



## **ACP Market Value Report**

# **Informe del Valor Comercial de la ACP**

**Valuation Research Corp.**

**31 de marzo de 2005**

**Contrato No. 140583**

**Resumen Ejecutivo**



**BALBOA, REPUBLIC OF PANAMA**

**MARKET VALUE REPORT**

**AS OF**

**MARCH 31, 2005**

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 aggregate business enterprise value (“BEV”) of the Autoridad del Canal de Panamá (“ACP” or the “Company”), as of March 31, 2005 (the “Valuation Date”). The ACP, an autonomous entity of the Republic of Panama 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 ACP, in accordance with the original requirements of Basic Item Number One<sup>1</sup>, 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 ACP, valued as of September 30, 2004, to incorporate the implementation of a new system for measuring and pricing full container vessels and other vessel types with on-deck container carrying capacity beginning in May of 2005. No other use of our investigation and valuation is intended or should be inferred.

For purposes of this analysis, our valuation<sup>2</sup> 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 discounted cash flow (“DCF”) analyses<sup>3</sup>

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<sup>1</sup> 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

<sup>2</sup> In accordance with the sixth edition of the International Valuation Standards’ Valuation Guidance Note Number 6

<sup>3</sup> In accordance with the sixth edition of the International Valuation Standards’ Valuation Guidance Note Number 9

(derivation of the income approach), which involves developing cash flow projections and determining their present value. The derived BEV represents marketable, control values.

The term "**Market Value**" is defined<sup>4</sup> 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.
2. A narrative report containing a description of the Company, a presentation of the valuation approaches used in this appraisal, and the conclusions developed from our analysis.

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<sup>4</sup> Source: International Valuation Standards, published by International Valuation Standards Committee, sixth edition 2003

3. Exhibits, (i) highlighting the consolidated financial statements of the Company, which were developed from audited statements prepared by PriceWaterhouseCoopers, LLC (FYE 2003 and 2002) and Arthur Andersen, LLC (FYE 2001 and nine months ending September 30, 2000); and (ii) summarizing the valuation of the Company.

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

VRC also (i) made site visits<sup>5</sup> on November 11 and 12, 2004; and (ii) held discussions with the management of ACP regarding past and current business operations, market overview, financial condition, and future prospects for the Company. 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 ACP.

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 range of BEVs for the Company, as of the Valuation Date, is:

SIX BILLION FIVE HUNDRED MILLION DOLLARS TO  
SEVEN BILLION THREE HUNDRED MILLION DOLLARS  
\$6.5 to \$7.3 billion

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.

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<sup>5</sup> In accordance with 5.1.2.3 of the sixth edition of the International Valuation Standards Number 3

Autoridad del Canal de Panamá

December 21, 2005

Page 4

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