and area (3.2 million and 30,193 square miles, respectively), Republic of Panamá (“Panama”) is an important center for international trade in the Western Hemisphere, as both a major shipping thoroughfare and a regional economic power. Since 1992, an average of 185 million long tons of cargo has passed annually through the Canal. Panama is also a financial and communications hub that sits at the crossroads of five international fiber-optic networks and hosts 110 international banks.

The Panamanian economy is one of Central America’s most stable, with the Panamanian Balboa being pegged to the dollar since 1903. The economy has become largely service-based, with banking, tourism, and commerce all playing important roles. Only a quarter of the land is used for agriculture. ON the upland savannas, cattle are grazed and subsistence crops such as rice, sugarcane, cocoa, and coffee are grown. Bananas are grown on the Pacific coast. Bananas are the leading export, followed by shrimp and fish products, sugar, clothing, and coffee. Manufactured goods, raw materials, and foodstuffs are imported. Much of the trade is with the US. In recent years, the country has become a nexus for the shipment of illegal drugs from Colombia to the US, as well as a center for drug-related financial transactions. During the 1990s, Panama continued to struggle to stabilize and develop its economy.

Panama’s Colon Free Trade Zone (“CFZ”), established in 1953, is the largest in the Western Hemisphere and contributes substantially to the country’s economy. The CFZ, located at the Atlantic gateway to the Canal, allows all goods (mainly from Far East and Europe), except firearms and petroleum products, to be imported, stored, modified, repacked and re-exported without being subject to any customs regulations. Although the country has consistently maintained one of Central America’s highest per capita GDPs, there is a high level of income inequality, with a significant portion of the population living below the poverty line.

Panama’s reliance on the Canal, shipping and port services makes Panama’s economy highly dependent on world trade and economic trends. The global downturn in 2001 and in 2002 slowed the growth rate of the country’s economy considerably, which has enjoyed an annual average real GDP of 5.1% through the 1990s. In 2002, canal transits and tonnage, for example, declined 2.3% and 2.8% respectively, over 2001. Activity at the CFZ, including export tonnage of some major commodities such as bananas (-5.2%) and shrimp (-16.5%), also decreased. Overall, Panama’s real GDP growth rate slowed

from 2.7% in 2000 to only 0.6% in 2001. In 2002, the economy began to recover slightly, with a growth rate of 2.2%. In 2003, a stronger global economy helped Panama post a growth rate of 4.1%, the highest since 1998. In the first half of 2004, Panama's economy has remained robust, boosted by increased canal traffic, tourism spending and investment, and CFZ activity.

INDUSTRY OVERVIEW

INTRODUCTION

Unit 26 is engaged in the generation of electricity for the facilities of ACP and the region's communities. Therefore, the industry review will focus, mainly, on recent trends and developments in the power industry. The sources of our review are:

1. "International Energy Outlook 2004" prepared by the EIA;
2. Electric Utilities: August 5, 2004 by Standard & Poor's Industry Surveys;
3. Country Analysis Briefs represented on EIA's website; and
4. Euripides Amaya of Ente Regulador de los Servicios Publicos' ("ERSP") website.

POWER INDUSTRY

GENERAL OVERVIEW

Electricity, in its simplest form, is produced when a magnet is rotated inside a coil of wire. The spinning of the magnet may be caused by steam (as in coal, oil and nuclear power plants), by falling water (as in hydroelectric plant) or by hot expanding gases (as in gas turbines and diesel generators).

Electrical energy cannot be stored economically, so it must be generated and instantaneously delivered based on customer demand. Consequently, an electric utility company must own production facilities capable of meeting the maximum demand on its system, as well as transmission and distribution systems that can manage the load. Each utility must also have a reserve margin of extra production capability to allow for maintenance, equipment outages, and unexpected variations in usage.

In general, the electric utility industry's peak earning comes with the warm weather in the second and third quarters, when customers are running air conditioners. By contrast, cold weather tends to have a marginal impact on earnings; most customers use electricity simply to start their heaters, while another fuel (oil or gas) provides the heat. Thus, electric utilities' lowest earnings typically fall in the first and fourth quarters, although actual results may vary by region and depend on weather conditions and other factors.

A utility uses a combination of generators to accommodate different levels of demand. Baseload generating units can supply large amounts of power; they ordinarily operate at or near full capacity for long periods. The most expensive units to build in terms of capital investment, baseload generators are also the most efficient, and thus the most economical in terms of operating expenses.

In contrast, peaking units are designed to operate exclusively during periods of high demand, and may run for as little as a few hours at a time. These generators, usually oil or gas combustion turbines, are the least costly in terms of capital investment, but they are usually the most expensive to run.

An intermediate class of generator, the cycling unit runs when demand is above the capacity of the baseload generators, but below the level necessary to use the peaking units. In terms of capital investment and operating costs, cycling units normally fall between baseload generators and peaking units.

Transmission and distribution facilities are the arteries through which power is delivered to the customers. To transmit electricity effectively over long distances while minimizing power losses, utility companies use high-voltage transmission lines. Although such lines commonly cost considerably more to build than low-voltage wires, they can carry much more power.

Transformers reduce the voltage of electricity as it moves from transmission lines to distribution lines. At a customer's site, meters attached to the distribution lines measure the amount of electricity used during a particular period so that the utility may charge the appropriate sum to each account.

Some electricity-generating plants are members of regional power "pools", which are generally made up of several investor-owned utilities in a geographic area. The participating power plants dispatch electricity to all member utilities from a central control point.

FUEL SOURCE

The electric utility industry relies on various fuel sources to generate electricity, including coal, nuclear power, gas, oil and hydroelectric power. In addition to generating power themselves, some utilities also purchase it from other companies.

The mix of primary fuels, used to generate electricity, has changed a great deal over the past three decades on a worldwide basis. Coal has remained the dominant fuel, although electricity generation from nuclear power increased rapidly from the 1970s through the mid-1980s and natural gas fired generation has grown rapidly in the 1980s and 1990s. In contrast, in conjunction with the high world oil prices brought on by the oil price shocks after the Organization of Petroleum Exporting Countries ("OPEC") oil embargo of 1973-

1974 and the Iranian Revolution of 1979, the use of oil for electricity generation has been slowing since the mid-1970s.

- *Coal:* Coal is an important source of electricity generation in a number of the world's regional markets. Not surprisingly, the countries with the largest coal reserves (including US, China, India, Germany, Poland, South Africa, and Australia) have electricity markets dominated by coal. The countries' coal-fired generations account for more than one-half of electric power generation. In both China and India, coal's market share in the electricity sector exceeds 75 percent.

Russia has the world's second largest coal reserves and uses coal to produce one-third of its electricity at present. Russia has been able to diversify its electricity markets somewhat more than other coal-rich nations, because it also has ample natural gas and hydroelectric resources and a mature nuclear power program. However, since the Former Soviet Union ("FSU") also has significant coal resources, coal is expected to retain its importance in the region's electric power supply. Coal's share of the electric power market in the FSU is projected to increase slightly, from 23 percent in 2001 to 24 percent in 2025, as nuclear generation decreases.

Competition from natural gas may erode coal's market share in some key countries, but coal's dominance is not likely to decline precipitously. Many of the countries of Western Europe are expected to reduce their use of coal for power generation, with increases in natural gas fired generation, renewables, and in the case of France, nuclear power. Most notably, in Germany, coal's share of energy use for electricity generation was 49 percent in 2001 but is projected to drop rapidly as natural gas fired generation and, to a lesser extent, renewable energy use continue to be added for new electric power capacity. As Eastern European electricity markets begin to integrate with Western European markets with the expansion of the European Union ("EU"), coal use for electricity is also expected to decline. Coal's share of electricity generation on Eastern Europe is projected to fall from 58 percent in 2001 to 44 percent in 2010 and to 24 percent in 2025.

In markets where coal has not been a particularly important contributor to electricity generation, there are unlikely to be significant increases in coal use. Canada, Mexico, Central and South America, and the Middle East all use coal for less than 20 percent of their total

electricity generation. Canada, and Central and South America rely heavily on hydroelectric power for their electricity supplies, and Mexico and the Middle East rely on oil and natural gas. In each of those markets, coal is projected to account for less than 20 percent of electricity generation in 2025.

- *Natural Gas:* Electricity markets of the future are expected to depend increasingly on natural gas fired generation. Industrialized nations are increasing their use of combined-cycle gas turbines, which usually are cheaper to construct and more efficient to operate than other fossil fuel fired generation. Natural gas is also seen as a much cleaner fuel than other fossil fuels. Worldwide, natural gas use for electricity generation is projected to be more than twice as great in 2025 as it was in 2001, as technologies for natural gas fired generation continue to improve and ample gas reserves are exploited. In the developing world, natural gas is expected to be used to diversify electricity fuel sources, most notably in Central and South America, where heavy reliance on hydroelectric power has led to shortages and blackouts during periods of severe drought.

Natural gas has proven to be a popular choice for electricity generation in many countries. Worldwide, consumption of natural gas fired electricity increased by an average of 6.9 percent per year from 1970 to 2001 – second only to nuclear power’s average annual growth rate of 17.5 percent over the same period. In some cases, governments have tried to slow the growth of natural gas use for power generation. In the 1970s, the US Government passed legislation that effectively barred utilities from expanding their use of natural gas (as well as petroleum).

In the United Kingdom, natural gas use grew rapidly in the 1990s and was characterized by some analysts as the “dash for gas”. The fast paced growth alarmed the UK government, both because of the fear that there would not be sufficient supplies of natural gas to meet the growing demand of electric power companies and because the government wished to allow the country’s coal industry to be competitive with natural gas. As a result, the government issued a moratorium on construction of new natural gas capacity in 1998, which was in place until November 2000. Immediately after the restrictions were revoked, plans were announced to construct five new electricity generators fueled by natural gas.

Natural gas has been an important fuel among the countries of the FSU for the past three decades, accounting for between 40 and 50 percent of their total natural gas use. Dependence on natural gas is expected to remain strong in the FSU, in 2025, gas fired generation is projected to account for 51 percent of the FSU's total electricity supply.

- *Oil:* The role of oil in the world's electricity generation market is generally expected to diminish over the next two decades in much of the world. Energy security concerns, as well as environmental considerations, have already led many nations to reduce their use of oil for electricity generation. In the Middle East, however, oil holds a significant share of the generation fuel market. With much of the world's oil resources, the Middle East is expected to continue to generate a large share of its electricity with oil. In other parts of the developing world, where many countries still rely on traditional fuels (such as wood and animal dung) as energy sources, oil use may increase somewhat as nations switch to diesel fired generators until their populations are able to be connected to natural gas.
- *Nuclear Power:* The nuclear share of the world's total electricity supply is projected to fall from 16 percent in 2001 to 12 percent in 2025, assuming that the currently prevailing trend away from nuclear power in the industrialized countries will not be reversed, and that retirements of existing plants will not be balanced by the construction of new nuclear power capacity in those countries. In contrast, rapid growth in nuclear power capacity is projected for some countries in the developing world.

For the most part, and under most economic assumptions, nuclear power is a relatively expensive option for electricity generation when compared with natural gas or coal, particularly for nations with access to inexpensive sources of fossil fuels. In addition, there is strong public sentiment against nuclear power in many parts of the world, based on concerns about plant safety, radioactive waste disposal, and the proliferation of nuclear weapons. The economies of nuclear power may be more favorable in countries where other energy fuels (mostly imported) are relatively expensive.

Nineteen countries depended on nuclear power for at least 20 percent of their electricity generation in 2002. In absolute terms, the world's total nuclear power capacity is projected to increase from 353 gigawatts ("gW") in 2001 to 385 gWs in 2025. The largest additions of nuclear capacity are expected in Asia and Russia.

- *Hydroelectric and Other Renewables:* Moderate growth in the world's consumption of hydroelectricity and other renewable energy resources is projected over the next 24 years. Most renewable energy sources are not expected to compete economically with fossil fuels in the mid-term forecast. In the absence of significant government policies, such as those aimed at reducing the impacts of carbon-emitting energy sources on the environment, it will be difficult to extend the use of renewables on a large scale. The consumption of renewable energy worldwide is expected to grow by 57 percent, from 34 quadrillion Btu in 2001 to 49 quadrillion Btu in 2025.

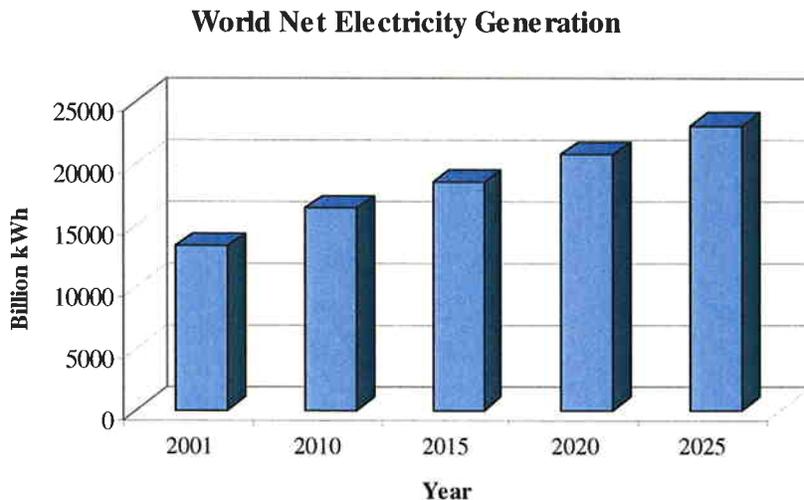
Much of the projected growth in renewable generation is expected to result from the completion of large hydroelectric facilities in developing countries, particularly in developing Asia, where the need to expand electricity production often outweighs concerns about environmental impacts and the relocation of populations to make way for large dams and reservoirs.

Many nations of Central and South American also have plans to expand their already well-established hydroelectric resources. Brazil, Peru and even oil-rich Venezuela have plans to increase hydroelectric capacity over the next decade. Many of Brazil's new hydroelectric projects will be located in the northeastern part of the country, which was not as severely affected by the drought. In general, however, the nations of Central and South America are not expected to expand hydroelectric resources dramatically. Instead, they are expected to invest in other sources of electricity – particularly natural gas fired capacity – that will allow them to diversify electricity supplies and reduce their reliance on hydropower.

GLOBAL OUTLOOK

World net electricity consumption is expected to nearly double over the next two decades, according to the EIA. Total demand for electricity is projected to increase on average by 2.3 percent per year, from 13,290 billion kilowatthours (“kWh”) in 2001 to 23,072 billion kWh in 2025.

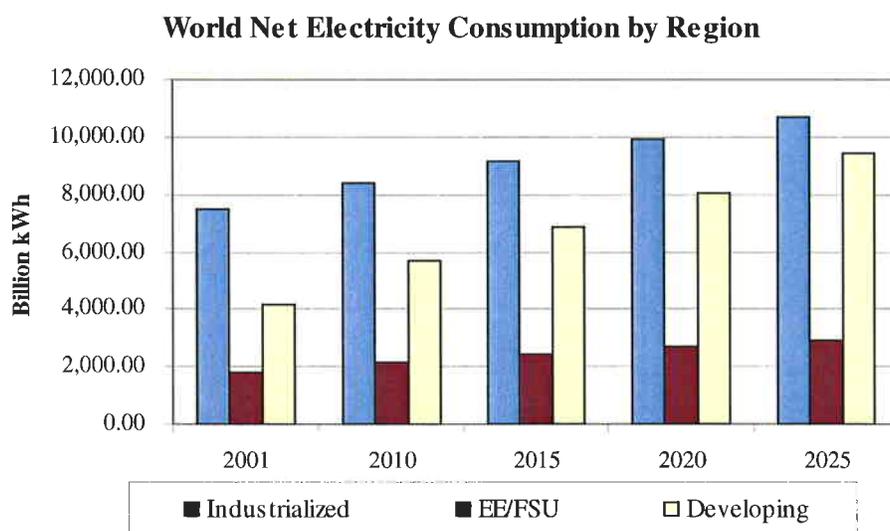
The following chart presents the historical (2001) and projected (2010 -2025) world net electricity consumption.



Much of the growth in new electricity demand is expected to come from the countries of the developing world. At present, developing countries, with more than 75 percent of the world's population, account for only about one-third of the world's electricity consumption. Access to reliable supplies of electricity among the emerging economies will be necessary to fuel the robust economic growth projected for the region as a whole. Many governments of developing countries have recognized the need to increase their citizen's access to electricity. They have implemented strategies such as privatization to increase investment in the electricity sector, enable government policies to encourage investment from potential foreign participants, and introducing rural electrification schemes aimed at bringing electricity to rural communities, both to improve standards of living and to increase the productivity of rural societies.

Electricity use in the industrialized nations is expected to increase more slowly than in the developing world, averaging 1.6 percent per year, compared with 3.5 percent for the developing world. In the industrialized world, the electricity sector is well established, and equipment efficiency gains are expected to temper the growth in electricity demand. In addition, populations in Japan and Western Europe are expected either to remain at current levels or to decline slightly toward the end of the forecast period, and as a result it is unlikely that demand for electricity in the residential sector will increase substantially.

Electricity demand among the transitional economies of Eastern Europe (“EE”) and the FSU is expected to increase to an average annual rate of 2.0 percent over the 2001-2025 period – higher than the 1.5 percent average annual increase over the past 30 years, mostly as a result of the precipitous drop in electricity use that followed the fall of the Soviet regime in the early 1990s. Net electricity consumption in the EE and FSU fell by 24 percent between 1989 and 1998. Although demand has been on the rise since 1998, it is not expected to return to its 1989 level until after 2010. The region as a whole has shown positive economic growth since 1998 (and EE along since 1993), but upgrades to generating equipment have improved efficiency so that electricity generation has not increased at the same pace as GDP. The following chart highlights the historical (2001) and projected (2010 – 2025) world net electricity consumption by region.



CENTRAL AMERICA

OVERVIEW

Power consumption and generation in Central America⁵ have grown rapidly over the past decades, spurred on by economic expansion and increased electrification of many rural areas. Between 1980 and 2002, power consumption in Central America grew at an annual rate of 4.8%. During 1993-2002, Guatemala, the region’s largest consumer and generator of electricity, experienced the fastest annual electricity demand growth, at 5.5%, while Belize actually had a negative rate of growth (-1.8%). In 2002, the region consumed 26.5 billion kWh, up 1.3% year on year.

⁵ Consisting of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama

Historically, hydroelectric power has dominated Central America's electric sector; however, since opening up to foreign investors in the middle to late 1990s, thermal generation has grown rapidly. Although the diversification of power supply has had a positive impact on these countries, there still are problems, as hydropower remains susceptible to droughts and the price of oil can fluctuate. In a move to increase energy supply security, Central American countries have been integrating their electricity grids.

Electricity generation in Central America has had corresponding increases. In 2002, the region generated 28.6 billion kWh, up 3.1% year on year. Hydropower accounted for 49% of electricity generated, with thermal and other renewables providing 40% and 11%, respectively. Facing energy shortages in the mid to late 1990s, Central American countries began privatizing their energy markets, allowing foreign investors to develop new power plants. Many of the new power plants were thermal as construction time is shorter in comparison to hydropower plants. As a result, thermal generation has been growing faster than hydropower generation. Between 1980 and 2002, installed electric generation capacity in Central America grew from 2.7 gigawatts ("gW") to 7.5 gW.

OUTLOOK

Net electricity consumption among the nations of Central and South America is projected to grow by 3.2 percent per year, from 668 billion kWh in 2001 to 1,425 billion kWh in 2025. Hydroelectric are expected to be an important component of the region's fuel mix in the future, however, their share is projected to fall to 57 percent in 2025, giving up some of the market to natural gas.

As a result of their dependence on hydroelectric power, many nations of the region are concerned with diversification of their energy power fuel mixes. Low rainfall can have significant detrimental impacts on the region's ability to meet electricity demand. Most recently, drought in Brazil, the region's largest economy, in 2001 to 2002 resulted in brownouts and electricity rationing. In response to the crisis, Brazil pledged to increase thermal generation – especially natural gas fired units – in the country. However, when the drought ended and water levels returned to normal, many of the planned projects were suspended. Brazil, along with several other countries in the region, including oil-rich Venezuela, has plans to expand hydroelectric capacity over the next decade.

Another issue of importance to the countries of Central and South America is rural electrification. While the electricity infrastructures of many of the region's nations are adequate to supply urban areas, there are parts of the region that do not have access to national electricity grids. Programs aimed at increasing rural electrification, to improve the standards of living, and to increase productivity are underway in several countries.

PANAMA

OVERVIEW

In 2002, Panama generated an estimated 4.9 billion kWh of electricity, of which 50.1% was generated from hydro, 49.5% from thermal sources and 0.4% from other renewables. Panama generates more than it consumes (4.5 billion kWh in 2002), exporting its electricity to neighboring countries, mainly to Costa Rica.

According to a 2000 census report, 81% of the country's population has access to electricity. The Government hopes to increase electricity coverage to 95% in the next 10-12 years. The Government is also considering using solar energy to provide electricity in remote areas.

SECTOR ORGANIZATION

In 1998, the Government restructured its electricity sector, separating generation, distribution, and transmission assets of state-owned power company, Instituto de Recursos Hidraulics y Electrificacion ("IRHE").

- The Government partially privatized four power plants belonging to IRHE: the 300 megawatts ("MW") Empresa de Generación Eléctrica Fortuna, S.A. (El Paso Energy at 25% stake and Hydro Quebec at 16.3% stake), the 90 MW Empresa de Generación Eléctrica Chiriquí, S.A. (AES at 49% stake), the 150 MW Empresa de Generación Eléctrica Bayano, S. A. (AES at 40% stake), and the 285 MW Bahía Las Minas (Enron at 51% stake, now managed by PrismaEnergy). The Government retained the remaining shares in the companies, with the employees allowed to acquire up to 2.0%.
- Union Fenosa acquired stakes in two of IRHE's three distributors: Empresa de Distribución Eléctrica Metro Oeste ("Edemet"), and Empresa de Distribución Eléctrica Chiriquí ("Edechi"). Union Fenosa also acquired their limited combined generation capacity of 26 MW. US based Constellation Energy acquired the third distribution unit, Empresa de Distribución Eléctrica Elektra Noreste, S.A. ("Noreste")
- The Government retained control of Panama's transmission company: Empresa de Transmisión Eléctrica ("ETESA").

REGIONAL INTEGRATION

Panama is part of the wider Central America plan to link the region's electricity grid, the so-called The Sistema de Interconexion Electrica para America Central ("SIEPAC") project. SIEPAC calls for the construction of transmission lines connecting 37 million consumers in Panama, Costa Rica, Honduras, Nicaragua, El Salvador, and Guatemala by 2006. SIEPAC is designed to mitigate the poor quality of existing interconnections, making regional transactions possible.

Besides SIEPAC, a transmission project that would link Panama to Columbia is still under consideration. In August 2004, a commission (in charge of determining the best routes to interconnect the countries) completed its environmental impact study. The governments now have to decide whether the transmission line will stretch over land or follow a route across the Gulf of Uraba.

REGULATION

All utilities are regulated by the ERSP, which is an independent organization of Panama and has the responsibility of regulating and controlling the public service sector of potable sanitary sewer system, water supply, telecommunication, electricity, natural gas, radio and television. According to ERSP, the electrical sector is segregated by three main activities: generation, transmission, and distribution.

- *Generation:* consist of the production of energy at the generating plants: hydroelectric and thermal.
- *Transmission:* consists of, basically, a high voltage line, which received the produced energy from the generators and then, transmitting the energy to different distribution points.
- *Distribution:* consists of sending the energy from the distribution points to all the end users, through smaller voltage lines.

COMPETITION

The following summarizes the top utilities in the Panama, categorized by activities:

I. Generating Companies

- A. Empresa de Generación Eléctrica Fortuna, S.A.
- B. Empresa de Generación Eléctrica Chiriquí, S.A.
- C. Empresa de Generación Eléctrica Bayano, S.A.
- D. Empresa de Generación Eléctrica Bahía Las Minas, S.A.

- E. Panamanian Corporation of Energy (“COPESA”)
- F. Petroeléctrica of Panama
- G. IGC / ERI Pan Am Thermal Generating Limited
- H. Hidro Panama, S.A.
- I. Pedregal Power Company

II. Transmission Companies

- A. ETESA

III. Distribution Companies

- A. Noreste
- B. Edemet
- C. Edechi

IV. Companies with Generating Facilities

- A. ACP
- B. Arkapal, S.A.
- C. Bocas Fruit Company, Ltda.
- D. Resort Accountant, Inc.
- E. National Sugar Bowl
- F. Taboguilla Fishery

COMPANY OVERVIEW⁶

AUTORIDAD DEL CANAL DE PANAMA

OVERVIEW

ACP, successor to the Panama Canal Commission (the “Canal Commission”) and pursuant to the Panama Canal Treaty (the “Treaty”), is responsible for the operation, administration, management, preservation, maintenance, improvement, and modernization of the Canal, and its related activities and services; pursuant to the legal and constitutional regulations currently in force (which are designed to ensure safe, uninterrupted, efficient, and profitable Canal operations). ACP is also responsible for the management, maintenance, use and conservation of the water resources of the Watershed including lakes and their tributary streams.

- On September 7, 1977, the Treaty was signed between the Panama and the US (i) guaranteeing the eventually transfer (the “Transfer”) of the Canal to Panama, who will assume full responsibility for its administration, operation and maintenance; and (ii) establishing a regime of neutrality which stipulates that the Canal shall remain open, safe, neutral, and accessible to vessels of all nations. The Transfer occurred on the expiration of the Treaty, which was agreed upon at noon on December 31, 1999 (the “Transfer Date”).
- In accordance with the terms of the Treaty, the Panama Canal Company (the “Canal Company”) and the Canal Zone Government (“Canal Government”) were dissolved on September 30, 1979.
- On October 1, 1979, Panama gained jurisdiction over the former Canal Government and the Canal Commission, an agency of the US Government and under the supervision of a bi-national Board of Directors (comprised of five US citizens and four Panamanian citizens), assumed responsibility for managing, operating, maintaining, and improving the Canal until the Transfer Date.
- On December 27, 1997, in preparation of the Transfer, ACP was organized and established in conformity with Article 310 of the Political Constitution (the “Constitution”) of Panama and Organic Law Number 19 on June 11, 1997 (the “Organic Law”). The Organic Law furnished ACP with legislation for its organization and operation. Because of its importance and uniqueness, ACP became a financially

⁶ Based on information from the Company’s public filings, website and marketing literature, other public information, and press releases.

autonomous entity of the Government with its own patrimony, and has the right to administer it.

- Pursuant to the Treaty, at the Transfer Date, ACP became the administrator of all personal and real estate property identified in the Organic Law as the patrimony necessary to operate and maintain the Canal. This patrimony is divided into two groups: the inalienable patrimony (comprised of land, lakes, rivers, dams, locks and anchorages, as established in Article 2 of the Organic Law) and the economic patrimony (comprised of installations, buildings, structures and equipment that support the operation of the Canal, as established by Article 33 of the Organic Law). As a result, the Canal became an inalienable patrimony of Panama (open to the peaceful and uninterrupted passage of all vessels) and will be subject to the requirements and conditions established by the Constitution, the Organic Law, and ACP management.

BOARD OF DIRECTORS

The ACP operates in compliance with the provisions of the Organic Law and the regulations approved by its Board of Directors (the “Board”), which consists of eleven appointed members (the “Members”). The criteria for the appointment of the Directors are:

- Nine Members are appointed by the President of Panama, with the consent of the Cabinet Council and ratified by the Legislative Assembly by absolute majority of its members.
- One Member is designated by the Legislative Branch, which may freely appoint and remove that Member.
- The last Member, who shall chair the Board and who shall have the rank of Minister of State for Canal Affairs (the “Minister”), is designated by the President of Panama. The Minister also has voice and voting rights in Cabinet Council meetings.

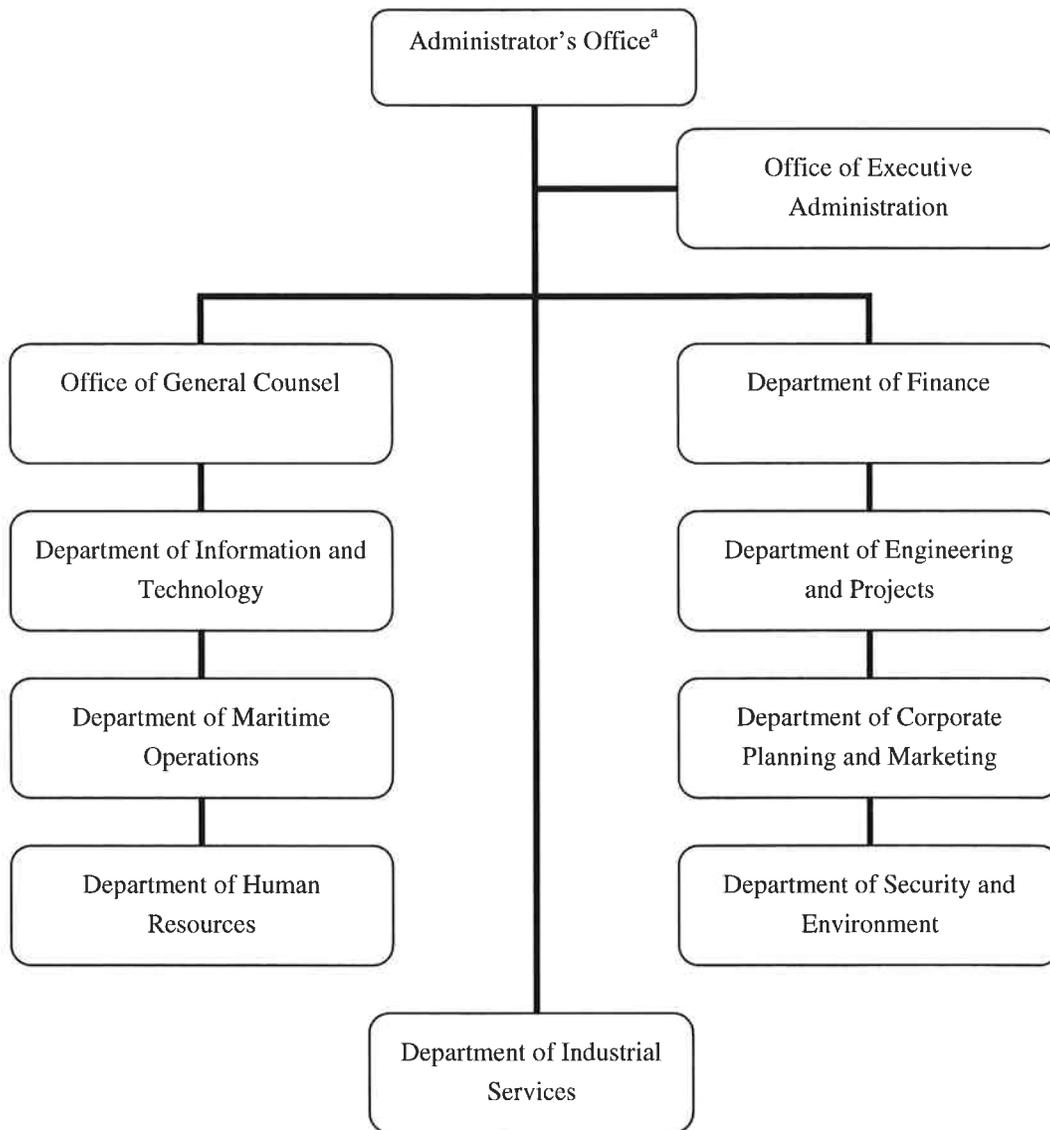
The first Members were appointed for staggered terms to ensure their independence from any given government administration.

In accordance with the Constitution and the Organic Law, the primary responsibility of the Board is (i) establishing policies for the Canal operation, improvement, and modernization; and (ii) supervising ACP management.

MANAGEMENT

An Administrator and Deputy Administrator, under the supervision of the Board, are responsible for management of ACP and its approximately 9,000 employees. The Administrator, considered the Canal's Chief Executive Officer and legal representative, is responsible for implementing policies and decisions of the Board. The appointment of the Administrator is for a seven-year term, after which the person may be re-elected for an additional term.

The following depicts the organization structure of the ACP:



^aIncludes the Administrator and Deputy Administrator

THE PANAMA CANAL WATERSHED

The Watershed (having a surface area of approximately 552,761 hectares and consisting of 11 districts and 48 corregimientos, distributed among the provinces of Panama, Colon and Cocle) is indispensable to Canal operations and urban potable water supply. On average, 58 percent of available water is used for the operation of the Canal locks (every transit across the Canal requires 52 million gallons of gravity-fed, fresh water to operate the locks, which is then lost to the sea), 36 percent is used to produce electricity, and six percent is used for human consumption (approximately one and a half million people). The operation of the Canal uses as much fresh water daily as a city of 11 million people. The Watershed is home to some 70 species of amphibians, 112 species of reptiles, approximately 546 species of birds (including the toucan and harpy eagle), and more than a hundred thousand species of trees.

At present, only 40 percent of the Watershed (down from 80% in 1947 due to legal and illegal logging, mining operations, and the clearing of forest for cattle ranches and subsistence farming) is covered by large areas of forests. The forests act like a huge sponge that receives heavy precipitation in the rainy period, (i) protecting the soils from erosion; (ii) preventing excessive sedimentation in the lakes; and (iii) returning much of the retained water to the rivers. Aware of the importance of these jungles, several government entities and regulations has been established.

- Law 44 of August 1999 established the legal boundaries of the Watershed, including the Chagres River, and provincial areas of Cocle and Colon;
- Title XIV of the Constitution and the Organic Law assigned ACP with the responsibility of the Watershed; and
- The Interinstitutional Commission (the “IC”), established by ACP in March 2000 and comprised of governmental and nongovernmental organizations, coordinated the efforts of government agencies.

Today, the Watershed comprises what is known as the traditional watershed, which includes the Chagres, Ciri and Boqueron river systems, as well as a new western region with an enormous potential to meet future population and Canal freshwater needs. According to the most recent national census, the western watershed region has a population of 35 thousand.

UNIT 26 (POTENCIA Y ENERGIA DEL CANAL - PEC)

PEC, an operating unit of ACP, generates electricity (i) for consumption by the core businesses of ACP and its personnel; and (ii) secondarily, all of the excess production is sold to third party distribution companies. The outside end users, typically, consist of residential and commercial businesses of Panama and the surrounding countries. The power system of Unit 26 consists of base load generators (located at the Gatun Hydroelectric Station, Madden Hydroelectric Station, and Miraflores Power Station), peak load gas generators, and a transmission network. The steam turbines, located at the Miraflores Power Station, generate the majority of Unit 26's electricity output during the dry season⁷, which is typically between the months of January and June.

- *Gatun Hydroelectric Station:* The Gatun Hydroelectric Station ("Gatun Station"), located adjacent to the Gatun Dam spillway, became operational in 1914 with three hydroelectric units. Each unit had a General Electric ("GE") 3.7 MW, 6.9 kilovolts ("kV") generator. Subsequent to the original units, three additional units were installed (in 1918, 1946, and 1947, respectively) to meet increasing demand and backup capacity. Each additional unit had a GE 6.2 MW, 6.9 kV generator. Using the force of the water from the Gatun Lake, power generated at the Gatun Station are delivered by a 44 kV double circuit transmission line, which was constructed in 1914 between Cristobal to Balboa along the Panama Railroad right of way. The following table summarizes the generating capacity at Gatun Station.

⁷ The country's dry season typically runs from January through April, but for electricity generation purposes, the dry season is two months longer enabling the lakes to maintain adequate levels for Canal operations and potable water production. Depending on lake levels, the hydroelectric generating stations are mostly idle during the dry season.

Base Load Units	Installed	Generating Capacity (MW)	
		Raining Season	Dry Season
Unit 1	1914	3.0	0.0
Unit 2	1914	3.0	0.0
Unit 3	1914	3.0	0.0
Unit 4	1918	5.0	0.0
Unit 5	1946	5.0	0.0
Unit 6	1947	5.0	0.0
Total Generating Capacity		24.0	0.0

- Madden Hydroelectric Station:* The Madden Hydroelectric Station (the “Madden Station”), located at the Madden Dam⁸, became operational in 1935 with two hydroelectric units. Each unit had a GE 12 MW, 6.9 kV generator. An additional hydroelectric unit (outfitted with a GE 12 MW, 6.9 kW generator) was installed in 1942. The following table summarizes the generating capacity at Madden Station.

Base Load Units	Installed	Generating Capacity (MW)	
		Raining Season	Dry Season
Unit 1	1935	12.0	8.0
Unit 2	1935	12.0	8.0
Unit 3	1942	12.0	8.0
Total Generating Capacity		36.0	24.0

⁸ The Madden Dam was constructed in 1932 – 1934 as a flood control measure on the Chagres River. The Dam also created a water reservoir that provided water to fill Gatun Lake during dry seasons and powered the hydroelectric turbines.

- Miraflores Power Station:** The Miraflores Power Station (the “Miraflores Station”), located in the town of Miraflores, became operational in 1927. In 1963, the original units were replaced with two diesel fired gas peaking units due to the change in the electrical system frequency from 25 to 60 Hz. Each replacement unit had a Westinghouse 10 MW, 12 kV generator. Subsequent to these units, three additional steam units (in 1966, 1971, 2002, respectively) and one additional diesel gas fired unit (in 1976) were installed. The steam units had a Westinghouse 22 MW, 12 kV generator, a Electric Machinery 37 MW, 12 kV generator, and a MAN / ABB 18 MW, 13.8 kV bunker generator, respectively by chronological order. The additional gas fired unit had a Hitachi 20 MW, 12 kV generator. The Miraflores Station was originally constructed to serve the Miraflores and Pedro Miguel canal locks.

The following table summarizes the generating capacity at Miraflores Station.

Generating Units	Installed	Generating Capacity (MW)	
		Raining Season	Dry Season
Base Load (Steam)			
Unit 3	1966	20.0	20.0
Unit 4	1971	33.0	33.0
Unit 6	2002	17.8	17.8
	Subtotal	70.8	70.8
Peaking, Gas Fired			
Unit 1	1963	9.0	9.0
Unit 2	1963	9.0	9.0
Unit 5	1976	19.0	18.0
	Subtotal	37.0	36.0
Total Generating Capacity		107.8	106.8

FINANCIAL REVIEW

INTRODUCTION

The purpose of the financial review is to identify inconsistencies, trends, and comparabilities. This information is then used to project cash flows, to establish comparability, and to estimate relevant risk levels. The financial review consisted of an analysis of the balance sheets, income statements, and financial ratios for the operations of Unit 26. Exhibit 1 presents financial results for (i) the transition nine months ending September 30, 2000 (for income statement only); (ii) the four FYs ended September 30, 2001 through 2004 (for both balance sheet and income statement); and (iii) the six months ending March 31, 2005 (for both balance sheet and income statement). In the next two sections, we will discuss a general interpretation of financial statements and ratios, and specifically review the Company's financial statements. It should be noted that the Transfer on December 31, 1999 resulted in only a nine month financial period for 2000 and made financial income statement comparisons with subsequent years inconsistent. As a result, our Company financial review will focus on the results of FY 2001 through FY 2004 (the "Review Period").

BALANCE SHEETS

The balance sheet is used to evaluate a company's financial position on a particular day. Our analysis of the balance sheet begins with a review of current assets, which are expected cash inflows during a normal operational cycle. Sufficient current assets are required to retire liabilities and to sustain operations. The most efficient composite of current assets will vary among companies, but a company's current asset position should be relatively liquid because a high percentage of illiquid assets could cause a cash squeeze. For the FYE September 30, 2004, Unit 26's current assets were \$79.5 million and represented 62.1% of total assets. Over the Review Period, current assets have ranged from 40.3% to 62.1% of total assets. The variation was primarily due to fluctuations in the relative proportion of cash & investments and account receivable. The relative mix of cash & investments and account receivable fluctuated with each other over the Review Period, mainly due to timing of collections between business units.

Long-term assets are held for more than a normal operating cycle and often consist primarily of property and equipment. A high percent of property and equipment is generally indicative of high fixed costs and correspondingly high operating risk. The Company's gross property and equipment account increased from \$37.0 million in 2001 to \$59.2 million in 2004 indicating continued fixed asset additions. Fixed assets were 17.9% depreciated in FY 2004, indicating relatively newer assets and reflecting the impact of opening the balance sheet afresh as of the Transfer Date. Net property and equipment represented about 37.9% of total assets for FY 2004 and primarily consisted of machinery and equipment, and major structures. Capital expenditures are expected to be

approximately \$1.9 million in FY 2005. Other long-term assets did not exist during the Review Period.

Increasing assets are usually characteristic of a growing, profitable business; current assets increase with sales, and long-term assets increase with capacity expansion. Decreasing assets are often reflective of a declining business that is not replacing capital assets and is liquidating current assets through dividends and operating losses. PEC's total assets increased steadily from \$56.3 million in FY 2001 to \$128.2 million in FY 2004, representing a compound annual growth rate ("CAGR") of approximately 31.6%. The increase is driven by Unit 26's combined cash & investment and account receivable balances, and continued fixed asset investments over the Review Period, as mentioned above.

Liabilities represent claims against assets. To avoid insolvency, a company should try to match asset and liability maturities. Current assets should be sourced with short-term liabilities while long-term assets should be sourced with long-term liabilities. Unit 26's current liabilities increased from \$3.0 million (5.4% of total assets) in FY 2001 to \$49.6 million (38.7% of total assets) in FY 2004. During the Review Period, current liabilities remained below current assets. Current liability variation was primarily due to changes in accounts payable between business units. Other current liabilities (including accrued liabilities) represented 1.1% of total assets in 2004.

Long-term liabilities and equity are the company's long-term capital sources. If the capital structure is heavily leveraged, the company's financial risk increases. If the capital structure is mostly equity, less financial risk exists. Most companies maintain a consistent balance between debt and equity. For fiscal 2004, Unit 26 did not have any long term debt obligations. Since the Transfer, Unit 26 has not relied on debt financing to fund any growth and capital investments.

Equity comes from two sources, investors and earnings. Common stock is the investor's contribution while retained earnings is the accumulation of earnings net of dividends. A profitable business is able to generate capital internally. Unit 26's total equity increased from \$53.3 million in 2001 to \$78.6 million in 2004 due, mainly, to profit growth.

INCOME STATEMENTS

The income statement is used to evaluate a company's operating results for a particular time period. Analysis of income statements is a helpful tool for projections because trends and changes provide a basis for the prospective viewpoint.

Sales or revenue changes are composed of both price and quantity changes. Analysis of sales requires tacit consideration of price and quantity. Over the Review Period, Unit 26's revenues increased from \$21.7 million in 2001 to \$34.9 million in 2004, reflecting growth in spot market sales. Unit 26's cost of sales (including fee per ton, material and supplies, fuel, and capitalized material and supplies) as a percent of revenues and excluding depreciation, ranged from 43.6% to 56.7% over the Review Period, which was relatively consistent as a percentage of revenues (except for 2002 where materials and supplies, and fuel costs were abnormally low).

Relative expenses are an important indicator of expense behavior in the short run. For a company with no fixed expenses, the proportion of operating expenses to sales will be constant between periods; however, for a company with high fixed expenses, the proportion of operating expenses to sales will vary inversely with sales. Over the Review Period, PEC's operating expense (consisting of mainly personnel costs) have steadily improved from a 33.5% of total revenues in 2001 to 19.6% of total revenues in 2004, reflecting slight economies of scale benefit due to a relatively fixed workforce and gains in the spot market.

Profit margins are used to identify changes in efficiency. Gross, operating, and pretax income margins represent profits at different levels; this format helps to identify the source of profitability changes. Unit 26's profit margins at all levels have been steadily increasing since 2001 with the strongest gains occurring in the last FYs (growth in spot market sales and stable cost structure).

Our analysis included growth rate calculations for sales and profit levels between periods and during the entire comparative period. Growth-rate changes between periods help identify specific inconsistencies. Comparisons between sales and profit growth rates may give information about a company's ability to grow profitably. For example, if the sales growth rate exceeds the profit growth rates, the company may have limited economies of scale. Economical expansion may be limited by operational structure, distribution, plant size, technology, or resource availability. If the sales growth is less than the profit growth, the company may be experiencing economies of scale. Unit 26's costs remained relatively consistent while sales grew (mainly due to spot market gains) resulting in economies of scale benefits.

VALUATION THEORY

INTRODUCTION

The appraised Market Values as set forth in this report is supported with consideration and use of standard accepted appraisal practices and valuation procedures and is in accordance with IVS-1. Under USPAP, the appraiser is required to consider three basic approaches to value: (i) the cost approach, based on the cost to reproduce assets; (ii) the market approach, which considers market exchange for comparable assets; and (iii) the income approach, which relies on capitalization of potential future income. The approaches are briefly summarized below.

MARKET APPROACH

The market approach is a valuation technique in which the estimated value is based on market prices in actual transactions. When this approach is employed, data is collected regarding sales of comparable transactions in which comparable tangible or intangible assets have been sold or where one to two tangible or intangible assets represent most of the observed value in a transaction. After studying the market consensus, the appraiser makes value adjustments for comparability factors such as location, time of sale, physical characteristics, and conditions of sale. This process is essentially that of comparison and correlation.

INCOME APPROACH

The income approach is a valuation technique that capitalizes the anticipated income stream from the appraised asset. This approach is predicated on developing either cash flow or income projections which are then discounted for risk and time value. Additionally, the present value of a projected residual value is estimated and added to the present value of the income stream.

COST APPROACH

The cost approach or adjusted statement of condition is a valuation technique that uses the concept of replacement as a value indicator and is based on the principle of substitution. That is, a prudent investor would pay no more for an asset than the cost to reproduce or replace the assets with an identical or similar unit of equal utility. Reproduction/replacement cost new (“CRN”) establishes the highest amount a prudent investor would pay for the assets. To the extent that the assets we are valuing will provide less utility than new assets, we adjust for losses in value due to physical deterioration, functional obsolescence and economic obsolescence.

In conjunction with the cost approach, it is appropriate to define the following terminology:

Replacement Cost New – The cost of replacing a property with a modern new unit of the nearest equivalent utility, using current rates for material and labor.

Reproduction Cost New – The cost of creating a new duplicate of the property from the same or highly similar materials, using current rates for material and labor.

Depreciation – Loss in value from all causes, including factors of physical deterioration, functional obsolescence and economic obsolescence.

Physical Deterioration – Reduction in utility resulting from impairment of physical condition brought about by such factors as age, wear and tear, structural defects, and exposure to damaging elements.

Functional Obsolescence – Impairment of functional capacity or efficiency caused by factors inherent in the property. This is brought about by such factors as overcapacity, inadequacy, excess operating costs, and changes in the art that affect the machine unit or its relation to other items comprising a larger property. The term also refers to an asset's inadequacies in performing the function for which it is currently employed.

Economic Obsolescence – Impairment of desirability or useful life arising from factors external to the property, such as economic forces or environmental changes that affect supply-demand relationships in the market. Among the causes of economic obsolescence are changes in optimum use, legislative enactments, and social trends.

Normal Life – The mean or average expected life of the equipment.

Effective Age – The number of years of apparent age based upon the observed condition and amount of wear and tear experience during its life.

Remaining Useful Life – The number of years into the future that the equipment is expected to be in use based upon the equipment's effective age.

Probable Useful Life – The number of years the equipment is expected to be in service from date of installation to the forecasted date of retirement based upon the survivor curves.

APPROACHES USED

The use of more than one approach is desirable because it provides a check on the other approaches of value. In some cases all three approaches are applicable, but normally one or two approaches are utilized. Weights given to each approach vary directly with the amount of information available.

For the valuation of Unit 26, we have specifically employed the income and market approaches. The cost approach was not formally presented because this approach involves an extensive appraisal of each asset class and because the aggregate value of assets is ultimately dependent on income potential.

BUSINESS ENTERPRISE VALUATION

OVERVIEW

The BEV is the total value of the company. This value is often shared by long-term debt holders and stockholders. By definition, the BEV is equal to either total capitalization (equity plus long-term debt) or net working capital plus tangible and intangible assets. This may be stated algebraically in the following way:

$$\text{BEV} = \text{SE} + \text{LTD} = \text{NWC} + \text{FA} + \text{IA}$$

Where:

- BEV = Business Enterprise Value
- SE = Shareholders' Equity Value
- LTD = Long-Term Debt
- NWC = Net Working Capital (Current Assets Less Current Liabilities)
- FA = Fixed Assets Value
- IA = Intangible Assets Value

METHODOLOGY

For purposes of this analysis, our valuation⁹ is based on the application of methodologies that are commonly used and accepted within the financial community for business appraisals. Market and income approaches were considered and used in some fashion. The BEV, specifically, was derived using (i) a discounted cash flow ("DCF") analysis¹⁰ (derivation of the income approach), which involves developing cash flow projections and determining their present value; and (ii) a market comparable analysis (derivation of the market approach), which involves analyzing market multiples of comparable, publicly traded companies. The income and market approach value indications were then subsequently weighted to determine an overall value conclusion. The weighting may deviate from an equal weighting where income streams of the company are significantly different in terms of annual profitability from those of the public comparable companies. Such instances rely more heavily upon the DCF analysis. All of the derived BEVs represent marketable, control values.

⁹ In accordance with the sixth edition of the International Valuation Standards' Valuation Guidance Note Number 6.

¹⁰ In accordance with the sixth edition of the International Valuation Standards' Valuation Guidance Note Number 9.

For purposes of this engagement, the above analyses were applied to an assumed business structure for Unit 26. Under the assumed structure¹¹, Unit 26 would be subject to Panamanian corporate taxes, and competitive market forces (for expenses and costs). Currently, PEC, as an operating unit of ACP, is not required to pay taxes on its income.

EARNINGS ADJUSTMENT

To derive the true economic value of Unit 26, it is necessary to adjust assets, income, and expenses (i) to reasonable economic levels; (ii) for unusual items; and (iii) for inconsistencies.

Balance sheet adjustments consisted of removing cash and investments. As a result, the retained earnings account is recalculated to maintain balance sheet integrity.

The income statement was adjusted (i) to remove extraordinary income and expenses; and (ii) to reflect the assumed financial performance of a stand alone corporate structure.

- Other income and expenses (including transfers between company entities) were removed to reflect a normalized, ongoing operating income stream.
- Revenues were increased to include (i) estimated amounts that would have been charged to ACP under the assumed business structure; and (ii) the additional revenue stream¹² assuming a Market Value defined corporate structure. The estimated amounts were based actual volumes consumed by the ACP facilities and comparable historical internal bulk rates. While the additional revenue stream is based on the difference between (i) the revenues derived from actual volumes sold and comparable market bulk rates; and (ii) actual historical revenues.

Exhibit 2 contains the adjusted balance sheet and income statement for Unit 26.

NONOPERATIONAL ADJUSTMENTS

When valuing a company's BEV, it is important to isolate assets that are not essential to the company's operations. Isolation of these non-operational assets avoids mixing low-risk, non-operational assets and high-risk operational assets. It would be erroneous to

¹¹ The structure is consistent with the Market Value definition and guidelines set forth by the sixth edition of the International Valuation Standards.

¹² Based on Management representations, the bulk electricity rate of \$0.07 per kWh (on average) charged to distribution firms is consistent with the current market rates charged by tax paying corporate and government owned entities. As a result, under the assumed business structure, bulk electricity sold to distribution companies would be subject to the current market rate of \$0.07 per kWh while consumption by ACP would be subject to the current internal ACP rate of \$0.092 per kWh.

discount low-risk, nonoperational assets at the higher discount rate used for high-risk operational assets. We avoid this error by adding the value of nonoperational assets to the BEVs derived from the income and market approaches.

Our investigation revealed \$8.3 million (consisting of cash & investments) in nonoperational assets as of the Valuation Date.

INCOME APPROACH - DISCOUNTED CASH FLOW ANALYSIS

OVERVIEW

The income approach valuation is based on the premise that value is equal to the present value of all future ownership benefits. With the income approach, the anticipated future benefits of the company are discounted at a rate commensurate with the particular risk characteristics.

The DCF method was used to derive the income approach value. This valuation method begins with a sales forecast and then develops pro forma cash flow statements. Revenues, cost, expense, depreciation, capital expenditure, and working capital projections are based on financial analysis, industry and market studies, and management opinion. For the purpose of this study, four and a half year cash flow forecasts (“Forecast Period”) have been used because this projection period encompasses at least one business cycle.

The DCF value has two components. The first component equals the sum of the present value of cash flows over the Forecast Period. Mid-year discounting was used to reflect continuous cash flows. The second component, a residual or terminal value, equals the present value of net income in the last year of the Forecast Period capitalized into perpetuity with the appropriate discount rate. The residual reflects the company's ongoing potential after the last year of the Forecast Period.

The reliability of the DCF method rests directly with the accuracy of the sales forecasts, the income-expense relationships, the amount and timing of capital expenditures and depreciation, and the discount rate.

When using the income approach to value a company's BEV, we must consider the cash flows available to shareholders. Cash flows available to shareholders are generally equal to the sum of net income and depreciation minus capital expenditures and working capital increases.

Exhibit 3 is the DCF analysis presentation of PEC's BEV. In subsequent paragraphs, the assumptions used in this analysis are summarized.

GENERAL

Unit 26's BEV was estimated by applying the DCF analysis to an assumed business structure, that is consistent with criteria set forth by IVS-1. Under this structure, it is assumed that Unit 26 would operate as a business entity where (i) its income is subject to the Panamanian corporate tax of 30.0%; and (ii) internal consumptions would be charged. Refer to revenue discussion for further details.

The financial forecasts utilized in the DCF analysis are based on 2005 budgeted financials, Management discussions, and industry trends.

REVENUES

Revenue expectations are based on historical performance, generation capacity, Management discussions, and market demand. In general, market demand is expected to exceed the facility's maximum generating capacity and any fuel expense spikes could be passed onto the consumer. As a result, revenues for the facility are expected to be stable at its maximum level (less distribution and maintenance losses) throughout the Forecast Period.

- *Generation:* Over the Forecast Period, total power generation was based on individual production estimates for base and peaking units. For each base load generation unit¹³, its maximum raining and dry season generation capacity (in MW) was summed, by season, and then the respective maintenance losses¹⁴ (33 MW for the raining season and 8 MW for the dry season) were subtracted to arrive at each season's total net base load generation capacity (separately "Net Load"). Each Net Load is multiplied by its respective annual hours of production¹⁵ to arrive at the corresponding base load electric production (separately "Load Production"), in megawatt hours ("MWh").

For the peaking units¹⁶, since peaking units are only operated to fill excess demand periods, the dry and raining season total peaking available production (derived using the same approach as the base units) is multiplied by Unit 26's actual run times (actual MWh

¹³ Consisting of Gatun Station Units 1 through 6, Madden Station Units 1 through 3, and Miraflores Station Units 3, 4, and 6.

¹⁴ Based on Management representations.

¹⁵ For purposes of this analysis, on average, each unit was assumed to operate only 20 hours per day reflecting unexpected outages and interruptions. As a result, a total of 3,650 hours (20 hours per day times 182.5 days per season) was assumed for each season (6 months dry season and 6 months raining season).

¹⁶ Consisting of Miraflores Station Units 1, 2, and 5.

generated divided by total MWh available) for 2004 to arrive at each season's estimated peak production (separately "Peak Production").

The Load Production and Peak Production, by seasons, are summed and, then, adjusted for historical distribution losses of 3.7%, to arrive at the total assumed production, in MWh, for Unit 26.

- *Rates:* Over the Forecast Period, the current ACP internal energy rate of \$92.00 per MWh ("ACP Rate")¹⁷ and bulk volume market rate of \$67.00 per MWh ("Market Rate")¹⁸ are expected to increase at an annual inflationary rate of 1.5%. However, due to the recent upward trend of fuel costs and spot market rates¹⁹, bulk volume market rate in the first few years of the Forecast Period are expected to be higher than the historical Market Rate. By 2009, bulk volume market rate is expected to gradually trend back to the historical Market Rate (adjusted for inflationary growth). For purposes of our analysis, Unit 26 is assumed to operate under a business structure that is consistent with Market Value guidelines.

¹⁷ Applicable to internal ACP electricity consumption

¹⁸ Applicable to bulk electricity sold to third party distribution firms

¹⁹ Since approximately 50% to 60% of ACP's external sales are to the spot market, any increases would ultimately falls to the Company's bottom line. The profitability of the remaining external sales are not impacted by price fluctuations due to contractual purchase agreements, which stipulates a fixed return to ACP.

The following table highlights the derivation of the revenue projection for the first full year of the Forecast Period. The first half results of 2005 are subtracted from the resultant full year revenue stream estimate to arrive at the second half forecast of 2005. Thereafter, the projected revenue is grown at the annual inflationary rate of 1.5%.

	Base Units		Peaking Units	
	Dry Season	Raining Season	Dry Season	Raining Season
Generation Capacity (MW) ^a	130.8	94.8	37.0	36.0
Maintenance (MW) ^a	33.0	8.0	0.0	0.0
Net Load (MW)	97.8	86.8	37.0	36.0
Production Hours	3,650.0	3,650.0	3,650.0	3,650.0
Gross Production (MWh)	356,970.0	316,820.0	135,050.0	131,400.0
Operation Percentage	100.0%	100.0%	6.51%	6.51%
Load and Peak Production (MWh)	356,970.0	316,820.0	8,793.8	8,556.2
Total Production (MWh)	691,140.0			
Distribution Loss	3.7%			
Total Net Production (MWh)	665,772.5			
Internal Consumption (MWh)	141,201.0			
ACP Rate per MWh	\$92.00			
Internal Revenue	\$12,990.5			
External Bulk Sales (MWh)	524,571.5			
Market Rate per MWh	\$67.00			
External Revenues	\$35,146.3			
Total Projected Revenue (000s)	\$48,136.8			

a) Based on Generating Units summary provided by Management

TOTAL COST OF SALES

Total cost of sales, excluding depreciation, are projected at 37.1% of revenues, which is consistent with PEC's three year historical average results. FY 2002 was excluded from the historical average calculation because of its abnormal levels of material & supplies, and fuel costs.

OPERATING EXPENSES

Similar to cost of sales, operating expense was projected at Unit 26's historical average of 15.5% of revenues.

TAXES

Since Unit 26 is assumed to operate as a business structure, that is consistent with IVS-1, a Panamanian corporate tax rate of 30.0% was used and is consistent with typical corporate operations.

DEPRECIATION AND CAPITAL EXPENDITURES

Depreciation and capital expenditures projections are consistent with historical levels, accumulated tax depreciation, Management expectations, and expected revenue levels. Capital expenditures, based on Management projections, were projected at \$1.3²⁰ million for the remaining six months of 2005. Thereafter, capital expenditures are projected at constant percentage of revenues.

WORKING CAPITAL

Working capital requirements are projected at 56.1% of revenues, which is based primarily on four year average historical levels (including annualized six months ending March 2005 results) after cash and debt were removed.

DISCOUNT RATE

The discount rate affects the enterprise value. This rate, an approximation of the cost of capital, is used to present value income and cash flow streams. A company's cost of capital is equal to the weighted average, after-tax cost of equity and debt. Each company's cost of capital varies with differences in financial and operating risk.

The cost of capital affects the valuation of a business enterprise. A company with a high cost of capital will compute lower present value cash flows for its business than a similar company with a lower cost of capital primarily due to higher risk. Since this is a market valuation, value relates not to a particular company, but rather, is a consensus of the entire market with consideration given to specific risk levels. In order to estimate a market's cost of capital, we need to approximate three components -- cost of debt, cost of equity and capital structure.

The cost of debt is approximated by the average rate for Panamanian Brady Bonds, based on the data compiled by *Bloomberg LLC* ("Bloomberg"). This rate is a proxy for corporate risk in the Panama. Typically, economic decisions are based on an after-tax basis. The estimated cost of debt is adjusted for the assumed tax implications.

²⁰ Based on the difference between management's budgeted 2005 level of \$1.9 million and actual expenditures for six months ending March 2005

The average bond rate is calculated through the following equation:

$$R_d = (r)(1 - t)$$

Where:

- R_d = Cost of Debt
- r = Average Panamanian Brady Bond rate as of the Valuation Date
- t = Tax Rate @ the appropriate corporate rate

Like debt, the cost of equity is consistent with particular risk levels. To derive an approximation of risk level, we examined publicly traded utilities (power generation only) throughout the world. The selected comparable companies (the “Comparables”) were segregated by their primary region of operations: Europe, Asia, North America, and South America (collectively the “Regions”).

Beta values from the Comparables were used to quantify the respective equity risk. The beta is a measure of correlation between the particular security (given industry) and the total equity market (Standard & Poor's 500). For example, a security with a beta of 1.0 has a risk level equal to the market, a beta of 0.5 has a risk level less than the market, and a beta of 1.5 has a risk level greater than the market.

The beta value for each Comparable was derived from data compiled by Bloomberg. The derived beta values are unlevered based on each Comparables' capital structures. Within each Region, the unlevered betas are averaged to arrive at their respective average beta values. The derived average beta value, for each Region, is weighted²¹ and relevered to arrive at the appropriate beta value, for Unit 26, in aggregate.

Using the resultant beta value, the expected world market return²², and the risk-free rate²³, a risk premium for Unit 26 was computed. The premiums represent the increment of risk that exceeds the risk-free rate for the respective industry, in aggregate.

²¹ Weights are based on each Region's relevance to the Panamanian economy and region (20% for Europe, 20% for Asia, 20% for North America, and 40% for South America).

²² Based on data presented in Ibbotson Associates International Cost of Capital Perspective Report 2004

²³ Based on the current yield on the U.S. 20 year treasury bond as of the Valuation Date

The resultant risk premiums are applied in the following equation to calculate the cost of equity.

$$R_e = R_f + (\text{ERP}) \text{ Beta}$$

Where:

$$\begin{aligned} R_e &= \text{Equity Return} \\ \text{ERP} &= \text{Expected World Equity Risk Premium} \\ R_f &= \text{Risk-Free Return*} \\ (\text{ERP}) \text{ Beta} &= \text{Risk Premium} \end{aligned}$$

*on the Valuation Date

According to portfolio diversification theory, a stock's aggregate risk level is comprised of two major components, systematic or market risk and unsystematic or company-specific risk. Beta adjustments reflect the systematic risk portion. Specific risk factors such as country risk premium²⁴, stability of demand (“Other”), and size premium were considered to derive the appropriate level of unsystematic risk. The size premium adjustment represents the return on small company stocks in excess of that predicted by the traditional application of the capital asset pricing model. It is the additional return that cannot be explained by the betas of small companies. The annual returns and the corresponding size premium from the entire universe of New York Stock Exchange / American Stock Exchange / Nasdaq National Market listed securities²⁵ over the 1926 to 2003 timeframe are compiled and segregated into ten equally populated groups or deciles by Ibbotson Associates. Since the implied market capitalization of Unit 26 falls within the ninth decile, the appropriate size premium for Unit 26 is 2.9%.

The capital structure is the basis for weighing the combination of equity and debt costs. The average capital structure of debt and equity, for each Region, was based on data from Bloomberg and, similar to the beta value, weighted accordingly. We used the concluded capital structure to approximate the appropriate market capital structure for Unit 26.

²⁴ Represents an estimate of the premium return required to compensate for the extra perceived risk taken by investing in a particular country.

²⁵ Excludes closed end mutual funds, preferred stocks, real estate investment trusts, foreign stocks, American Depository Receipts, unit investment trusts, and American Trusts.

All components necessary to compute the cost of capital are available. Given below is the equation and computation of the weighted average cost of capital (“WACC”).

$$R_c = W_e R_e + W_d R_d$$

Where:

- R_c = Weighted Average Cost of Capital
- W_e = Weight of Equity in Capital Structure
- W_d = Weight of Debt in Capital Structure

The following table summarizes all the components utilized to compute the cost of capital and the resultant WACC:

	WACC
Average Brady Bond	6.52%
Taxes	<u>1.95%</u>
Cost of Debt	4.56%
US Risk Free Rate	4.88%
Weighted Beta Value	0.52
World Equity Risk Premium	<u>7.78%</u>
Subtotal	8.94%
Country Risk Premium ^a	1.28%
Size Premium ^b	2.90%
Other ^c	<u>-2.00%</u>
Total Cost of Equity	11.12%
Debt / Capital Structure	20.35%
Equity / Capital Structure	<u>79.65%</u>
WACC (rounded)	10.00%

Notes:

- a) Based on a study conducted by Professor Aswath Damodaran from the New York University Stern School of Business, the estimated country risk premium, for an equity investment in Panama, is 1.28%.*
- b) Based on data presented in Ibbotson Associates Stocks, Bonds, Bills and Inflation 2004 Yearbook*
- c) Reflects stability in energy demand from ACP and Panama, and independence from Panama's economic and country risk*

RESIDUAL VALUE CALCULATION

The residual value calculation, in the DCF approach, is based on the present value of the net cash flows, beyond the specific Forecast Period, into perpetuity. The first step is to calculate the residual cash flow by applying the long-term annual growth rate ("g") to the expected net cash flows in last year of the Forecast Period. The resultant residual cash flow is divided by the residual divisor to arrive at the residual value of the company at the end of the Forecast Period. To arrive at the residual value, the calculated residual value is

present valued to the current value equivalent. The residual divisor is based on the application of the Gordon Growth Model (i.e., residual divisor = $k-g$, where k is the risk adjusted discount rate and g is the long-term annual growth rate).

A long-term growth rate of 1.5% was assumed and reflects (i) the expected long-term growth rate after the specific Forecast Period; and (ii) maximum capacity of Unit 26.

SUMMARY OF VALUE

Based on the DCF analysis presented in Exhibit 3, a value of \$203.7 million was concluded for the BEV of Unit 26, as of the Valuation Date.

MARKET COMPARABLE APPROACH

OVERVIEW

The market comparable approach uses the price relationships of publicly traded stocks to derive value. The accuracy of this approach depends on the similarity between the public companies and the subject company.

The first step of the market comparable approach is to develop a group of publicly traded companies that (i) participate in the same general field of endeavor; and (ii) are influenced by similar trends and economic conditions as the subject company.

After selection of the comparables groups, multiples of current sales, EBITDA, and earnings before interest and taxes (“EBIT”) were derived from the respective comparable’s price and financial information, as presented in the Bloomberg database. Also, historical four year average EBIT and EBITDA were derived. Refer to Exhibit 4 for details.

To determine the appropriate multiples to apply to the subject company’s current and average performance matrices, a comparison of the comparable companies’ historical growth, profit margins, assets returns, size and market risk with the subject company’s historical performance and characteristics was conducted. The comparison results in the magnitude of adjustments required for the comparable market multiples.

The resultant adjusted market multiples are applied to the subject company’s current and average financial performance to derive the value indication for the subject company. The derived value indication is adjusted for non-operating assets, specifically, cash and investments, to arrive at the BEV of the subject company.

VALUATION ANALYSIS

Based on our research and analysis, the Comparables consist of publicly traded utilities who are solely involved in the generation of electricity and its product is mainly sold to power distribution companies. The Comparables were divided into their respective Regions.

The following lists the Comparables.

Europe	Asia	North America	South America
CES AS	Zhejiang Southeast Electric Power	Texas Genco	Cia Energetica
	Shanxi Zhangze Electric Power	Transcanada Power	Central Costanera
	Shantou Electric Power	Boralex Power	Duke Energy International
	SDIC Huajing Power	Great Lakes Hydro	Tractebel Energia
	Huaneng Power		Empresa Electrica
	Huadian Energy		AES Tiete
	Guodian Changyuan		
	Guangxi Guiguan Electric		
	Guangdong Electric		
	Huadian Power		
	Electricity Generating		
	Asia Power		

To improve the accuracy of this analysis, each Region's derived market multiples are weighed¹⁹ and then adjusted for differences between the Comparables and Unit 26.

The following chart, in thousand of dollars, summarizes the market approach value indicators, resulting from the application of the adjusted and weighted market multiples (based on a comparison between Unit 26's and the Comparables' performance and operational matrices) to Unit 26's adjusted financial performance results.

	Performance Matrix	Selected Multiple	Non-Operational Assets	BEV⁽¹⁾
Adjusted EBIT				
TTM	\$20,235.0	10.6	\$8.3	\$214,499.3
Four Year Average	17,928.0	13.0	8.3	233,072.3
Adjusted EBITDA				
TTM	23,056.0	6.0	8.3	138,344.3
Four Year Average	20,470.8	7.8	8.3	159,680.5
Adjusted Sales				
	49,237.0	3.6	8.3	177,261.5

⁽¹⁾ Concluded value indications do not necessary equal to mathematically calculated values due to rounding of individual parameters for presentation purposes.

The resultant BEV indicators varied from \$138.3 million to \$233.1 million. Based upon this range, a value of \$184.6 million was concluded for the BEV of Unit 26 utilizing the market comparable approach.

CONCLUSION – BUSINESS ENTERPRISE VALUE

The application of the DCF and market comparable analyses resulted in BEV indications for Unit 26, as of the Valuation Date, at \$203.7 million and \$184.6 million, respectively. After carefully considering the strengths and weakness inherent in each approach, and the specific assumptions utilized, we weighed the DCF (75%) greater than the market comparable analysis (25%) due to the lack of truly comparable companies relative to Unit 26.

Based on the DCF and market comparable analyses, the concluded weighting, and subject to the limiting conditions and assumptions presented herein, it is our opinion that the BEV of Unit 26, as of the Valuation Date, is:

ONE HUNDRED NINETY-EIGHT MILLION
AND NINE HUNDRED THOUSAND DOLLARS
\$198.9 Million

VRC does not conduct or provide environmental liability assessments of any kind in performing its valuations so that our opinion of values will not reflect any actual or contingent environmental liabilities except to the extent we are provided with a specific monetary assessment of such liabilities in writing. In any event, VRC will not verify such monetary assessment and will offer no warranty or representation as to its accuracy or completeness. For purposes of this engagement, our opinion of values excludes any actual or contingent environmental liabilities.

VRC has investigated neither the title to nor any liabilities against the property appraised. Neither VRC nor any of its personnel have any material financial interest in the equity appraised, and we certify that the compensation received for this study is not contingent upon the conclusions stated.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following assumptions and limiting conditions.

1. This report and the conclusions arrived at can only be relied upon by the parties to whom the transmittal letter is addressed for the sole and specific purposes as noted and as of the appraisal date specified. Furthermore, the report and conclusions are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusions reached represent the considered opinion of VRC, based upon information furnished to them by the Company and other sources.
2. In accordance with recognized professional standards as generally practiced in the valuation industry, the fee for these services is not contingent upon the conclusions of value contained in the report. VRC has determined to the best of its knowledge and in good faith that neither it nor any of its agents or employees has a material financial interest in the Company.
3. VRC assumes that all laws, statutes, ordinances, zoning and use regulations, other regulations, or regulations of any governmental authority relevant to and in connection with this engagement are complied with unless express written noncompliance is brought to the attention of VRC by those relied on by VRC, including the Company and its management, and stated and defined in the appraisal report.
4. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
5. VRC has relied on certain public information and statistical information furnished by others, including, but not limited to, the Company, without verification. VRC believes such information to be reliable as to accuracy and completeness but offers no warranty or representation to that effect; however, nothing has come to our attention in the course of this engagement that would cause us to believe that any furnished information is inaccurate in any material respect or that it is unreasonable to utilize and rely upon such information.
6. In the event this report is used for a sale price, financing, or tax purposes, no responsibility is assumed for the inability to negotiate favorably on the basis of the values expressed herein.

7. VRC has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to or in compliance with the Americans with Disability Act of 1990 (ADA) and this report does not consider the impact, if any, of non-compliance in estimating the value of the property.
8. Material changes in the industry or in market conditions that might affect the Company's business from and after the appraisal date, which are not reasonably foreseeable, are not taken into account.
9. The issuance of this report by VRC does not represent an assurance, guarantee, or warranty that the Company will not default on any debt obligations, if any, associated with the values stated in the report, nor does VRC make any assurance, guarantee, or warranty that the covenants for any financing will not be broken in the future.
10. Future services regarding the subject matter of this report, including, but not limited to, testimony or attendance in court, shall not be required of VRC, unless previous arrangements have been made in writing.
11. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of any appraiser or appraisers, or the company with which such appraisers are connected, or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other public means of communication, without the prior written consent and approval of VRC.
12. No representation is made as to the legal sufficiency for any purpose of the definitions contained in the body of the report; such definitions are used solely for setting forth the scope of this report and VRC believes such definitions to be reasonable for the purposes of rendering this report.
13. Neither VRC, nor its agents or employees assume any responsibility for matters legal in nature, nor do they render any opinion as to any title to, or legal status of, property, which may be involved, both real and personal, tangible and intangible. Title is assumed to be good and marketable.
14. The Company agrees to reimburse VRC for any expenses that VRC may incur, as a party, witness or participant in connection with any litigation or dispute involving this engagement. This includes, unless it resulted from VRC's gross negligence or willful misconduct, all reasonable out-of-pocket costs such as travel expenses, attorney fees and, if necessary, costs of enforcing this agreement.

15. Where there may be real property involved, and unless specifically stated, Valuation Research has not made a land survey of the property and has assumed that the Company has clear title to the property. VRC assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such unapparent conditions or for arranging for engineering studies that may be required to discover such unapparent conditions or any such unapparent conditions, which may exist.
16. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless otherwise specified within the report. The property is appraised and conclusions of value are based upon the assumption that responsible ownership and competent management will continue.
17. Our opinion is necessarily based on economic, market, financial and other conditions as they exist on the date of this report. While various judgments and estimates which we consider reasonable and appropriate under the circumstances were made by us in the determination of value, no assurance can be given by us that the sale price which might ultimately be realized in any actual transaction, if and when effected, will be at the Market Value indicated.
18. Material changes in the industry or in market conditions that might affect the Company's business from and after the appraisal date, which are not reasonably foreseeable, are not taken into account.
19. The conclusions of value are based upon the assumption that the current level of management expertise and effectiveness would continue to be maintained and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners participation would not be materially or significantly changed.
20. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocation of value for land and improvements must not be used in conjunction with any other appraisal and is invalid if so used.
21. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non compliance is stated, defined, and considered in the appraisal report. It is further assumed that any mechanical and electrical equipment, which is considered part of the real estate, is in proper operating condition except when noted herein. These include, but are not limited to, such items as the heating, air conditioning, plumbing, sprinkler, and electrical systems.

22. Detailed architectural and engineering drawings were not always available to the appraisers. Construction details are based on the property inspections, available drawings, tax records, and interviews with the plant managers. However, some construction details in this report may differ from the actual construction.
23. No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
24. In this report, the existence of potentially hazardous material used in the construction or maintenance of any structures, such as the presence of urea-formaldehyde foam insulation, and/or the existence of toxic waste, which may or may not be present on the property, was not observed by VRC, its employees or contractors, nor do they have any knowledge of the existence of such materials on or in the property except as noted. The appraisers, however, are not qualified to detect such substances. The existence of such substances may have an effect on the value of the property or properties appraised. VRC urges the client to retain an expert in this field if so desired.
25. It is assumed that the utilization of any land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.
26. VRC is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report wishing to know whether such liabilities exist, or their scope, and the effect on the value of the property is encouraged to obtain a professional environmental assessment. VRC does not conduct or provide environmental assessments and has not performed one for this report.

27. VRC has not determined independently whether the Company is subject to any present or future liability relating to environmental matters, including but not limited to CERCLA/ Superfund liability. VRC's report takes no such liabilities into account. To the extent such information has been reported to us, VRC has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

CERTIFICATION

The undersigned certifies that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent upon the report of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation and with the Codes of Ethics of the Appraisal Institute and the American Society of Appraisers.
- I have made a personal inspection of certain properties that are the subject of this report.



Bryan H. Browning, CFA, ASA

12-21-05

Date

EXHIBITS

PANAMA CANAL AUTHORITY - POWER DIVISION
BALANCE SHEET SUMMARY
AS OF SEPTEMBER 30 (4)
(\$MILLION)

	Mar 31 (4)									
	<u>2005</u>	<u>%</u>	<u>2004</u>	<u>%</u>	<u>2003</u>	<u>%</u>	<u>2002</u>	<u>%</u>	<u>2001</u>	<u>%</u>
CURRENT ASSETS:										
Cash & Investments	\$8.3	6.1%	\$4.5	3.5%	(\$9.2)	-9.8%	\$14.8	21.7%	\$14.0	24.9%
Accounts Receivable (1)	77.2	56.8%	72.8	56.8%	51.3	54.4%	14.5	21.4%	5.5	9.8%
Inventories	2.1	1.5%	2.2	1.7%	3.2	3.4%	3.6	5.3%	3.1	5.6%
Deferred Tax Benefit	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total	<u>87.5</u>	64.4%	<u>79.5</u>	62.1%	<u>45.3</u>	48.1%	<u>32.8</u>	48.4%	<u>22.7</u>	40.3%
LONG-TERM ASSETS:										
Gross Property and Equipment	60.4	44.4%	59.2	46.2%	56.5	59.9%	40.1	59.1%	37.0	65.7%
Accumulated Depreciation	(12.0)	-8.8%	(10.6)	-8.3%	(7.5)	-8.0%	(5.1)	-7.5%	(3.4)	-6.0%
Net Property and Equipment	<u>48.4</u>	35.6%	<u>48.6</u>	37.9%	<u>48.9</u>	51.9%	<u>35.0</u>	51.6%	<u>33.6</u>	59.7%
Other	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total	<u>48.4</u>	35.6%	<u>48.6</u>	37.9%	<u>48.9</u>	51.9%	<u>35.0</u>	51.6%	<u>33.6</u>	59.7%
TOTAL ASSETS	<u><u>\$136.0</u></u>	100.0%	<u><u>\$128.2</u></u>	100.0%	<u><u>\$94.2</u></u>	100.0%	<u><u>\$67.8</u></u>	100.0%	<u><u>\$56.3</u></u>	100.0%
CURRENT LIABILITIES										
Accounts Payable (2)	\$48.4	35.6%	\$48.1	37.6%	\$28.8	30.6%	\$6.4	9.4%	\$2.4	4.2%
Provision for Marine Accident Claims	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Accrued Liabilities	1.3	1.0%	1.4	1.1%	1.2	1.3%	1.0	1.4%	0.7	1.2%
Other (3)	0.7	0.5%	0.1	0.0%	0.8	0.8%	0.0	0.0%	0.0	0.0%
Total	<u>50.5</u>	37.1%	<u>49.6</u>	38.7%	<u>30.8</u>	32.6%	<u>7.3</u>	10.8%	<u>3.0</u>	5.4%
LONG TERM LIABILITIES:										
Deferred Taxes	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Long-Term Debt	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total	<u>0.0</u>	0.0%	<u>0.0</u>	0.0%	<u>0.0</u>	0.0%	<u>0.0</u>	0.0%	<u>0.0</u>	0.0%
EQUITY:										
Common Stock	53.1	39.0%	53.3	41.6%	53.8	57.1%	45.3	66.8%	42.0	74.6%
Retained Earnings	32.4	23.9%	25.3	19.8%	9.6	10.2%	13.7	20.1%	9.7	17.2%
Preferred Stock	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Additional Paid-in Capital	0.0	0.0%	0.0	0.0%	0.0	0.0%	1.6	2.3%	1.6	2.8%
Total	<u>85.5</u>	62.9%	<u>78.6</u>	61.3%	<u>63.5</u>	67.4%	<u>60.5</u>	89.2%	<u>53.3</u>	94.6%
TOTAL LIABILITIES & EQUITY	<u><u>\$136.0</u></u>	100.0%	<u><u>\$128.2</u></u>	100.0%	<u><u>\$94.2</u></u>	100.0%	<u><u>\$67.8</u></u>	100.0%	<u><u>\$56.3</u></u>	100.0%

Notes

(1) Includes account receivable from the Office of Transition Administration and between business units

(2) Includes account payable between business units

(3) Includes reserves for marine accidents and occasional loss

(4) Except 2005, which reflects latest interim period

PANAMA CANAL AUTHORITY - POWER DIVISION
INCOME STATEMENT SUMMARY
AS OF SEPTEMBER 30 (8)
(\$MILLION)

	Mar 31 (8)										9 Months	
	2005	%	2004	%	2003	%	2002	%	2001	%	2000	%
Net Sales (1)	\$16.7	100.0%	\$34.9	100.0%	\$26.5	100.0%	\$15.0	100.0%	\$21.7	100.0%	\$15.8	100.0%
Cost of Sales (2)	7.6	45.8%	18.3	52.5%	14.2	53.5%	6.5	43.6%	12.3	56.7%	5.5	34.9%
Gross Profit	9.0	54.2%	16.6	47.5%	12.3	46.5%	8.5	56.4%	9.4	43.3%	10.3	65.1%
Operating Expenses (3):												
Sales & Marketing	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Administration	3.2	19.0%	6.8	19.6%	6.2	23.4%	6.4	42.6%	7.3	33.5%	0.7	4.3%
Other	0.1	0.8%	0.3	0.7%	0.1	0.5%	0.2	1.3%	0.1	0.6%	0.1	0.4%
Total	3.3	19.8%	7.1	20.3%	6.3	23.9%	6.6	43.9%	7.4	34.1%	0.7	4.6%
EBITDA (4)	5.7	34.4%	9.5	27.1%	6.0	22.6%	1.9	12.5%	2.0	9.2%	9.5	60.4%
Depreciation	1.4	8.6%	3.0	8.6%	2.4	9.2%	1.9	12.4%	2.0	9.3%	1.8	11.3%
EBIT (5)	4.3	25.8%	6.4	18.5%	3.6	13.4%	0.0	0.1%	(0.0)	-0.1%	7.7	49.1%
Interest Expense	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Loss (Gain) on Sale of Assets	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other Expense (Income)	(2.8)	16.7%	(5.5)	15.6%	(4.3)	16.4%	(4.0)	26.3%	0.9	4.1%	0.1	0.8%
Pretax Profit	7.1	42.6%	11.9	34.1%	7.9	29.7%	4.0	26.5%	(0.9)	-4.2%	7.6	48.3%
Taxes	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Net Income	\$7.1	42.6%	\$11.9	34.1%	\$7.9	29.7%	\$4.0	26.5%	(\$0.9)	-4.2%	\$7.6	48.3%
Capital Expenditures	\$0.5		\$1.5		\$2.6		\$13.9		\$4.4		\$2.8	

Notes:

- (1) Excludes Interest and Misc Income, included in "Other Expense (Income)" category
- (2) Includes fee per ton, material and supplies, fuel, and capitalized material and supplies
- (3) Excludes Depreciation
- (4) Earnings Before Interest, Taxes, Depreciation, and Amortization
- (5) Earnings Before Interest and Taxes
- (6) "NM" = No Meaningful Figure
- (7) Reflects growth between annualized 2005 and annualized 2000 results
- (8) Except 2005 which is based on latest interim results

GROWTH RATE ANALYSIS

	2005	2004	2003	2002	2001	(7) Compound Annualized Growth Rate
Sales	-4.5%	31.5%	76.7%	-30.8%	37.7%	9.7%
Gross Profit	9.0%	34.2%	45.6%	-9.9%	-8.3%	5.7%
EBITDA	21.1%	57.9%	218.4%	-5.8%	-79.0%	-2.0%
EBIT	33.5%	81.3%	NM	NM	NM	-3.6%
Net Income	19.1%	50.8%	98.6%	NM	NM	6.9%
Capital Expenditures	-31.5%	-44.3%	-81.1%	214.7%	55.8%	-23.3%

PANAMA CANAL AUTHORITY - POWER DIVISION
RATIO ANALYSIS
AS OF SEPTEMBER 30 (4)

	<u>TTM</u> <u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>Four-Year</u> <u>Average (1)</u>
LIQUIDITY RATIOS:						
Current	1.7	1.6	1.5	4.5	7.5	3.8
Quick	1.7	1.6	1.4	4.0	6.4	3.3
Working Capital / Sales	111.3%	85.9%	54.8%	169.8%	90.6%	100.3%
ASSET MANAGEMENT RATIOS:						
Inventory Turnover (COGS)	7.3	8.3	4.4	1.8	3.9	4.6
Average Collection Period	846	761	705	352	93	478.0
Net Fixed Asset Turnover	0.7	0.7	0.5	0.4	0.6	0.6
Total Asset Turnover	0.2	0.3	0.3	0.2	0.4	0.3
DEBT MANAGEMENT RATIOS:						
Liabilities / Total Assets	37.1%	38.7%	32.6%	10.8%	5.4%	21.9%
Long-Term Debt / Equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Times Interest Earned	NA	NA	NA	NA	NA	NA
PROFITABILITY RATIOS:						
Return on Total Assets	10.4%	9.3%	8.4%	5.9%	-1.6%	5.5%
Pretax Profit / Total Assets	10.4%	9.3%	8.4%	5.9%	-1.6%	5.5%
Return on Equity	16.6%	15.1%	12.4%	6.6%	-1.7%	8.1%
Pretax Profit / Equity	16.6%	15.1%	12.4%	6.6%	-1.7%	8.1%

Notes

(1) Excludes TTM 2005 results

PANAMA CANAL AUTHORITY - POWER DIVISION
ADJUSTED OPERATING BALANCE SHEET
AS OF SEPTEMBER 30 (3)
(\$MILLION)

	As of Mar 31 (3)									
	2005	%	2004	%	2003	%	2002	%	2001	%
CURRENT ASSETS:										
Cash & Investments (1)	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
Accounts Receivable	77.2	60.4%	72.8	58.9%	51.3	49.6%	14.5	27.3%	5.5	13.1%
Inventories	2.1	1.6%	2.2	1.8%	3.2	3.1%	3.6	6.8%	3.1	7.4%
Deferred Tax Benefit	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total	79.2	62.1%	75.0	60.7%	54.5	52.7%	18.1	34.0%	8.7	20.5%
LONG-TERM ASSETS:										
Gross Property and Equipment	60.4	47.3%	59.2	47.9%	56.5	54.6%	40.1	75.6%	37.0	87.5%
Accumulated Depreciation	(12.0)	-9.4%	(10.6)	-8.6%	(7.5)	-7.3%	(5.1)	-9.6%	(3.4)	-8.0%
Net Property and Equipment	48.4	37.9%	48.6	39.3%	48.9	47.3%	35.0	66.0%	33.6	79.5%
Other	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total	48.4	37.9%	48.6	39.3%	48.9	47.3%	35.0	66.0%	33.6	79.5%
TOTAL ASSETS	\$127.7	100.0%	\$123.6	100.0%	\$103.5	100.0%	\$53.1	100.0%	\$42.3	100.0%
CURRENT LIABILITIES										
Accounts Payable	\$48.4	37.9%	\$48.1	38.9%	\$28.8	27.8%	\$6.4	12.0%	\$2.4	5.6%
Provision for Marine Accident Claims	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Accrued Liabilities	1.3	1.1%	1.4	1.1%	1.2	1.2%	1.0	1.8%	0.7	1.6%
Other	0.7	0.6%	0.1	0.0%	0.8	0.7%	0.0	0.0%	0.0	0.0%
Total	50.5	39.5%	49.6	40.1%	30.8	29.7%	7.3	13.8%	3.0	7.2%
LONG TERM LIABILITIES:										
Deferred Taxes	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Long-Term Debt	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
EQUITY:										
Common Stock	53.1	41.6%	53.3	43.1%	53.8	52.0%	45.3	85.3%	42.0	99.4%
Retained Earnings (2)	24.1	18.9%	20.8	16.8%	18.9	18.2%	(1.1)	-2.1%	(4.3)	-10.3%
Preferred Stock	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Additional Paid-in Capital	0.0	0.0%	0.0	0.0%	0.0	0.0%	1.6	3.0%	1.6	3.7%
Total	77.2	60.5%	74.1	59.9%	72.7	70.3%	45.8	86.2%	39.2	92.8%
TOTAL LIABILITIES & EQUITY	\$127.7	100.0%	\$123.6	100.0%	\$103.5	100.0%	\$53.1	100.0%	\$42.3	100.0%

Notes:

(1) Adjusted for Nonoperational Assets - Cash

(2) Adjusted Retained Earnings for Nonoperational Asset Adjustments in Order to Balance Accounts

(3) Except 2005 which reflects latest interim results

SUMMARY OF NONOPERATIONAL ASSETS

	2005	2004	2003	2002	2001
Cash & Investments	\$8.3	\$4.5	(\$9.2)	\$14.8	\$14.0
Notes Receivables	0.0	0.0	0.0	0.0	0.0
Cash Value of Life Insurance	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Total Nonoperational Assets	\$8.3	\$4.5	(\$9.2)	\$14.8	\$14.0

PANAMA CANAL AUTHORITY - POWER DIVISION
ADJUSTED INCOME STATEMENT SUMMARY
AS OF SEPTEMBER 30
(\$MILLION)

	Annualized		TTM		2004		2003		2002	
	2005 (5)	%	2005	%		%		%		%
Net Sales	\$33.3	100.0%	\$36.2	100.0%	\$34.9	100.0%	\$26.5	100.0%	\$15.0	100.0%
<i>Adjustment (1)</i>	13.0	28.1%	13.0	26.5%	13.0	27.1%	12.7	32.4%	14.3	48.8%
Adjusted Net Sales	46.4	100.0%	49.2	100.0%	47.9	100.0%	39.3	100.0%	29.4	100.0%
Cost of Sales (2)	15.3	32.9%	18.9	38.5%	18.3	38.3%	14.2	36.2%	6.5	22.3%
<i>Adjustment</i>	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Adjusted Cost of Sales	15.3	32.9%	18.9	38.5%	18.3	38.3%	14.2	36.2%	6.5	22.3%
Gross Profit	31.1	67.1%	30.3	61.5%	29.5	61.7%	25.1	63.8%	22.8	77.7%
Operating Expenses										
Sales & Marketing	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
<i>Adjustment</i>	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Adjusted Sales & Marketing	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Administration	6.3	13.6%	6.9	14.1%	6.8	14.3%	6.2	15.8%	6.4	21.8%
<i>Adjustment</i>	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Adjusted Administration	6.3	13.6%	6.9	14.1%	6.8	14.3%	6.2	15.8%	6.4	21.8%
Other	0.3	0.6%	0.3	0.6%	0.3	0.5%	0.1	0.4%	0.2	0.7%
Adjustment One	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Adjustment Two	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Adjusted Other	0.3	0.6%	0.3	0.6%	0.3	0.5%	0.1	0.4%	0.2	0.7%
Adjusted Total	6.6	14.2%	7.2	14.7%	7.1	14.8%	6.3	16.2%	6.6	22.5%
EBITDA (3)	24.5	52.8%	23.1	46.8%	22.4	46.9%	18.7	47.7%	16.2	55.2%
Depreciation & Amortization	2.9	6.1%	2.8	5.7%	3.0	6.3%	2.4	6.2%	1.9	6.3%
EBIT (4)	21.6	46.7%	20.2	41.1%	19.4	40.6%	16.3	41.5%	14.4	48.9%
Other Expense (Income)	(5.6)	-12.0%	(5.3)	-10.7%	(5.5)	-11.4%	(4.3)	-11.1%	(4.0)	-13.5%
<i>Adjustment</i>	5.6	12.0%	5.3	10.7%	5.5	11.4%	4.3	11.1%	4.0	13.5%
Adjusted Other	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Pretax Earnings	\$21.6	46.7%	\$20.2	41.1%	\$19.4	40.6%	\$16.3	41.5%	\$14.4	48.9%
Adjusted Four-Year Average EBITDA (6)			\$20.5							
Adjusted Four-Year Average EBIT (6)			\$17.9							

Notes:

- (1) Reflects adjusting internal ACP consumption to comparable rates sold to the open market
- (2) Excludes depreciation
- (3) Earnings Before Interest Taxes Depreciation and Amortization
- (4) Earnings Before Interest and Taxes
- (5) Annualized for Interim Period
- (6) Excludes TTM 2005 results

PANAMA CANAL AUTHORITY - POWER DIVISION
ADJUSTED OPERATING RATIOS
AS OF SEPTEMBER 30 (4)

	Annualized <u>2005</u>	TTM <u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	Four-Year Average (3)	Weighted Average (3)
<i>COST AND EXPENSE ANALYSIS:</i>							
COGS / Revenues	45.8%	52.4%	52.5%	53.5%	43.6%	48.9%	49.2%
Sales & Marketing Expenses / Revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Administrative Expenses / Revenues	19.0%	19.2%	19.6%	23.4%	42.6%	26.1%	22.4%
Other Expenses / Revenues	0.8%	0.8%	0.7%	0.5%	1.3%	0.9%	0.8%
Total Operating Expenses / Revenues	19.8%	20.0%	20.3%	23.9%	43.9%	27.0%	23.2%
Other Expenses / Revenues	9.9%	14.5%	15.6%	16.4%	26.3%	17.1%	14.6%
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>ADJUSTED COST AND EXPENSE ANALYSIS:</i>							
COGS / Revenues	32.9%	38.5%	38.3%	36.2%	22.3%	32.4%	34.1%
Sales & Marketing Expenses / Revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Administrative Expenses / Revenues	13.6%	14.1%	14.3%	15.8%	21.8%	16.4%	15.1%
Other Expenses / Revenues	0.6%	0.6%	0.5%	0.4%	0.7%	0.5%	0.5%
Operating Expenses / Revenues	14.7%	14.7%	14.8%	16.2%	22.5%	17.0%	15.8%
<i>CAPITAL REPLACEMENT ANALYSIS:</i>							
Capital Expenditures / Revenues	2.2%	3.0%	3.1%	6.7%	47.2%	14.8%	7.8%
<i>WORKING CAPITAL ANALYSIS (1):</i>							
Accounts Receivable / Revenues	166.5%	156.7%	152.1%	130.6%	49.3%	124.6%	143.3%
Inventory / Revenues	4.5%	4.2%	4.6%	8.2%	12.2%	7.4%	6.1%
Other Current Assets / Revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts Payable / Revenues	104.4%	98.3%	100.6%	73.3%	21.7%	75.0%	88.7%
Other Current Liabilities / Revenues	1.6%	1.5%	0.1%	2.0%	0.0%	0.9%	1.1%
Net Working Capital / Revenues	65.0%	61.2%	56.0%	63.5%	39.9%	56.1%	59.5%
<i>MARGIN ANALYSIS:</i>							
EBITDA / Revenues	34.4%	27.7%	27.1%	22.6%	12.5%	24.2%	27.7%
EBIT / Revenues	25.8%	19.9%	18.5%	13.4%	0.1%	14.5%	18.6%
Net Income / Revenues	42.6%	34.4%	34.1%	29.7%	26.5%	33.2%	35.9%
EBITDA / Assets	8.4%	7.4%	7.4%	6.4%	2.8%	6.2%	7.1%
EBIT / Assets	6.3%	5.3%	5.0%	3.8%	0.0%	3.8%	4.8%
Net Income / Assets	10.4%	9.2%	9.3%	8.4%	5.9%	8.5%	9.2%
<i>ADJUSTED MARGIN ANALYSIS:</i>							
EBITDA / Revenues	52.8%	46.8%	46.9%	47.7%	55.2%	50.7%	50.3%
EBIT / Revenues	46.7%	41.1%	40.6%	41.5%	48.9%	44.4%	44.0%
EBITDA / Assets	19.2%	18.1%	18.2%	18.1%	30.6%	21.5%	19.8%
EBIT / Assets	17.0%	15.9%	15.7%	15.7%	27.0%	18.9%	17.3%

Notes:

- (1) Excludes Cash and Short-Term Debt
(2) Excluded TTM 2005 results
(3) Except 2005 results

PANAMA CANAL AUTHORITY - POWER DIVISION

DISCOUNTED CASH FLOW FORECAST ANALYSIS

AS OF MARCH 31, 2005

(\$THOUSANDS)

	6 Months				
	2005	2006	2007	2008	2009
Revenues	\$30,039.8	\$54,915.7	\$53,809.4	\$52,706.1	\$51,437.8
Cost of Sales	11,156.7	20,318.8	19,909.5	19,501.3	19,032.0
Gross Profit	18,883.1	34,596.9	33,899.9	33,204.8	32,405.8
Operating Expenses	4,653.3	8,506.6	8,335.2	8,164.3	7,967.9
EBITDA (1)	14,229.9	26,090.3	25,564.7	25,040.5	24,438.0
Depreciation	764.2	1,787.2	1,827.0	1,859.6	1,884.2
EBIT (2)	13,465.7	24,303.1	23,737.7	23,180.9	22,553.8
Income Taxes 30.0%	4,039.7	7,290.9	7,121.3	6,954.3	6,766.1
Net Income	9,426.0	17,012.2	16,616.4	16,226.6	15,787.6
Depreciation	764.2	1,787.2	1,827.0	1,859.6	1,884.2
Capital Expenditures	(1,372.0)	(1,931.7)	(1,892.8)	(1,854.0)	(1,809.4)
Working Capital Changes	(1,076.6)	(952.9)	620.7	619.0	711.6
Net Cash Flows	7,741.5	15,914.7	17,171.2	16,851.2	16,574.0
PV Factor at 10.0%	0.9765	0.9091	0.8264	0.7513	0.6830
PV of Net Cash Flows	7,559.2	14,468.0	14,191.1	12,660.6	11,320.3
Sum of PV of Net Cash Flows	60,199.1				
PV of Residual Value	135,177.1				
Operating BEV (3)	195,376.3				
Nonoperational Asset	8,296.0				
Total Enterprise Value	\$203,672.3				

Residual Calculation	
Net Cash Flow @ 2009	16,574.0
1 + Long Term Growth	1.015
Residual Cash Flow	16,822.6
Residual Divisor	8.5%
Residual Value	197,912.9
PV Factor	0.6830
PV of Residual Value	135,177.1

Assumption Highlights	2005 (4)	2006	2007	2008	2009
Gross Generation (MWh)	691,140.0	691,140.0	691,140.0	691,140.0	691,140.0
Loss (% of Gross)	4.1%	4.1%	4.1%	4.1%	4.1%
Rates / kWh					
Internal Consumption	\$0.092	\$0.093	\$0.095	\$0.096	\$0.098
Bulk Sales	\$0.077	\$0.080	\$0.078	\$0.075	\$0.072
Gross Margin	62.9%	63.0%	63.0%	63.0%	63.0%
Operating Expenses - % of Sales	15.5%	15.5%	15.5%	15.5%	15.5%
EBITDA Margin	47.4%	47.5%	47.5%	47.5%	47.5%
Working Capital - % of Sales	56.1%	56.1%	56.1%	56.1%	56.1%

Notes

(1) *Earnings Before Interest, Taxes, Depreciation, and Amortization*

(2) *Earnings Before Interest and Taxes*

(3) *Operating Business Enterprise Value*

(4) *Reflects full year assumptions, which are adjusted for first half results to arrive at second half estimates*

PANAMA CANAL AUTHORITY - POWER DIVISION
EUROPEAN GUIDELINE COMPARABLE COMPANY RATIOS
AS OF SEPTEMBER 30, 2004

	CES AS General	COMPARABLES (1) <u>Average / Median</u>		ACP Power
INVESTED CAPITAL RATIOS:				
EBIT:				
Current	25.2	25.2	25.2	
Four Year Average	26.8	26.8	26.8	
EBITDA:				
Current	8.9	8.9	8.9	
Four Year Average	10.8	10.8	10.8	
Sales	3.1	3.1	3.1	
FINANCIAL RATIOS:				
Sales (Millions)	B/. 4,312.7	B/. 4,312.7	B/. 4,312.7	B/. 47.9
Assets (Millions)	12,028.3	12,028.3	12,028.3	128.2
Asset Turnover				
Current	0.36	0.36	0.36	0.27
Four Year Average	0.29	0.29	0.29	0.29
D.F Earnings / Sales	7.5%	7.5%	7.5%	24.7%
EBIT / Sales:				
Current	12.3%	12.3%	12.3%	40.6%
Four Year Average	17.2%	17.2%	17.2%	44.4%
EBITDA / Sales:				
Current	35.0%	35.0%	35.0%	46.9%
Four Year Average	40.2%	40.2%	40.2%	50.7%
EBIT / Assets:				
Current	4.4%	4.4%	4.4%	15.7%
Four Year Average	4.7%	4.7%	4.7%	18.9%
EBITDA / Assets:				
Current	12.5%	12.5%	12.5%	18.2%
Four Year Average	11.4%	11.4%	11.4%	21.5%
Total Debt / Equity	28.2%	28.2%	28.2%	0.0%
EBIT / Interest	3.5	3.5	3.5	NA
Average Compound Annual Growth				
Sales	21.2%	21.2%	21.2%	9.7%
EBITDA	10.1%	10.1%	10.1%	-2.0%

PANAMA CANAL AUTHORITY - POWER DIVISION
ASIAN GUIDELINE COMPARABLE COMPANY RATIOS
AS OF SEPTEMBER 31, 2004

Exhibit 4
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Zhejiang Southeast	Shanxi Zhangze	Shanlou Electric	SDIC Huajing	Huaneng Power	Huadian Energy	Guodian Changyuan
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INVESTED CAPITAL RATIOS:

EBIT:							
Current	9.5	18.7	NMF	13.8	16.3	13.9	24.3
Four Year Average	11.0	15.8	NMF	NMF	18.1	22.2	28.0
EBITDA:							
Current	6.1	9.4	NMF	8.3	9.8	7.1	14.2
Four Year Average	7.1	7.7	NMF	18.3	11.3	13.0	15.4
Sales	2.0	2.7	2.5	3.8	3.7	2.6	2.8

FINANCIAL RATIOS:

Sales (Millions)	B/. 631	B/. 262	B/. 21	B/. 342	B/. 3,638	B/. 367	B/. 157
Assets (Millions)	1,111.9	565.7	67.1	1,088.5	10,480.2	1,131.5	481.6
Asset Turnover							
Current	0.57	0.46	0.31	0.31	0.35	0.32	0.33
Four Year Average	0.48	0.38	0.22	NA	0.40	0.30	0.36
D.F Earnings / Sales	12.9%	8.9%	-5.2%	16.7%	14.0%	11.3%	7.1%
EBIT / Sales:							
Current	21.1%	14.5%	-8.5%	27.4%	22.9%	18.6%	11.7%
Four Year Average	23.4%	20.7%	-1.2%	25.0%	29.1%	23.0%	13.2%
EBITDA / Sales:							
Current	32.6%	29.0%	0.7%	45.5%	38.0%	36.2%	19.9%
Four Year Average	36.3%	40.3%	9.8%	58.4%	46.5%	37.7%	23.2%
EBIT / Assets:							
Current	12.0%	6.7%	NMF	8.6%	7.9%	6.0%	3.8%
Four Year Average	11.1%	8.0%	NMF	NMF	11.5%	7.0%	4.7%
EBITDA / Assets:							
Current	18.5%	13.4%	NMF	14.3%	13.2%	11.8%	6.5%
Four Year Average	17.2%	16.4%	NMF	12.2%	18.4%	11.4%	8.2%
Total Debt / Equity	29.1%	127.1%	0.0%	108.4%	88.2%	155.2%	110.1%
EBIT / Interest	14.3	4.3	NA	3.3	10.4	2.2	1.9
Average Compound Annual Growth							
Sales	16.0%	17.2%	20.2%	9.8%	24.0%	36.5%	11.3%
EBITDA	5.9%	-16.6%	-95.2%	153.4%	11.9%	32.0%	10.2%

PANAMA CANAL AUTHORITY - POWER DIVISION

ASIAN GUIDELINE COMPARABLE COMPANY RATIOS

AS OF SEPTEMBER 31, 2004

Exhibit 4
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	Guangxi Guiguan	Guangdong Electric	Huadian Power	Electricity Generating	Asia Power	COMPARABLES (1) <u>Average / Median</u>	ACP Power	
INVESTED CAPITAL RATIOS:								
EBIT:								
Current	NMF	9.6	15.0	8.8	NMF	14.4	13.9	
Four Year Average	NMF	7.9	13.7	9.1	9.2	15.0	13.7	
EBITDA:								
Current	NMF	6.5	8.5	6.4	NMF	8.5	8.3	
Four Year Average	NMF	5.7	8.7	6.6	6.1	10.0	8.2	
Sales	NMF	2.1	3.0	3.8	0.8	2.7	2.7	
FINANCIAL RATIOS:								
Sales (Millions)	B/. 131	B/. 883	B/. 1,229	B/. 398	B/. 52	B/. 676	B/. 354	B/. 48
Assets (Millions)	1,412.3	1,718.5	3,387.8	1,409.7	75.3	1,910.8	1,121.7	128.2
Asset Turnover								
Current	0.09	0.51	0.36	0.28	0.69	0.38	0.34	0.27
Four Year Average	0.13	0.48	0.39	0.24	0.71	0.37	0.38	0.29
D.F Earnings / Sales	17.4%	13.7%	12.1%	26.6%	-0.5%	11.2%	12.5%	24.7%
EBIT / Sales:								
Current	NMF	22.4%	19.8%	43.6%	NMF	19.3%	20.5%	40.6%
Four Year Average	NMF	33.7%	27.3%	49.9%	7.2%	22.9%	23.4%	44.4%
EBITDA / Sales:								
Current	NMF	33.2%	34.9%	59.7%	NMF	33.0%	34.0%	46.9%
Four Year Average	NMF	46.3%	42.7%	68.8%	11.1%	38.3%	40.3%	50.7%
EBIT / Assets:								
Current	2.6%	11.5%	7.2%	12.3%	-0.6%	7.1%	7.2%	15.7%
Four Year Average	6.5%	15.9%	10.6%	12.0%	5.5%	9.3%	9.3%	18.9%
EBITDA / Assets:								
Current	5.1%	17.0%	12.7%	16.8%	1.1%	11.8%	13.2%	18.2%
Four Year Average	10.1%	21.8%	16.5%	16.5%	8.3%	14.3%	16.4%	21.5%
Total Debt / Equity	183.2%	25.4%	119.3%	83.1%	18.7%	87.3%	98.3%	0.0%
EBIT / Interest	11.3	16.0	3.8	3.2	(1.1)	6.3	3.8	NA
Average Compound Annual Growth								
Sales	3.7%	9.7%	12.5%	13.3%	-7.6%	13.9%	12.9%	9.7%
EBITDA	1.0%	-6.2%	-0.6%	5.1%	-59.4%	3.5%	3.1%	-2.0%

PANAMA CANAL AUTHORITY - POWER DIVISION
NORTH AMERICAN GUIDELINE COMPARABLE COMPANY RATIOS
AS OF SEPTEMBER 31, 2004

	Texas Genco	Transcanada Power	Boralex Power	Great Lakes	COMPARABLES (1) <u>Average / Median</u>	ACP Power	
INVESTED CAPITAL RATIOS:							
EBIT:							
Current	7.6	20.7	18.0	17.9	16.1	18.0	
Four Year Average	17.0	28.1	24.6	22.9	23.2	23.8	
EBITDA:							
Current	5.7	12.7	12.2	13.4	11.0	12.4	
Four Year Average	9.1	17.9	17.1	17.2	15.3	17.1	
Sales	1.7	8.0	7.0	9.2	6.5	7.5	
FINANCIAL RATIOS:							
Sales (Millions)	B/. 2,037.6	B/. 210.9	B/. 86.4	B/. 123.1	B/. 614.5	B/. 167.0	B/. 47.9
Assets (Millions)	4,271.9	1,103.6	519.5	843.2	1,684.6	973.4	128.2
Asset Turnover							
Current	0.48	0.19	0.17	0.15	0.25	0.18	0.27
Four Year Average	0.51	0.25	0.15	0.12	0.26	0.20	0.29
D.F Earnings / Sales	13.4%	23.7%	23.7%	31.3%	23.0%	23.7%	24.7%
EBIT / Sales:							
Current	21.9%	38.8%	38.8%	51.3%	37.7%	38.8%	40.6%
Four Year Average	8.0%	38.4%	38.8%	51.2%	34.1%	38.6%	44.4%
EBITDA / Sales:							
Current	29.4%	63.2%	57.4%	68.9%	54.7%	60.3%	46.9%
Four Year Average	16.4%	60.0%	54.2%	68.8%	49.8%	57.1%	50.7%
EBIT / Assets:							
Current	10.5%	7.4%	6.4%	7.5%	8.0%	7.4%	15.7%
Four Year Average	4.6%	9.5%	5.7%	6.3%	6.5%	6.0%	18.9%
EBITDA / Assets:							
Current	14.0%	12.1%	9.5%	10.1%	11.4%	11.1%	18.2%
Four Year Average	8.5%	14.8%	8.0%	8.5%	10.0%	8.5%	21.5%
Total Debt / Equity	0.0%	54.9%	24.8%	110.8%	47.6%	39.9%	0.0%
EBIT / Interest	3,191.8	4.9	5.2	2.2	801.0	5.1	NA
Average Compound Annual Growth							
Sales	-15.8%	9.5%	31.4%	43.8%	17.3%	20.5%	9.7%
EBITDA	11.2%	10.3%	53.7%	45.0%	30.1%	28.1%	-2.0%

PANAMA CANAL AUTHORITY - POWER DIVISION
SOUTH AMERICAN GUIDELINE COMPARABLE COMPANY RATIOS
AS OF SEPTEMBER 31, 2004

Exhibit 4
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	Cia Energetica	Central Costanera	Geracao Paranapanema	Tractebel Energia	Empresa Electrica	AES Tiete	COMPARABLES (1) Average / Median		ACP Power
INVESTED CAPITAL RATIOS:									
EBIT:									
Current	10.8	3.2	7.7	7.6	12.5	6.9	8.1	7.6	
Four Year Average	20.2	4.4	8.5	10.3	16.4	10.0	11.6	10.2	
EBITDA:									
Current	7.4	2.2	5.2	6.3	10.3	6.3	6.3	6.3	
Four Year Average	11.1	2.8	5.7	8.2	12.8	8.9	8.2	8.5	
Sales	5.7	0.9	3.6	3.2	8.5	4.8	4.4	4.2	
FINANCIAL RATIOS:									
Sales (Millions)	B/. 721.2	B/. 235.9	B/. 241	B/. 991	B/. 14,565	B/. 381	B/. 2,856	B/. 551.1	B/. 47.9
Assets (Millions)	7,488.1	593.4	1,393.2	2,388.2	57,218.3	878.0	11,659.9	1,890.7	128.2
Asset Turnover									
Current	0.10	0.40	0.17	0.41	0.25	0.43	0.30	0.33	0.27
Four Year Average	0.09	0.27	0.16	0.31	0.21	0.34	0.23	0.24	0.29
D.F Earnings / Sales	32.2%	16.7%	28.6%	25.5%	41.1%	43.0%	31.2%	30.4%	24.7%
EBIT / Sales:									
Current	52.8%	27.4%	46.9%	41.8%	67.4%	70.4%	51.1%	49.8%	40.6%
Four Year Average	30.7%	31.8%	44.9%	40.5%	59.5%	63.1%	45.1%	42.7%	44.4%
EBITDA / Sales:									
Current	77.7%	39.3%	68.9%	50.5%	81.9%	76.7%	65.8%	72.8%	46.9%
Four Year Average	54.4%	51.0%	67.0%	51.6%	76.1%	71.7%	62.0%	60.7%	50.7%
EBIT / Assets:									
Current	5.1%	10.9%	8.1%	17.3%	17.2%	30.5%	14.9%	14.0%	15.7%
Four Year Average	2.7%	8.2%	7.2%	13.0%	12.4%	21.4%	10.8%	10.3%	18.9%
EBITDA / Assets:									
Current	7.5%	15.6%	11.9%	21.0%	20.9%	33.3%	18.4%	18.2%	18.2%
Four Year Average	4.9%	13.3%	10.7%	16.3%	15.8%	24.2%	14.2%	14.5%	21.5%
Total Debt / Equity	144.6%	26.0%	56.6%	66.4%	25.3%	344.6%	110.6%	61.5%	0.0%
EBIT / Interest	1.4	3.4	1.1	6.1	9.4	4.5	4.3	4.0	NA
Average Compound Annual Growth									
Sales	-3.2%	37.4%	1.2%	5.8%	3.1%	9.9%	9.0%	4.5%	9.7%
EBITDA	#NUM!	56.7%	5.8%	-0.9%	16.0%	26.4%	#NUM!	#NUM!	-2.0%